

INTER-DEPARTMENTAL CHILDCARE REVIEW – NOVEMBER 2002

Delivering for children and families

ACKNOWLEDGEMENTS

Inter-departmental childcare review: Delivering for children and families

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Officials from the Department for Education and Skills, the Department for Work and Pensions, HM Treasury, the Department of Trade and Industry, the Women and Equality Unit, the Children and Young People's Unit, the Department of Health and the No 10 Policy Directorate were involved in the review

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FOREWORD BY THE PRIME MINISTER



Since we launched the National Childcare Strategy and Sure Start in 1998, we have created childcare places for nearly a million children, nursery places for all 4 year olds, and over 300 Sure Start programmes to help under 4s in deprived areas. These excellent initiatives have already made a real impact on the lives of children, parents and local communities.

But there is still a lot more to do, and I welcome this report which has provided powerful analysis and a strong case for using these initiatives as a foundation for further investment and reform. The conclusions of this report have already been reflected in the Spending Review, which unveiled a £1.5 billion combined budget for childcare, early years and Sure Start by 2005/06, and a doubling of spending in real terms on childcare by 2005/06.

The report's recommendations for investment matched by reform have been reflected in new machinery of government arrangements, with the bringing together of early years, childcare and Sure Start policy and delivery into one inter-departmental unit, with Baroness Ashton at its head. Integration at the centre will pave the way for reform of local infrastructures.

New funding and a new infrastructure for childcare will help us move towards fulfilling a vision in which every parent can access affordable, good quality provision. We will create at least 250,000 more childcare places by 2006. And we will create new children's centres in disadvantaged areas, building on existing Sure Start and early excellence centres to offer one stop services and good quality support to children, parents and childcare providers.



The measures detailed in this report represent good news for children, giving them a better start in early education and health so that they can achieve their potential, no matter where they live. It is also good news for parents: a commitment to support the provision of good quality childcare, giving parents the chance to work. And finally, these reforms are good news for communities: quality services for children and families delivered in response to local need, a reduction in crime, higher productivity, a stronger labour market and the building of civic society.

Tony Blair
Prime Minister

1. EXECUTIVE SUMMARY

The Government's vision and strategy

The Government's vision for childcare is one in which every parent can access affordable, good quality childcare. This will mean:

- **developing a thriving supply of childcare to benefit all parents**, through targeted assistance to a wide range of providers, many of whom could be based within primary and secondary schools. Employers will be encouraged to provide information and support for childcare. The Government will also support the creation of the childcare places needed to meet its 2010 objectives of 70 per cent of lone parents in employment, and halving child poverty;
- **providing financial help to lower and middle income parents for whom the cost of childcare is a barrier to work.** The childcare tax credit component of the Working Families' Tax Credit (WFTC) and Disabled Person's Tax Credit (DPTC) provides working parents with generous support towards the costs of approved childcare. This assistance will continue – in an improved, more flexible form – as part of the Working Tax Credit from April 2003, and the Government is committed to keeping the level of support under review; and
- **transforming the way services are delivered to ensure over time the Government better meets the needs of children and their parents, particularly**

for the most vulnerable, reflecting the early lessons of Sure Start. The Government's longer-term aim is to establish a children's centre in every one of the 20 per cent most disadvantaged wards. These centres will bring together good quality childcare with early years education, family support and health services. These centres will also act as service hubs within the community for parents and providers of childcare services for children of all ages.

In support of this vision, and reflecting the recommendations of this review, the Government will be more than doubling investment in childcare by 2005/06. This will form part of a combined budget for Sure Start, early years and childcare that will rise to £1.5 billion by 2005/06. The substantial increase in resources will be matched by reform of central and local delivery infrastructures to better meet the needs of children and their parents.

The way in which policy is made and services are delivered will be transformed: to deliver more integrated services, responsibility for childcare, early years and Sure Start is being brought together within a single inter-departmental unit. As well as joining up existing services and merging the relevant units within central government, the Government also intends to simplify funding arrangements, streamline targets and enhance local authorities' role in supporting delivery.



The strategy has been informed by the conclusions of the inter-departmental childcare review

Much has been achieved through initiatives since 1997, particularly through the National Childcare Strategy (NCS) and Sure Start. The review found that it was important to build on these successes with a new strategic approach – to meet parents’ aspirations for greater choice; to increase lone parent labour market participation; and to improve outcomes for the most disadvantaged children.

The availability of good quality, affordable childcare is key to achieving some important Government objectives. Childcare can improve educational outcomes for children. Childcare enables parents, particularly mothers, to go out to work, or increase their hours in work, thereby lifting their families out of poverty. It also plays a key role in extending choice for women by enhancing their ability to compete in the labour market on more equal terms, helping them to overcome the glass ceiling, and by ensuring that they themselves may not face poverty in old age.

Childcare can also play an important role in meeting other top level objectives, for example in improving health, boosting productivity, improving public services, closing the gender pay gap and reducing crime. The targets to achieve 70 per cent employment amongst lone parents by 2010 and to eradicate child poverty by 2020 are those that are most obviously related. Childcare is essential for these objectives to be met.

But there have been problems with the availability of childcare. There are shortages in most childcare markets. Shortages are particularly acute in deprived areas, where providers struggle to be financially viable.

The evidence made a strong case for additional investment backed up by reform:

- **There are very significant payoffs from good quality early interventions for disadvantaged children:** not only do the benefits cascade through the educational system, but there are big gains in reducing crime, in improving health and in reducing demand on social services. There was a strong case for more good quality childcare to be built around Sure Start and neighbourhood nurseries, and for nursery education to place more emphasis on health and family support. New children’s centres could provide childcare, early years education, and family support and health services. While there would be a need for some new centres, most would grow from existing provision.
- **New investment in childcare is needed to support the Government’s employment and poverty targets:** targets to increase lone parent employment to 70 per cent by 2010, in particular, require a substantial increase in childcare places. The market alone will not deliver this. New funding is therefore required to pump-prime provision, including for childminders, and to provide better information for parents. More childcare in and around schools will help to address the patchwork of provision faced by many parents of school-age children. And extra help in the most deprived areas will help ensure that provision is sustained.



- **Investment needs to be backed up by reform:** to deliver more integrated services, the review found that there was a strong case for bringing responsibility together at the local authority level. This would be backed up by a clearer brand, clearer outcome-based performance

management, and more integrated funding streams at a national and local level. The need for integration extended to the centre, where the review found that there was a rationale for bringing responsibility for a range of initiatives together.

Summary of conclusions

The challenges identified in the review

Government needs to support the growth of childcare places, particularly in disadvantaged areas, and to ensure that childcare will be available when parents want it. New funding is required to pump-prime provision, to provide better information for parents and to increase the availability of childcare in schools.

New investment is particularly required to support the Government's lone parent and child poverty targets.

The opportunity to use childcare to further educational and wider objectives is being missed

- there is a clear rationale for government intervention to invest in providing integrated services in disadvantaged areas.

Delivering on the Government's vision

New funding to develop a thriving supply of childcare by supporting the creation of at least 250,000 places by 2005/06.

- time-limited support to help providers overcome the difficulties in accessing start-up capital;
- introduction of a sustainability grant in the most deprived areas;
- extension of childminder grants;
- an expansion of business support to childcare providers;
- support for the training and development of children's centre leaders, managers and staff;
- better use of schools in providing childcare;
- encouraging more involvement of employers, and spreading best practice; and
- continued financial help to lower and middle income parents for whom the cost of childcare is a barrier to work.

New funding to support the longer-term vision of establishing children's centres for pre-school children in the 20 per cent most disadvantaged wards. All children's centres will provide a core offering that includes good quality childcare, early years education, health services, family support, parental outreach and a base for childminders. By March 2006, at least 650,000 children will be covered by children's centre services.



Summary of conclusions – continued

Funding and delivery mechanisms need to be reformed

- there are too many uncoordinated programmes; and
- accountability is unclear

Responsibility for childcare, early years education and Sure Start will be integrated within a new inter-departmental unit, with a total budget of £1.5 billion by 2005/06, to ensure that government policy for children, particularly young children, is joined up.

Greater funding and responsibility for delivery of childcare services will be devolved to local authorities, who are best placed to assess local needs.

This report is only applicable to England, and is structured as follows:

- Chapter 2 sets out the context for the review, current Government initiatives and spending, and outlines the key remaining challenges.
- Chapter 3 sets out the role of childcare in meeting the needs of families, especially in supporting employment opportunity and tackling child poverty. It concludes by setting out the building blocks for achieving the Government's vision of a childcare market where every parent can access affordable, good quality childcare.
- Chapter 4 examines the role of different types and qualities of childcare in enhancing child outcomes. It identifies the steps the Government will take to transform the way services are delivered to meet its longer-term aim of establishing a children's centre in every one of the 20 per cent most deprived wards.

- Chapter 5 describes the important role that schools will play in meeting the vision, and the measures that will be taken to promote the availability of childcare in and around schools.
- Chapter 6 makes the case for reforming the infrastructure and performance management regime, and describes the steps that Government will take to co-ordinate responsibility for childcare, early years and Sure Start at a local and central level.
- Chapter 7 summarises the conclusions from the review and the measures that Government will take.

The report contains two annexes:

- Annex 1: Background on the project team, inter-Ministerial group and methodology for the review; and
- Annex 2: Implementation Plan.

2. INTRODUCTION

2.1 The inter-departmental childcare review

The inter-departmental childcare review was set up to develop a vision for 2010 for childcare in England, and to inform the 2002 Spending Review. Reflecting the fact that childcare supports a wide range of Government objectives, Ministers and officials from the Department for Education and Skills, the Department for Work and Pensions, HM Treasury, the Department of Trade and Industry, the Women and Equality Unit, the Children and Young People's Unit, the Department of Health, and the No 10 Policy Directorate were involved in the review. Further information on the project team and steering group is set out at Annex 1.

The review examined evidence on the childcare market, the role of childcare in improving outcomes and the payoffs from childcare investment. It also examined the scope for more effective and sustainable delivery mechanisms. This process involved an analysis of the role and payoffs of different types of childcare, ranging from childcare which is not integrated with any form of education (whether group-based or non group-based, and for all ages), through to early childhood interventions, which integrate several disciplines, such as care combined with education, parental support and health services.

Given key Government targets to reduce child poverty and increase lone parent employment, the review has aimed to target resources on those groups most in need. As such, the review has not made specific recommendations regarding nannies and au pairs.

2.2 Context

2.2.1 Demand for childcare is likely to increase

Although the number of children is projected to fall by 0.6 million over the period 2000–2011, increasing employment rates, changes in the pattern of work and increases in the number of lone parents mean that demand for childcare is likely to increase.

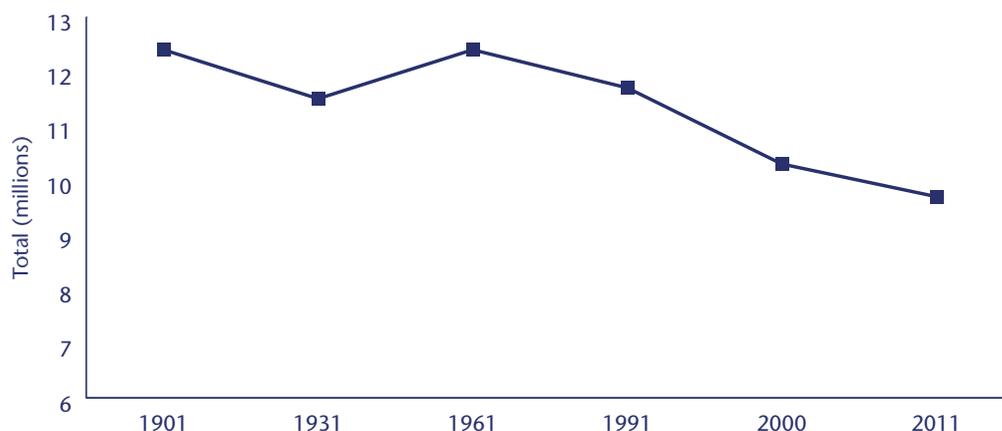
2.2.2 Shortages already exist

There are shortages in most local childcare markets, and the 2001 Parents' Demand Survey found that some 29 per cent of lone parents and 22 per cent of two-parent families reported not being able to find childcare when they wanted it, equivalent to 24 per cent of households overall.¹ Of the lone parents experiencing this, some 52 per cent reported that it was for work-related reasons that they wanted childcare. Shortages are particularly acute in deprived areas, where providers struggle to be financially viable.

¹ Though it should be noted that even one day's unmet demand would show up in the figures.



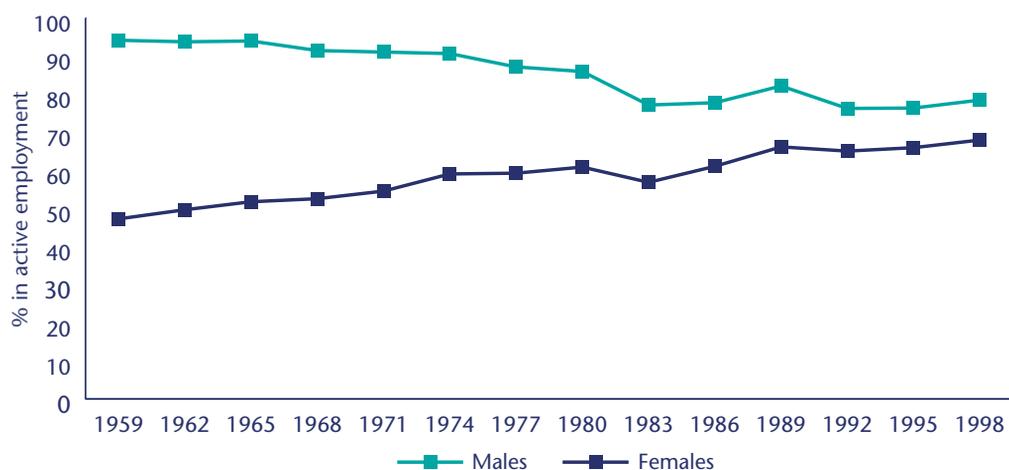
Figure 2.1: Child numbers are in decline



Source: Office for National Statistics, population estimates

But changing female employment rates mean that demand is likely to increase

Figure 2.2: Trends in male and female labour market participation rates



Source: Social Trends, 2001 edition (no. 31), Office for National Statistics

2.2.3 Childcare helps to meet a wide range of Government objectives

The availability of good quality, affordable childcare is key to achieving some important Government objectives. Childcare can improve educational outcomes for children and their parents. Childcare enables parents,

particularly mothers, to go out to work, or increase their hours in work, thereby lifting their families out of poverty. It also plays a key role in extending choice for women by enhancing their ability to compete in the labour market on more equal terms, helping them to overcome the glass ceiling, and by



ensuring that they themselves may not face poverty in old age.

Childcare can also play an important role in meeting other top level objectives, for example in improving health, boosting productivity, improving public services, closing the gender pay gap and reducing the likelihood of children committing crime. The targets to achieve 70 per cent labour market participation amongst lone parents by 2010 and to eradicate child poverty by 2020 are those that are most obviously related. Childcare is essential for these objectives to be met.

2.3 Provision and funding

2.3.1 The Government is already doing a great deal

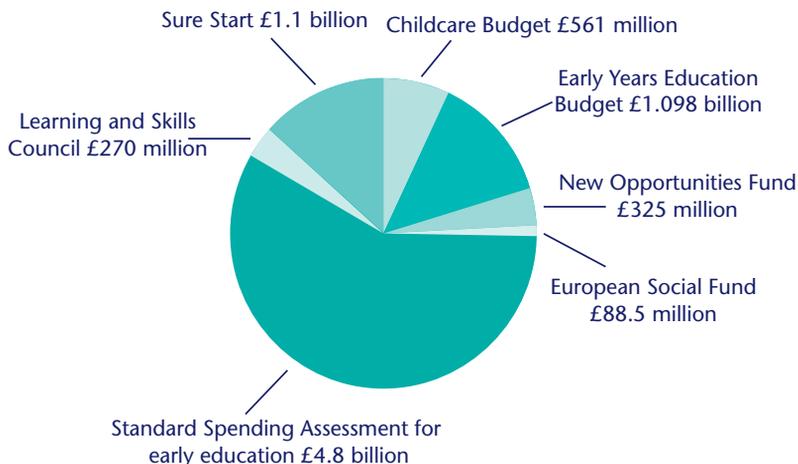
Before the launch of the National Childcare Strategy (NCS) in 1998 there had been little central government involvement in childcare. The NCS aims to deliver quality, affordable and accessible childcare in every neighbourhood. The primary mechanism for delivering new places is through pump-priming funds to encourage childcare business start-ups, especially in

disadvantaged areas. The NCS has played a significant role. Since 1997 there has been a net increase of 547,000 children benefiting from new places. The Department for Education and Skills (DfES) is on track to achieve its Service Delivery Agreement (SDA) to create 900,000 new childcare places in the private, public and voluntary sectors for 1.6 million children by March 2004.

Between 2001/02 and 2003/04, Government has allocated spending of £8.2 billion (£2.5 billion in 2001/02, £2.8 billion in 2002/03, and £2.9 billion in 2003/04) on early years education, childcare and Sure Start (excluding tax credit spending on childcare). The bulk of this, £5.9 billion (£1.8/2.0/2.1 billion), is destined to establish, sustain and improve universal, free, part-time educational provision for 3 and 4 year olds.

Of the other key areas of spending, the Sure Start spend is £1.1 billion (£184/449/499 million), reaching around 200,000 children. Spending on childcare, including £325 million from the New Opportunities Fund (NOF), is £1.2 billion (£407/430/403 million). An estimated £725 million will also be spent on childcare through tax credit support to low income families, with average help standing at £39.22 per week per family.

Figure 2.3: Spending on Sure Start, early years education and childcare





A further £165 million is spent in England on out of schools learning from NOF. An additional £194 million (£51/68/75 million) is spent on childcare for Higher Education (HE) and Further Education (FE) students.

Figure 2.3 (see page 10) shows the proportion of funds allocated to childcare, early years education and Sure Start over the three-year period from 2001/02 to 2003/04 (excluding spending through tax credits and money for FE and HE students' childcare).

2.3.2 The main Government programmes

Childcare

Spending on childcare over the same time period is £1.2 billion and includes:

- £561 million childcare grant for a range of activities including childminder start-up grants and networks, pump-priming and training;
- £325 million from NOF for pump-priming out of school childcare places and neighbourhood nurseries;
- an estimated £270 million for training through the Learning and Skills Council (LSC); and
- £88 million from the European Social Fund (ESF) for a variety of programmes including the recruitment campaign.

A further £165 million NOF funding is spent on out of schools learning in England.

In each English local authority area Early Years Development and Childcare

Partnerships (EYDCPs) develop and deliver local strategic plans to create new childcare places and put in place universal early years education. EYDCPs are convened by local authorities, which also have duties to provide part-time early education places for 3 and 4 year olds; information, advice and training to childcare providers; and Children's Information Services, for example.

Sure Start

Sure Start works with parents-to-be, parents and children in disadvantaged neighbourhoods to improve social and emotional development, children's ability to learn, and health services; and to strengthen families and communities. Sure Start programmes are run by local partnerships and can deliver a range of services including childcare, training for work and help with basic skills. The Sure Start spending allocation is £1.1 billion, currently reaching around 200,000 children. The forecast is that Sure Start will reach 400,000 children by 2004. So far, 522 programmes have been announced and over 300 have been approved and are delivering services.

Every Sure Start programme works from a shared set of key principles. They must:

- co-ordinate, streamline and add value to existing services in the Sure Start area;
- involve parents, grandparents and other carers in ways that build on their existing strengths;
- avoid stigma by ensuring that all local families are able to use Sure Start services;

- ensure lasting support by linking Sure Start to services for older children;
- be culturally appropriate and sensitive to particular needs; and
- promote the participation of all local families in the design and working of the programme.

Each Sure Start programme is different, as they are designed to meet local needs, but all programmes are likely to include:

- better ante-natal support and advice to parents-to-be, including help to stop smoking;
- visits to all new parents within two months of the birth to introduce them to Sure Start services;
- improved quality of early learning experiences for young children;
- improved quality of childcare;
- more childcare places and a greater variety of provision;
- more accessible baby clinics and advice on health and child development; and
- support for parents including parenting groups, advice on healthy eating and training for work.

The Children's Fund

In addition, the Children's Fund is providing £380 million over three years (2001–2004) to fund preventative services over and above those provided through mainstream statutory services which prevent children and their families suffering from the consequences of poverty. The fund primarily targets 5–13 year olds at risk of social exclusion and is currently being rolled out to cover the whole of England by April 2003. Forty first-wave areas were selected from the areas with the highest child poverty levels and received Children's

Fund money from 2001. Local partnerships (not those responsible for planning childcare, see below, but likely to contain many of the same people) are responsible for assessing how to spend the money. The Fund can be used to support a wide range of services, the key criterion being that the services developed help prevent children and their families suffering the consequences of poverty but should genuinely add new services in each area. So far, services proposed by local partnerships cover a wide range of activities including creative arts projects, family support, literacy programmes and health awareness.

2.3.3 Overarching strategy for children and young people

The Government is developing an overarching strategy for all children and young people from conception to age 19. It will contain a high level vision and a set of principles to which all policies and services for children and young people should adhere. It will articulate the outcomes Government wishes to see for children and young people, and will form a framework within which future policy making should take place. The framework is intended to cover all aspects of children's and young people's lives, so will be relevant to developments in the field of childcare.

2.3.4 The Government also provides financial support to parents

In addition, the Working Families' Tax Credit (WFTC) provides financial assistance for working families on low to middle incomes.² WFTC and the Disabled Person's Tax Credit (DPTC) both include a childcare tax credit element to help with childcare costs. This is worth up to 70 per cent of eligible childcare

² For couples it is not solely dual earner couples who get the childcare tax credit element of WFTC; around 10 per cent of couples in receipt of the childcare element are single earner couples with an incapacitated partner.



costs. Eligible costs are limited to £135 a week for the care of one child or £200 for two or more children where both parents or the lone parent is working 16 or more hours per week.

As at February 2002, there were some 160,200 people who received childcare help as part of their WFTC, and the average extra WFTC paid, as a result of the childcare tax credit, was £39.22. This implies an annualised expenditure of some £330 million. Housing Benefit and Council Tax Benefit also contain childcare credit elements.

This assistance will continue – in an improved, more flexible form – as part of Working Tax Credit from April 2003, and the Government is committed to keeping the level of support under review.

From April 2003 the new integrated Child Tax Credit will bring together the support for children currently provided through the Working Families' and Disabled Person's Tax Credits, the Children's Tax Credit, Income Support and Jobseeker's Allowance. On its introduction, the Child Tax Credit, and universal Child Benefit, will guarantee support of:

- £26.50 a week for the first child for the 85 per cent of families with an income of less than £50,000 a year; and
- £54.25 a week for the first child in families with an income of less than £13,000 a year.

In addition, the Government provides £194 million on childcare for HE and FE students. Financial support for childcare is also provided to those on the New Deal for Lone Parents programme.

2.4 But important challenges remain

Although the Government has done a great deal, it is not getting the full value of the substantial investment it is making in childcare and early years services for a number of reasons.

- **More needs to be done to address areas of market failure:** barriers to entry and sustainability and information problems mean that childcare is not available when – and where – parents need it. Pump-priming funding is delivering new provision but in certain areas this is unlikely to be sustainable in the longer term. Problems are most pronounced in disadvantaged areas.
- **The opportunity to use childcare to further educational and wider objectives is being missed:** there is a clear rationale for government intervention, and the payoffs (especially for education and crime) from investing in providing integrated services in disadvantaged areas are significant.
- **Current funding and delivery mechanisms are too complex:** there are far too many uncoordinated programmes relating to childcare which have their own funding streams, planning and bidding processes and targets. Accountability is unclear as EYDCPs have no legal status or bank account. In addition, they do not have full control of either the means or the mechanisms to deliver the numerous targets set by central government.
- **Branding is confusing to parents and providers:** the existence of similar but differently named and separately branded initiatives (Sure Start, Early Excellence Centres, Neighbourhood Nurseries) only serves to confuse the picture.

3. MEETING THE NEEDS OF FAMILIES: SUPPORTING EMPLOYMENT OPPORTUNITY AND TACKLING CHILD POVERTY

Summary

Key conclusions of the review

Work is the key long-term route out of poverty for those who can work. Policies to enhance opportunities to work will help close the gender pay gap and boost productivity. A lack of available, affordable childcare is a barrier to work for many parents.³

Availability is problematic due to barriers to setting up new provision and problems around sustainability. Vigilance will be required to ensure that neither difficulties in expanding the workforce, nor regulations, act as a brake on market growth. Affordability may also be problematic, particularly for low income households moving into work.

Employers should be encouraged to be more involved in helping their employees to access childcare. Parents also find it difficult to obtain information about childcare availability and its quality.

The 2002 Spending Review

The Spending Review provided funding to support the Government's vision of a childcare market where every parent can access affordable, good quality childcare.

The settlement provided targeted support to increase the availability of childcare by supporting the creation of over 250,000 childcare places, and provided additional support to childcare providers in the most disadvantaged wards. Support was also provided to promote awareness amongst parents.

³ The Government's approach on child poverty is set out in the HM Treasury Pre Budget Report 2001, *Tackling Child Poverty*.



3.1 Key conclusions of the review

3.1.1 Worklessness and poverty

Not being able to find affordable childcare is holding back parents who want to work, making it more difficult to achieve increases in lone parent employment and reductions in child poverty

Worklessness is one of the prime causes of poverty for families. 61 per cent of workless families are in poverty⁴ and 77 per cent of children in workless lone parent families are in poverty.⁵ It is estimated that around two-thirds of families' exits from poverty in any one year are associated with getting a job or increasing earnings in the family. Childcare has a key role to play in enabling parents to work, in enabling parents in low income families to increase their hours, and in meeting targets to achieve 70 per cent labour market participation amongst lone parents by 2010.

Finding childcare can be a real problem. Some 29 per cent of lone parents and 22 per cent of two-parent families reported not being able to find childcare when they wanted it, equivalent to 24 per cent of households overall. Of the lone parents experiencing this, some 52 per cent reported that it was for work-related reasons that they wanted childcare. A further 20 per cent reported study reasons. The equivalent numbers for two-parent families are 57 per cent and 14 per cent.⁶

A significant proportion of lone parents cite problems with finding or affording childcare as reasons for not looking for a job offering 16 hours' work or more per week. As can be seen in Table 3.1, in 2001, 19 per cent of lone parents cite not being able to afford childcare as a reason. 23 per cent cited this factor in 1999 and in 2000. Some 15 per cent in 2001 cite childcare not being available as a reason. In 1999, 16 per cent cited childcare availability; in 2000 this was 22 per cent.⁷

Table 3.1: Reasons for not working 16+ hours per week: lone parents 2001

%	Looking for work of 16+ hrs	Not looking for work 16+ hrs					All
		Working <16 hrs	Expects to look over next few months	Expects to look sometime in the future	Does not know when will next look	Does not expect to look in future	
Is there anything in particular that is stopping you looking for a job of 16+ hours per week?							
Don't want to spend more time away from children	8	28	30	41	100	25	33
Cannot afford childcare	11	22	14	22	0	10	19
No childcare available	13	9	16	17	0	3	15
Own illness/disability	3	9	19	11	49	49	14
Studying/training scheme	2	0	6	13	0	1	9
Better off not working	2	12	5	7	0	7	6

Note: Other reasons are cited in the research – selection only shown here; multiple responses allowed

Source: DWP analysis (unpublished); data from the Families and Children Survey 2001

⁴ Defined as having incomes below 60 per cent of the median income.

⁵ Data for 2000/01 from Households Below Average Income 1994/95 – 2000/01.

⁶ Woodland, Miller and Tipping: *Repeat Study of Parents' Demand for Childcare*, DFES, 2002, pp.103, 107.

⁷ 2000 and 2001 figures from unpublished DWP analysis using data from the Families and Children Survey (FACS). 1999 figures from Marsh et al., DSS RR138, 2001, p.185. Findings need to be treated with caution as sample sizes are small.



These figures show that difficulties with childcare can act as a barrier to work. It is clearly not the only barrier to work and solving their childcare difficulties is no panacea for workless households. However, ensuring that childcare is available and affordable will be important in supporting the movement of parents into work, and in supporting other policies aimed at helping parents move into work.

Ensuring that parents can access affordable, good quality childcare will also play a major role in supporting parental choice to find the right balance between work and spending time with children. Available, affordable childcare will help women in particular enter, remain in, and maximise their hours of work; in addition to assisting with employment retention, available and affordable childcare can also promote career advancement. This will help to increase lone parent employment rates, decrease child poverty, reduce the gender pay gap and boost productivity.

3.1.2 Access

Childcare is not always available for parents who want to work

Parents should be free to choose the type of childcare which suits them best, be that formal or informal care. Formal care includes childminders, nurseries, out of school clubs and playgroups. Informal care is given by relatives or friends. Informal care currently plays a major role in the childcare system, and is expected to continue doing so. From information on childcare use in the last year, some 72 per cent of parents used informal childcare at least once in 2000, while 50 per cent used formal childcare (including 37 per cent of parents who had used both). From

information on more regular use, 36 per cent of parents had used informal care in the past week.⁸ Nannies and au pairs also form part of the overall supply of childcare.

Certain groups feel childcare shortages more keenly than others. Shift workers may struggle to find formal childcare for the hours it is needed. Parents of children with disabilities and special needs may have greater difficulties in finding suitable care. Parents of large families may also face particular difficulties. Children with stated special needs were less likely to have used childcare in 2000 – 76 per cent of children with a defined special need had used childcare, against 83 per cent of children generally.⁹ This could reflect a preference amongst the parents of these children to look after them themselves, or it may reflect a lack of provision for children with special needs. Lone parents are more likely to report difficulties in finding childcare when it is needed.

There exist significant geographical variations in the level and diversity of formal childcare available. Variations between local authorities are marked: playgroup provision is the least variable category, yet even in this case the “best” LA was found to have eight times as many places (per 1,000 children) as the “worst”.¹⁰ Variations exist between rural and urban areas. A greater number of places (per 1,000 children) is available in nurseries, out of school clubs and holiday schemes in urban areas, while a larger number of childminder and playgroup places are available in rural areas.¹¹

A key variation in the provision of formal childcare is that between deprived wards¹² and other areas. Deprived wards have been

⁸ Woodland, Miller and Tipping, *Repeat Survey of Parents' Demand for Childcare*, DfES RR348, 2002, p.35.

⁹ Woodland, Miller and Tipping, *Repeat Survey of Parents' Demand for Childcare*, DfES RR348, 2002, p.49.

¹⁰ Paull and Taylor, *Mothers' employment and childcare use in Britain*, IFS, 2002, p.59.

¹¹ Paull and Taylor, *Mothers' employment and childcare use in Britain*, IFS, 2002, p.53.

¹² Electoral wards in the bottom 20 per cent of the DTLR index of deprivation.



found to have 6–8 places per 1,000 children.¹³ Across all wards, the average was 12–14 places.¹⁴ These numbers reflect the fact that providers find it more difficult to start and maintain provision in deprived areas (see the section below on sustainability problems). Yet deprived wards are precisely the areas that are most important to reach in order to meet key Government targets on lone parent employment and child poverty.

3.1.3 Affordability

Help with affordability is important

Childcare is inherently expensive to provide, making it difficult for many parents to afford. In particular, parents looking to move into low paid work will find it difficult to afford formal childcare. Informal care fills the gaps for many, but there is no evidence that informal care leads to the same outcomes for children or parents as formal care.

The introduction of the childcare tax credit, as part of the Working Families' Tax Credit (WFTC), was an important step forward. For lone parents in work for 16 hours or more per week, or two-parent families where both parents are in work, and where their income level makes them eligible for help, the childcare tax credit will cover 70 per cent of childcare costs, for eligible forms of care (registered and approved care).¹⁵ Costs are covered up to a limit of £135 per week for one child or £200 for two or more children, making the maximum payout £140 per week (70 per cent of £200).

Lone parents on the New Deal for Lone Parents can also be given help with childcare costs when they undertake training, take up part-time work or attend job interviews. In addition, the "Adviser Discretionary Fund"

can be used to help with up-front childcare costs where they could be a barrier to a lone parent entering full-time employment.

Childcare tax credit has been well received, with the number of awards growing significantly since its introduction. By February 2002, just over 160,000 families in the UK were benefiting from the childcare tax credit element of WFTC.¹⁶ The childcare tax credit plays a critical role in the childcare strategy as a whole. By providing financial help to lower and middle income parents for whom the cost of childcare could be a barrier to work, the tax credit helps to ensure that work pays – encouraging lone parents into work and helping all parents to lift their families out of poverty through work. It also provides valuable assistance to families outside areas targeted for additional Government help for childcare providers. In these other areas, the problems in establishing childcare are less acute, but the tax credit is important in helping low income households to afford the childcare places on offer.

The literature on employment choice (typically by mothers) and childcare costs shows the effectiveness of childcare subsidies in encouraging women into work. Studies – usually based on economic simulations – have shown that significant reactions in terms of moves into the labour market are likely following the introduction of subsidies to help parents (usually mothers) with childcare costs.¹⁷ The set-up of the childcare tax credit is particularly effective, since it ensures strong incentives for the second earner in a family to move into work.

The childcare tax credit is also of help to providers. By assisting parents in affording

¹³ Children aged 0–14 (0–16 for children with special needs).

¹⁴ Data from DfES analysis of 10 per cent of EYDCPs (unpublished, 2001).

¹⁵ For couples, it is not solely dual earner couples who get the childcare tax credit element of Working Families' Tax Credit; around 10 per cent of couples in receipt of the childcare element are single earner couples with an incapacitated partner.

¹⁶ Inland Revenue, Working Families' Tax Credit Quarterly Enquiry, February 2002.

¹⁷ David Blau, *Child care subsidy programmes*, NBER working paper 7806, 2000, table 7.



childcare, it helps providers to charge more realistic, sustainable fees for the services they provide. Some providers treat the fact that parents are in receipt of childcare tax credit as a reason for offering especially low fees, rather than as assistance in affording the usual fee level. In the medium term, however, childcare tax credit can be expected to help providers in all areas – but particularly in low income areas, to remain sustainable.

The new structure of tax credits, announced in the Budget, makes a number of important changes, and the new tax credits will provide help with childcare costs further up the income distribution. These changes should help more people to access help for childcare through the new Working Tax Credit and move into work on a long-run basis.

3.1.4 Provider issues

Childcare providers find it difficult to start up provision

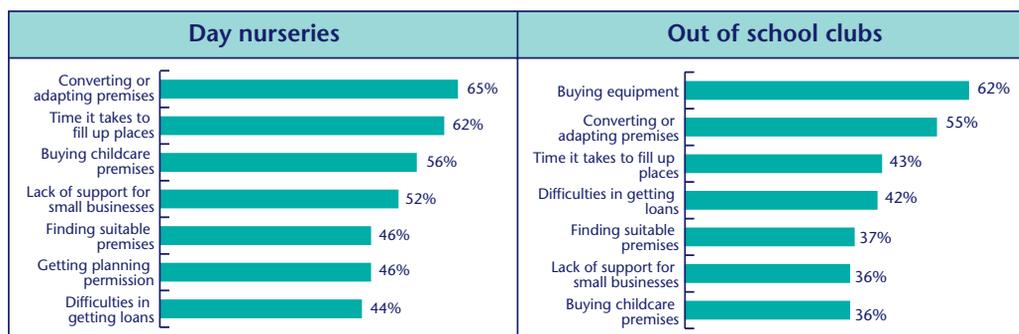
Even if providers recognise that there is demand for childcare in a local area, they may not be able to start up a nursery, out of school club or other childcare setting to offer places. This is due to a series of possible obstacles to starting up provision (see Figure 3.1).

Research has identified the key obstacles to starting up new provision, according to different types of provision. For day nurseries, the main obstacles appear to be converting or adapting premises (cited by 65 per cent of respondents), the time it takes to fill up places (62 per cent) and buying childcare premises (56 per cent). For out of school clubs, buying equipment was the main barrier (62 per cent), followed by converting or adapting premises (55 per cent) and the time it takes to fill up places (43 per cent). Both types of provider also mentioned difficulties in getting loans as a barrier (44 per cent for day nurseries, 42 per cent for out of school clubs).¹⁸ And for out of school clubs, recent growth has rested almost entirely on the availability of funding from the New Opportunities Fund.

For group-based provision, then, there are clear concerns over capital – both the need for capital in terms of buying premises and equipment, and converting space, and in terms of access to capital. These concerns may constitute important barriers to starting up childcare provision.

For childminders, the key concerns were the time it takes to fill up places (mentioned by 55 per cent), the time it takes to register with the local authority (52 per cent) and buying

Figure 3.1: Obstacles to starting up new provision



Source: Callender, *The Barriers to Childcare Provision*, DfEE RR231, 2000.

¹⁸ Callender C., *The Barriers to Childcare Provision*, DfEE RR231, 2000, pp.60–72.



equipment (49 per cent). The research dates from before the switch to Office for Standards in Education (OFSTED) registration and inspection, thus the reference to local authorities. However, this highlights how important it will be to achieve an appropriate balance on regulation to ensure children are protected without holding back growth in the sector.

For all types of provision, the “time it takes to fill up provision” featured in the top three obstacles to start-up. This reflects the financial difficulties childcare providers are likely to face in the early years of operation. It takes time to market services and become known to local parents, and so it takes time to fill places. Parents are also loath to change their childcare provider once a child has settled, meaning that new providers will take time to develop a customer base.

These difficulties mean that nurseries and out of school clubs may need to borrow to cover losses in the first one or two years of operation. Repayments for this borrowing will affect later financial results.

Childcare availability is hampered – particularly in low income areas – due to sustainability problems for childcare providers

However, the financial difficulties faced do not stop after the first couple of years of operation. Childcare is inherently expensive to provide, and many of the costs faced are fixed costs. This means providers find it difficult to react quickly to changes in circumstances. In turn, this means that small changes in conditions can lead to significant changes in financial performance.

A key driver of financial performance is occupancy. Just a few children not taking up their places can change a break-even position

into a significant loss. The cost base of providers tends to be largely fixed with staff costs representing over 60 per cent of the total, meaning that providers cannot quickly adjust to occupancy changes. This would mean that a relatively small change in occupancy, for example from 90 per cent to 85 per cent (just two or three children), could turn a nursery into a loss-making business.

Many providers take a threefold approach to solving these problems:

- charging high fees to cover potential downturns;
- differentiating the fee structure, charging higher fees to some parents and lower fees to others to try to maximise occupancy and revenue; and
- securing long-term commitments from customers, through contracts with employers or by asking parents to make payments up front.

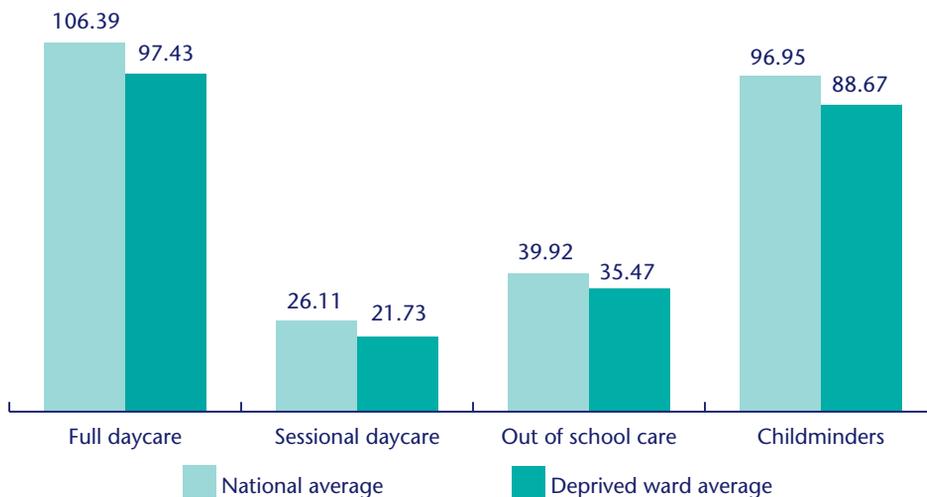
This approach is difficult in poorer areas, where the fee structure as a whole tends to be set at a lower level (see Figure 3.2). And with some parents moving in and out of work, it is not possible to ask for significant payments up front, making the provider more vulnerable to future occupancy changes. Providers looking to set up in less affluent areas face greater difficulties than those elsewhere – helping to explain the fewer places available in deprived areas.

Providers in deprived areas face three areas of difficulty:

- accessing capital to buy premises in deprived areas (a particular problem since lenders tend to be concerned over resale value);



Figure 3.2: Fees tend to be lower in deprived areas (average weekly fee, £)



Source: DfES analysis of 85 EYDCP audit returns

- difficulty in covering losses in the first years of operation through an expectation of profit in later years as fees will need to be kept low; and
- ensuring ongoing sustainability, particularly if occupancy fluctuates. In turn, this last point affects access to capital.

The use of schools for childcare settings could help reduce barriers to starting up provision – including improving sustainability. This is discussed in more detail in Chapter 5.

Current regulations look unlikely to be holding back growth in places, but Government must keep a close watch on their impact

The current registration and inspection regime (the National Standards for Childcare) has been in place since September 2001. It replaced a system where local authorities set their own requirements for registration and inspection, leading to great variations in standards across the country, thereby limiting workforce movement and depressing market

growth. The Department for Education and Skills (DfES) is committed to reviewing the National Standards with OFSTED next year and will examine the extent to which the regulations may deter market growth. Given that regulation can have a significant effect on the market, it is important that the impact of regulation on providers continues to be monitored regularly. Wherever possible, any additional burdens on providers must be avoided.

In terms of provider economics, one aspect of regulation that drives a significant element of the costs is the staff/child ratios. In terms of business (rather than child-centred) regulations, providers tend to see the disparity in business rates between childcare settings and schools as the most problematic element, along with local planning guidelines. However, whilst there is merit in addressing these factors, these do not appear to be major barriers to growth. More important is to address sustainability issues and issues around access to capital.



3.1.5 The childcare workforce

Action will be needed to ensure that the childcare workforce does not act as a brake

To support a full choice of different provision, issues around the childcare workforce will need to be addressed, including the decline in childminder numbers, both through current initiatives and from new approaches. From 2001 to 2006, it is estimated that an annual growth rate of around 8 per cent is required. On a general level, this looks achievable as it is in line with workforce growth over the last few years. But, as competition for the same set of workers looks likely to intensify, particularly across public services, this will remain a real challenge.

There is evidence that the workforce could act as a constraint on the growth of the childcare sector. Half the nurseries and out of school clubs interviewed as part of research on the workforce reported problems in filling staff vacancies in 2000/01. Some 23 per cent of nurseries and 16 per cent of out of school clubs had vacancies in spring 2001.¹⁹ A survey of nursery workers found that two-thirds of nurseries had faced recruiting difficulties in 2001, with particular difficulties in the North West, Midlands, London and the South East.²⁰

Evidence suggests that, at present, the problem is focused on getting enough workers into the sector, rather than difficulties in getting qualified workers. Where problems were reported, childcare employers were almost twice as likely to mention a general lack of applicants as opposed to shortages of qualifications or experience.²¹

Significant growth has been experienced in the childcare workforce in recent years. Between the 1998 and 2001 childcare workforce surveys, some 6.6 per cent annual growth was recorded overall (see Table 3.2).

The main area of workforce growth has been in nurseries and out of school clubs. Childminder numbers have continued a decline begun in 1996. This trend is of particular concern, given that childminders represent a particularly flexible form of provision. Childminding may also prove an important route into other parts of the childcare workforce.

DfES has run a successful recruitment campaign. However, continuing action will be needed to ensure that the workforce can be expanded as required. Public sector employers will be looking to recruit large numbers of individuals – as nurses, teachers,

Table 3.2: Numbers of childcare employees

	1998	2001	CAGR* 1998–2001
Nurseries	43,080	94,924	+29.8%
Playgroups	76,880	79,800	+1.3%
Out of school	13,080	28,126	+29.1%
Childminders	93,300	72,300	-81.1%
Total	226,340	274,520	+6.6%

* Compound annual growth rate – a measure of growth per year

Source: *Childcare Workforce Surveys 2001: Overview*, DfES, 2002, p.12

¹⁹ Childcare Workforce Surveys 2001: Overview, DfES, April 2002, p.20.

²⁰ Income Data Services survey, published March 2002. Quoted in *Children's Nurseries: UK Market Sector Report 2002*, Laing & Buisson, 2002, p.54.

²¹ Childcare Workforce Surveys 2001: Overview, DfES, April 2002, p.20.

health care assistants and social carers. Some of these workers are likely to come from a similar pool to people who might join the childcare sector. Childcare wages are low relative to other occupations – including domestic cleaners and checkout operators. As the labour market tightens, recruiting a sufficient number of workers may become more difficult.

The new home childcarer scheme will address some of the gaps in current provision by registering carers to take care of children in their parents' homes. This should particularly help shift workers and parents of children with disabilities. It will, however, be important to ensure the criteria for acceptance as a home childcarer are not set at an unnecessarily high level.

One important potential source of workers is the informal sector. Informal carers play a major role in providing care, and in addressing key gaps in formal childcare, and could be encouraged to become childminders or home childcarers.

In addition, as with all the caring professions, it will be desirable to encourage more men into what is currently a female-dominated sector.

The “climbing frame” of qualifications for working with children should continue to be developed, to allow for both vertical and lateral career progression by all childcare workers including childminders. The aim is to encourage workers to progress within the sector, rather than looking outside the sector, as well as improving the quality of the workforce overall. The new Foundation Degree for senior practitioners is an important step forward. Children's centres will also have a key role to play as training grounds for senior childworkers, in allowing

changes across traditional occupational boundaries (for example, early education, playwork, social care), and in providing the potential for upward progression. Additional flexibility will be allowed by schemes for the Accreditation of Prior Learning (APL) and the mapping of other EU countries' qualifications against their UK equivalents.

3.1.6 Employers

Employers could do more to help with childcare, and there is a strong business case for them to do so

The National Childcare Strategy highlighted the fact that employers “have a vital role to play in delivering the strategy”.²² Efforts to increase their involvement have so far met with limited success.

Just 12 per cent of employers provide information to their employees about local childcare provision; 2 per cent provide workplace crèches and 1 per cent subsidise nursery places. Public sector employees are more likely to receive help with childcare than employees in the private sector. Fifty-three per cent of public administration establishments and 48 per cent of other public sector organisations provided some form of childcare facility. By contrast, 26 per cent of employers in the sample provided workplace counselling and stress management advice and 24 per cent of employees in the survey said their employer allowed flexi-time working. Over 90 per cent of employers agreed that “people work best when they can balance their work with other aspects of their lives”.²³ Indeed, a recent Daycare Trust/ BUPA survey found that “the vast majority of [large] employers are now delivering flexible working arrangements, and most feel likely to develop flexible working further in the future”.²⁴

²² *Meeting the Childcare Challenge*, DfEE, 1998.

²³ The Work-Life Balance 2000 Baseline Research, Institute for Employment Research, DfEE, November 2000.

²⁴ The Big Employers Childcare Survey, conducted for the Daycare Trust and BUPA by MORI, May 2002. Sample of 104 employers, each with more than 750 employees working in the UK.



Childcare assistance is one of a range of measures employers can adopt to help their employees balance work with the other demands on their lives and to attract new recruits. Most of the evidence for the business case for work-life balance policies such as childcare assistance arises from individual case studies. However, in their review of the literature, Shirley Dex and Fiona Schiebel found “a sizeable body of studies, taking different approaches, but all finding there were considerable business benefits from adopting [work-life balance] policies”. They concluded “it is certainly worth organisations of all sizes taking a serious look at the business case for [work-life balance] policies and calculating the costs and benefits in their own case.”²⁵ Barring the provision of information, which is of low or no cost to the employer, employers are most likely to provide any childcare assistance to their employees where they can see a clear business case for doing so.

The Daycare Trust/BUPA survey²⁶ found that a proportion of large employers (750 or more employees) now offer workplace nurseries (30 per cent) or out of school care (35 per cent); however, these are still the minority. The survey also found that most of the 104

large employers are aware of problems they face due to childcare problems among staff, including inability to work late hours when required (70 per cent) and absenteeism (66 per cent).

But the business case is also influenced by the tax position

Any costs of childcare support that an employer makes available for employees are tax deductible for the employer as they are considered part of the cost of employing staff. Employers only bear a National Insurance Contributions (NICs) liability where they pay cash allowances to employees or do something which has the same effect, for example settling an employee’s childcare bill for them where the employee has contracted directly with a childcare provider.

Employees face a tax liability if employers provide financial help with childcare unless they are using places in a workplace nursery that meets the criteria (see Box 3.1). The workplace nursery exemption was introduced in 1990 and exempts employees from tax (normally payable on benefits in kind²⁸). Subject to the Upper Earnings Limit, employees face a NICs liability where they receive cash allowances from their employer,

Box 3.1: Workplace nursery scheme

The exemption for workplace nurseries²⁷ was brought in as an administrative easement because it was proving difficult to calculate the benefit to employees of places at workplace nurseries. In recognition that some employers preferred to engage third parties with more experience in childcare provision, allowances were made to cover such arrangements so long as the employer retained a sufficient level of financial involvement and managerial responsibility. Valuation is not difficult when childcare is being purchased externally, as all costs are wrapped up into one sum charged by the third party childcare provider. So, employees incur a tax liability when the schemes are provided externally, or where the workplace nursery does not fulfil the requirements of the tax exemption.

²⁵ Shirley Dex and Fiona Scheibl, “Business Performance and Family Friendly Policies”, *Journal of General Management*, vol.24 No.4 Summer 1999, p.34.

²⁶ The Big Employers Childcare Survey, conducted for the Daycare Trust and BUPA by MORI, May 2002.

²⁷ As defined in Section 155A Income and Corporation Taxes Act 1988.

²⁸ Employees earning under £8,500 p.a. (unless they are directors) face no tax on benefits in kind.

or contract directly with a childcare provider. Where the employer contracts with the childcare provider, the employee faces no NICs liability.

The workplace nursery exemption was driven by operational difficulties in valuation and intended to remove a barrier to introducing workplace nurseries. It was not designed as a tax incentive to encourage employers to develop workplace nurseries. Employers may find that the nature of the current exemptions makes it hard, in some cases, to make the business case for childcare provision. The requirement for a degree of managerial involvement in workplace nurseries to qualify for the exemption can deter some small businesses.

Employees will have to pay tax on employer-provided childcare financial support apart from where qualifying workplace nurseries are provided. This means that employers may not want to support or provide wrap around care, childminder networks or holiday play schemes, for example, even though these may suit some of their employees' needs better than workplace nurseries.

Where employers provide childcare vouchers, these are exempt from NICs (for both employers and employees) unlike all other non-cash vouchers, which are treated as "quasi" cash payments. Some employers say childcare vouchers are difficult to administer and unpopular with employees and childcare providers.

3.1.7 Information

It is difficult for parents to find childcare and judge its quality

Parents do not have enough information about the quality and availability of childcare, and a lack of information hinders the

development of the market. Despite investment in providing information about childcare through local Children's Information Services (CIS) covering every local authority area and national vehicles (kiosks, the Childcare Link website and telephone helpline²⁹), the evidence shows:

- almost half of all parents are not satisfied with the information available about childcare;
- parents know little about childcare or where to find information on it. According to research³⁰ 46 per cent of all parents use no information and 38 per cent rely on word of mouth;
- only 3 per cent of parents use their local CIS and the quality and accuracy of these services vary – about a fifth are poor;
- in 2002, only 1 per cent of parents had used the Childcare Link website to access information. DfES statistics show that about 94,000 people used the site in December 2001 and that usage is increasing each month; and
- data transfer problems between OFSTED and local services have affected the quality of information provided locally and through national outlets.

In addition, research carried out for DfES to inform a communications strategy shows that the complexity of the National Childcare Strategy, and the number of similar but differently named and branded initiatives (Sure Start, Early Excellence Centres, Neighbourhood Nurseries), overcomplicate the message the Government wants parents to hear.

There is currently no clear, objective information available to parents to help them to judge the quality of different childcare

²⁹ The Childcare Link website is funded by the Department for Education and Skills, the Scottish Executive, and the National Assembly for Wales. The website address is www.childcarelink.gov.uk and the Childcare Link freephone number is 08000 960296.

³⁰ Woodland, Miller and Tipping, *Repeat Study of Parents' Demand for Childcare*, DfES, 2002, p.167.



providers. Difficulties in finding information about childcare and assessing quality of provision, and the lack of a recognisable childcare brand, are likely to suppress demand for different types and qualities of childcare and may drive high quality providers out of the market.

Working with partners including the Department for Work and Pensions (DWP), Office for Standards in Education (OFSTED) and the Daycare Trust, DfES has prepared proposals to improve the extent and quality of information available to parents and also to streamline the flow of management information between Early Years Development and Childcare Partnerships (EYDCPs) and DfES. The proposed enhancements to the existing service will address a number of the findings from the evidence in improving information for parents, providers and Government. DfES and DWP should ensure that the level and type of service provided meets the particular needs of lone parents. OFSTED has also drawn up protocols for exchanging information with CISs and the national information channels.

3.1.8 Informal care

Understanding the role of informal care

Informal care plays a major role in the childcare system. In particular, it is critical in filling gaps left currently by formal care and some parents will always have a preference for using informal care.

There is currently evidence to show:

- the extent to which informal care is used: 36 per cent of parents used informal care in the past week, and 72 per cent had used informal provision in the past year;³¹

- that informal care plays an important role in plugging the gaps left by formal childcare;
- parental preference for informal care; and
- that lone parents tend not to trust formal care.

However, the evidence base lacks material on:

- the outcomes of informal care for the child and for parents using it;
- the extent to which the cost of informal care is a barrier to parental employment; and
- whether paying informal carers would lead to an overall growth in available childcare.

Such evidence, in the context of an overall assessment of the performance of childcare policies, would inform discussion about whether or not the Government should intervene in the informal market and, if so, how. This might include further evidence from the childcare voucher scheme in Nottinghamshire, which has been running since 1992, and the support for family-based care provided within the New Deal in Northern Ireland.

3.2 The 2002 Spending Review

The new vision directly addresses the problems exposed by the evidence, especially in creating and sustaining new places to meet Government targets, including in relation to lone parent employment and child poverty.

3.2.1 Providers and places

Overall, the 2002 Spending Review settlement will directly support the creation

³¹ Woodland et al., *Repeat Study of Parents' Demand for Childcare*, DfES, 2002, p.35.



of at least 250,000 childcare places; once turnover of places is taken into account, this will mean the creation of 160,000 net places. Taking account of progress to date, this should ensure by March 2006 the creation of enough childcare places to help over 2 million children (1.25 million taking turnover into account). This will exceed the number of places that are estimated to be required to meet key Government targets.

Provider support

The settlement will make available time-limited support to help providers overcome the difficulties in accessing start-up capital and covering revenue costs during the start-up period. In this way, provision has been made available to ensure that 250,000 childcare places are created by 2006 in order to progress towards the Government's longer-term vision of every parent being able to access affordable, good quality childcare.

Funding has also been made available for the introduction of a sustainability grant to ensure that childcare providers in the most deprived areas do not fail as a result of temporary fluctuations in occupancy. Where payments are made to sustain provision, empty places will be offered, via the childcare co-ordinators being set up in every Jobcentre Plus, on a short-term basis and free of charge to those who are seeking to move or who have recently moved into work under the New Deal. For example, such places could be used to enable people to attend interviews, or to provide emergency cover in cases of childcare breakdown for those who have recently started work.

It will also be important for Government to explore ways of increasing awareness amongst childcare providers of the Department of Trade and Industry's (DTI's) Small Firms Loans Guarantee Scheme and

other mainstream business support services. The Small Business Service, in particular, will have a vital role to play in promoting the childcare market, through support such as the Small Firms Loan Guarantee Scheme and the Phoenix Fund.

Childminders also have a crucial role to play. Childminder grants will be extended, and children's centres and schools will take on a greater role in building networks with local childminders.

Funding is also being made available for an expansion of business support to childcare providers. This includes resources to ensure providers are given greater support through the process of identifying and applying for funding.

Workforce

The settlement included provision to support the training and development of children's centre leaders, managers and staff. Children's centres will have an important wider role to play as training grounds for senior childworkers, in allowing changes across traditional occupational boundaries (for example, early education, playgroup, social care), and in providing the potential for upward progression. Recruitment campaigns will be continued, with some elements focusing on under-represented groups, such as men and ethnic minorities.

Making the best use of schools

There are already plans to expand the use of schools. The role that schools can play in increasing the availability of childcare and in acting as a hub for childcare services will be integrated into the development of extended services within schools. The Education Act will remove barriers to the provision of childcare and other services in school premises. It will be important that the



removal of such barriers makes a real difference to the ability of schools to offer more childcare. The role of schools is discussed in depth in Chapter 5.

Involving employers

Government will continue to promote the business case for various forms of childcare assistance and to spread best practice in the following ways:

- The Women and Equality Unit (WEU), DWP, Jobcentre Plus and DTI will continue to encourage employers to help their employees with childcare through DTI's Work-Life Balance Campaign.
- Working with DTI and DfES, the Inland Revenue (IR) will ensure the existing tax rules on employer support for childcare and advice about salary sacrifice schemes are both consistently interpreted and widely understood by tax inspectors, nursery providers and employers, for example through DTI's Work-Life Balance Campaign.
- DTI, DfES and IR will work with *Employers for Childcare* to produce templates for employers to calculate the business case for their own involvement, including the clearest possible explanation of the current tax and NICs reliefs.
- IR will continue to monitor the effectiveness of current tax exemptions.
- The number of employers who provide information on childcare to their employees will be increased. This could be achieved by continuing work by DTI and DfES to publicise the free availability of the Childcare Link website for use on employers' intranets and to explain the business case for childcare support to employers and local organisations involved

in improving business performance, for example Business Links.

Managing the regulatory aspects

The review of regulations in 2003 will be used to assess whether regulation is suppressing growth in the sector. The Government will keep a close watch on the impact of regulation on providers and will avoid wherever possible any additional burdens in the future.

3.2.2 Maximising parental choice

The measures to stimulate growth in the childcare market will help ensure that childcare is available and accessible for parents.

The Government is also committed to providing financial help to lower and middle income parents for whom the cost of childcare is a barrier to work. The childcare tax credit component of WFTC and the Disabled Person's Tax Credit (DPTC) provides working parents with generous support towards the costs of approved childcare. This assistance will continue – in an improved, more flexible form – as part of the Working Tax Credit from April 2003, and the Government is committed to keeping the level of support under review.

It is also important that childcare information for parents is enhanced. Funding has been made available to support the expansion and enhancement of local Children's Information Services and the national Childcare Link service, and for a national advertising campaign to promote awareness amongst parents and the development of a clearer brand.



Summary of conclusions

The 2002 Spending Review settlement has been built on the work and recommendations of the inter-departmental childcare review.

The Government's vision is of a childcare market where every parent can access affordable, good quality childcare. In line with this, the settlement has provided targeted support for a number of measures to address those areas of market failure identified in the inter-departmental childcare review, including support for the creation of over 250,000 childcare places by March 2006.

4. MEETING THE NEEDS OF CHILDREN: ENHANCING CHILD OUTCOMES

Summary

Key conclusions of the review

For pre-school children:

- The evidence supports investment in good quality, integrated childcare for pre-school children in low income families.
- There is a double dividend for Government of intervention supporting both child development and employment objectives.
- The evidence also suggests that there are long-term educational attainment outcomes, which persist throughout the child's school career.
- There are also other benefits: reduction in crime rates, improved health outcomes and attitudinal outcomes (including resilience and aptitude for learning).

For older children:

- There is evidence that out of school care and study support have positive effects, particularly for disadvantaged children.
- Research from the USA shows that social gains of an extended use of schools approach may include positive attitudes to learning, improved behaviour, better school attendance, reduced truancy and better future employment.
- Finally, holiday schemes can reduce crime levels.



In addition to these specific conclusions, the evidence supports the continued breakdown of the barriers between education and care for young children. The vision for an expanded role for schools in providing childcare is discussed in Chapter 5.

The 2002 Spending Review

The Spending Review provided funding to support the longer-term vision of establishing children's centres for pre-school children in every one of the 20 per cent most disadvantaged wards. This will be achieved through a steady roll-out of children's centres, based on a tightly defined core offer and building out of existing provision. By March 2006, at least 650,000 children will be covered by children's centre services.

4.1 Conclusions from the review

The review undertook a comprehensive and systematic review of the available evidence on the complete range of early years and childcare provision. This literature review was complemented by interviews with key academics and practitioners.

4.1.1 *The evidence on pre-school children*

There is evidence that certain forms of childcare can improve educational attainment

There is strong evidence that certain types of early years education and childcare can play an important role in raising cognitive and social/behavioural outcomes and thereby increase the ability to learn.

The best available UK evidence, the Effective Provision of Pre-School Education study (EPPE), has found that certain types of pre-school provision³² between 3 and 5 years

result in higher attainment at the start of primary school. This result applies to all children, irrespective of socio-economic background.

Cognitive indicators measured when a child enters school often predict how well the child will do as they progress through school. It should be noted, however, that few studies of the effects of childcare programmes have run for long enough to provide direct evidence of increased educational attainment beyond the age of 11. In the research surveyed, three US programmes (Perry Pre-School, Caroline Abecedarian, and Chicago Child-Parent Centres) have found increased educational outcomes persisting beyond the age of 11, while some research on the US Head Start programme has found that, where later experiences are particularly challenging, improvements can disappear by that age.³³

Improved educational attainment is also supported by US findings that interventions can reduce incidences of grade repetition (where children have to repeat a year due to

³² The provision for which this proved to be the case were LEA nursery schools, nursery classes and "combined centres", 80 per cent of which are Early Excellence Centres, and all of which offer more or less integrated services (i.e. the approach integrates education, care, family support and health). The combined centres result in the best outcomes.

³³ The psychologist Michael Rutter notes that, although early childhood interventions can foster "resilience" in children by encouraging positive coping mechanisms, they do not "inoculate" children against later adversity: lasting effects are dependent on the early experiences laying the ground for later good experiences.



poor performance), and result in higher rates of completing high school education.

Evidence also shows that good quality early interventions can reduce the likelihood that children will require special educational intervention: three US longitudinal studies have found reduced levels of special educational statementing for participating children.

There is consistent evidence that quality of provision, and particularly well-trained staff, is critical to improvements for disadvantaged children. There is also evidence that poor quality provision can be damaging to this group.

Certain forms of childcare can improve outcomes other than educational attainment

It is important to emphasise that certain types of early years education and childcare can also be central to improving outcomes other than educational attainment. These include behavioural and attitudinal factors, incidence of criminal behaviour, reductions in health inequalities, and reduced demand on social services in the future.

Early evaluations of the Early Excellence Centre programme have found evidence of improved behaviour in participating children, while two US programmes have found that improvements have persisted over five years so far.

Behavioural and attitudinal factors have been argued to be more likely to last than educational uplifts. These factors (for example, resilience, task orientation, aptitude for learning and self-esteem) may have significant effects on later life chances (not least by increasing the likelihood that the child stays longer in mainstream education).

Some forms of childcare provision can have a significant effect in preventing crime

A US study³⁴ concluded that “Government could greatly reduce crime and violence by assuring families access to school readiness childcare programmes”. The study quoted that, in the Perry Pre-School programme, the control group (which did not participate in the programme) were five times more likely to become “chronic lawbreakers” in adulthood. Steven Barnett has estimated that the Perry Pre-school programme produced a net present value of over \$70,000 per participant in savings from reduced crime alone. In addition, the Syracuse University Family Development programme concluded that failing to provide babies and toddlers with good quality, integrated provision resulted in the multiplication of the risk that they would become delinquents as teenagers by ten times. A third study showed a control group to be 70 per cent more likely to be arrested for a violent crime by the age of 18.³⁵

It is worth noting that, as the total cost of crime to England and Wales in 1999/2000 is estimated at around £60 billion, even a modest percentage reduction would have a large impact.

Some forms of childcare provision can contribute to reducing health inequalities

A significant association has been demonstrated between educational attainment at age 15–16 with both coronary heart disease and infant mortality. Given the connection between school readiness and educational attainment at 15–16, effects of good quality, integrated childcare provision could also contribute to reducing health inequalities.³⁶

³⁴ Newman, Brazelton, Zigler et al., *America's Child Care Crisis: A Crime Prevention Strategy*, January 2000.

³⁵ Chicago Child Parent Centres, quoted in *America's Child Care Crisis*, *ibid.*

³⁶ Inquiry Report, *Independent Inquiry into Inequalities in Health*, 1998 (Chairman: Sir Donald Acheson) identified education as a key influence for reducing inequalities in health.

Parental outreach as part of an integrated early years approach in deprived areas will also have an impact on health inequalities by having a positive effect on such aspects of health as dietary patterns, which are established in early childhood.

Other outcomes

US evidence has also demonstrated significantly reduced demand on social services from programme participants, both from the children's parents and the children themselves as they grew up.

It is clear that childcare contributes to the tackling of child poverty by enabling their parents to go out to work and lift their family out of poverty. These issues are covered in Chapter 3.³⁷ Beyond employment effects, increased access to good quality, integrated childcare may also help to break inter-generational cycles of poverty. As noted above, disaggregating the effects on poverty of simply increasing income from the effects on poverty of good quality, integrated childcare is extremely difficult, and it is recommended that further research should be carried out on this issue to inform future policy-making.

In addition, in areas where there appears to be little interaction between those from white communities and those from ethnic communities, childcare provision can help to bring children from different backgrounds together – thus building community cohesion.

Benefits are disproportionate to deprived children and those from ethnic minorities

There is also evidence that there may be differential impacts of good quality provision according to socio-economic status. EPPE finds that at school entry, the impact of the family's socio-economic status, low birth

weight, and the home learning environment on the child's readiness to learn has decreased since entry to pre-school. In addition, due to generally higher parental engagement with their children's educational development, it is almost certainly the case that non-deprived children would have made significantly greater gains than deprived children in the absence of provision for either group. In addition, there is evidence that centres with a mix of children from better off and deprived backgrounds improves the outcomes of those from deprived backgrounds.

Good quality early intervention can also help to prepare children with a poor grasp of English for schooling. With better language skills on entering school, children are likely to have higher levels of attainment over their schooling years.

For non-cognitive gains, there is much anecdotal evidence that social and behavioural gains are greater for deprived children, although social and behavioural predictors are weaker than cognitive ones. Finally, there is evidence that deprived children are much more sensitive to the negative effects of poor quality provision. EPPE also finds that gains of good quality pre-school disproportionately benefit children from ethnic minority backgrounds.³⁸

Finally, it should be noted that the negative effect of bad quality childcare can be far-reaching. Substandard care can place children at risk for harm, potentially with long-lasting consequences.

In order to realise these outcomes, the type and characteristics of the intervention are very important

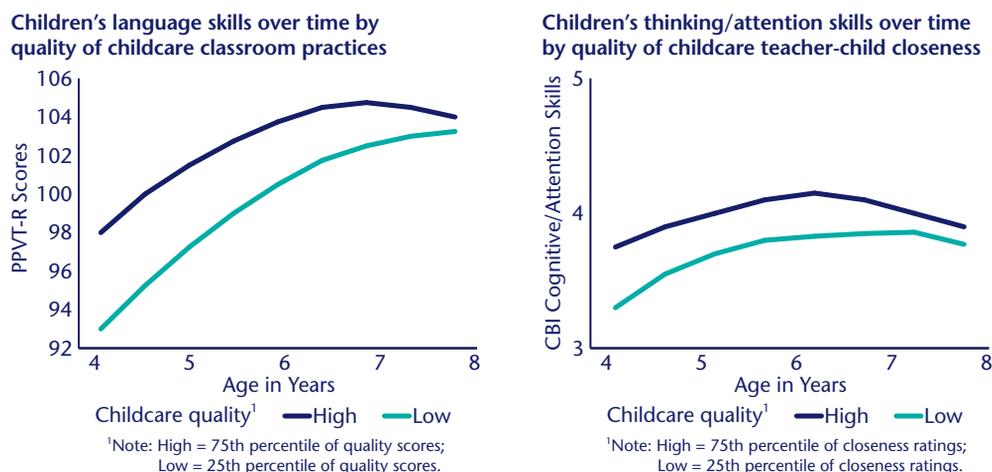
Integration. An integrated approach is one which ensures the joining up of services and disciplines such as education and care, family

³⁷ See also HM Treasury Pre Budget Report 2001, *Tackling Child Poverty*.

³⁸ This does not hold true for those of White European origin, (e.g. Bosnian, Albanian).



Figure 4.1: Good quality early years education and childcare has a greater impact on language skills³⁹



Source: *Costs, Quality and Outcomes Study, 1999*

support and health. Early evidence from EPPE suggests that integration is a key factor in determining good outcomes. Aside from EPPE, there is little evidence available on the impact of non-integrated forms of childcare (with little educational content or not part of a more complex package of family support – thus including informal care).

Quality. In a variety of studies it has been shown that, on a range of indicators, good quality childcare leads to better educational outcomes. Figure 4.1 shows results from the US Cost, Quality, and Outcomes Study, showing that good quality, early years education and childcare had a greater impact on language skills.

Clearly, quality is a multi-dimensional concept, and a wide variety of factors interact to determine the quality of care received (many of which relate to aspects other than education). However, evidence from the EPPE study shows that certain aspects of quality are particularly important for good outcomes. Some of these aspects need not be expensive to provide. These include:

a) *Teaching style and type of curriculum*

An approach which emphasises child-centred active learning has been shown by EPPE to be strongly associated with the development of positive learning outcomes. Sylva and Colman report that adherence to a curriculum based around such an approach helps limit behavioural/school problems.⁴⁰ EPPE identifies the following practices as among those most important:

- i) the provision of teacher-led, curriculum-focused, group work;
- ii) providing tasks and an environment that are appropriately challenging for children, constantly adjusting adult interventions to meet their current needs and abilities, and open-ended questioning;
- iii) involving parents to make a link between the learning experiences of children at home and at pre-school;
- iv) working at a level appropriate to the child's stage of development, and the use of systematic observation and record-keeping; and

³⁹ Receptive language ability was measured using the "Peabody Picture Vocabulary Test-Revised" (PPVT-R; Dunn and Dunn, 1981). Thinking and attention skills were rated using the "Classroom Behaviour Inventory" (CBI; Schaefer, Edgerton, & Aaronson, 1978).

⁴⁰ Sylva and Colman, *Pre-School intervention to prevent behaviour problems and school failure*, 1998.

- v) giving the children feedback they will understand.

b) Combinations of staff which include some qualified teachers

The importance of teaching style clearly has implications for the level of qualifications of those working with children between the ages of 3 and 5. However, it should be noted that it is not necessary for all staff interacting with children to be qualified teachers; only a proportion. EPPE findings show a strong relationship between the childcare/education qualifications of the centre manager and the quality of provision in settings, in particular to the quality of teaching style and curriculum in literacy, maths and science. A final point on qualifications is that it is particularly important that there is capacity in the centre to identify special needs at an early stage.

c) Good management

The importance of centre management is a connected concept: centre managers provide leadership and set the culture and orientation of the organisation. EPPE has identified the importance of good management (see also previous paragraph). Managing integrated facilities and staff from multiple disciplines and agency backgrounds is a complex job which requires a high calibre individual. As Bartram and Pascal comment, “These relatively small settings have [rapidly] expanded and diversified to have more in common with small high schools, some with staff of 70 or more”.⁴¹

d) Effective engagement of parents in their children’s development

In particular, the centrality of parental skills and home environment to good outcomes means that active engagement with parents can be crucial.⁴² Good parenting practices are some of the most important protective

factors in promoting optimum early childhood development. The importance of the relationship between babies and their caregivers, and the fact that specific stimulation, such as talking and play, are critical at this stage for the development of language and cognitive skills shows that engagement with parents from birth onwards could be essential.

Box 4.1: National Standards for under eights day care and childminding

Recognising the role of good quality, early years provision to child outcomes, the Government announced in 1999 that, in England, day care providers and childminders caring for children under the age of 8 years old would be regulated by OFSTED, bringing together the regulation of childcare and early years education.

The National Standards represent a baseline of quality below which no provider may fall. They are also intended to underpin a continuous improvement in quality in all settings. The 14 National Standards each describe a particular quality outcome, and are accompanied by sets of supporting criteria giving information about how that outcome is to be achieved. Aspects of provision covered by the Standards include: physical environment, equipment and safety, health, behaviour, child protection and working in partnership with parents and carers.

For more information on the National Standards, see www.ofsted.gov.uk

⁴¹ Bartram and Pascal, *Early Excellence Centre Pilot Programme, Phase 2 Annual Evaluation Report*, October 2001.

⁴² EPPE shows that the home learning environment has a greater effect on children’s cognitive development than parental social class; i.e. “it’s not who you are, it’s what you do”. EPPE finds that those pre-school centres which have the greatest effect on children’s progress had higher levels of parental involvement.



Dosage. The amount of time the child spends in education and childcare is also an important determinant of outcomes. Evidence from EPPE suggests that, between the ages of 3 and 5, exposure to education provision over extended periods of time, rather than short or inconsistent exposure, leads to better outcomes. Another way of putting this is that EPPE has shown that more months of attendance during the 3 to 5 year old period is related to better attainment at 5. There is no difference in outcomes for children who attend full or half-time. EPPE also finds that the optimal time for starting early years education is between 2 and 3: there appears to be no added advantage to starting pre-school prior to the age of 2. This is not to say that the first years of a child's life are not crucial for later outcomes; they clearly are. An infant develops the capability of controlling its own emotions before its first birthday, and a sense of secure attachment between the baby and its primary caregivers is critical for good outcomes. However, there is insufficient evidence to conclude that this process is actively aided by group-based care for babies.

The value of early interventions can be high, where the approach is integrated

Research has shown that the value of early interventions can be very high, where the approach integrates education, care, family support and health.

4.1.2 The evidence on older children

For older children, while it is clear that the benefits from the good quality, integrated approach outlined above would continue to apply, there is insufficient evidence that benefits would outweigh the investment of an integrated, centre-based approach. However, there is evidence that out of school activities and care and study support have positive effects, particularly for disadvantaged children.

As discussed in Chapter 5, childcare for school-age children is also very important for parents, particularly mothers, and can assist in the journey back to work.

Out of school childcare has an important role to play in children's learning and development

US research has found links between school-age children's non-parental after-school care experience and the children's later behavioural and academic adjustment. These associations held even after earlier levels of adjustment were taken into account. More deprived children in day care at age 5 had fewer subsequent behaviour problems and higher levels of social competence than more deprived children not in day care. High amounts (defined as more than four hours per week) of time where children have to look after themselves outside school between the ages of 5 and 7 appeared to place them at risk for adjustment difficulties at the age of 11. This risk was heightened for children already displaying high levels of problem behaviour prior to looking after themselves outside school and for children not participating in extracurricular activities.⁴³

This evidence suggests that out of school childcare has an important role to play in children's learning and development.

Study support can increase educational attainment

Research has found evidence that pupils who participate in study support attached to schools do better than would have been expected from baseline measures in academic attainment, attitudes to school and attendance at school. Study support appears to be especially effective for students from ethnic minorities. When considering policy on this issue, it is important to note that the research emphasised that pupils will only use study support services if they are voluntary in nature.⁴⁴

⁴³ Pettit, G.S. Laird, R.D. et al., *Patterns of After-School Care In Middle Childhood: Risk Factors and Developmental Outcomes*, 1997.

⁴⁴ *Impact of Study Support*, 2002, Department for Education and Skills.



Box 4.2: Childcare for children with special educational needs (SEN) and disabilities

Just as with children without special educational needs or disabilities, affordable and accessible childcare is important to enable these children to fulfil their potential and meet their needs. It is also crucial in enabling their parents to access employment and training and to help reduce child poverty. Families which include a child with a disability are more likely to live in poverty, while the carers of these children are seven times less likely to access the workforce. However, there are numerous current problems with the provision of childcare for children with disabilities/SEN:

- The number of children with a disability and/or SEN is increasing.
- With some exceptions, there is little history of joined-up working in this area.
- Parents generally face a lack of provision or significantly higher costs.
- Information provision to parents is inadequate.

Following the Chancellor's Budget statement, from April 2003 it will be possible for parents employing domiciliary carers in their homes, through approved agencies, to claim the childcare tax credit. While this will help parents of children with a disability who use home childcarers, more work needs to be carried out on addressing these issues.

This review has recommended that work is taken forward on this issue, to include all involved Government departments, local authority representation and the voluntary sector, led by the inter-departmental unit at the Department for Education and Skills (DfES). Such work might look at:

- a review of current provision, consideration of actual need/demand and how this may evolve over the next few years, and therefore what the gap is;
- a systematic review of evidence on effective interventions and outcomes;
- a review of best practice; and
- policy recommendations, costings and a value for money analysis.

Evidence shows that extended services in schools could contribute to a wide range of outcomes

Research from the US shows that social gains of an extended use of schools approach may include positive attitudes to learning, improved behaviour, better school attendance, reduced truancy and better future employment. The US Full Service schools programme also suggests

that the extended schools approach may reduce likelihood of criminal or antisocial behaviour in school-age children, build more positive attitudes to citizenship responsibilities and have a positive impact on health and fitness for school-age children.



Holiday schemes can reduce crime levels

In England and Wales, 145 “Summer Splash” schemes were run throughout the school holiday period of summer 2001 for 13–17 year olds in some of the most disadvantaged areas. The evaluation from these activity schemes showed that crimes associated with youth offending fell faster or increased less in “Splash” areas than in comparable high crime areas: motor crime reduced by 11 per cent compared with an increase in high crime areas of 39 per cent; juvenile nuisance reduced by almost 17 per cent; and drug offences reduced by 25 per cent.

4.1.3 Conclusions from the review of evidence

The conclusion of the review of evidence was that the *weight of evidence* supports a rationale for investment in good quality, integrated childcare for *disadvantaged* pre-school children. For such provision there is a double dividend to Government where intervention supports both child outcome and employment objectives.

In recognition of the fact that, while the weight of evidence clearly supports these policy recommendations, the results of some studies are mixed or not statistically significant, it is recommended that a robust monitoring and evaluation process is put in place and that the evidence is reviewed in 2006, again in 2010, and indeed that the children should be followed as they go through their school career and into adulthood.

4.2 The 2002 Spending Review

The 2002 Spending Review supported the need to transform the childcare sector, so that quality services are delivered in a more integrated way – better focused on the needs

of children and their parents, and in a way that mainstreams the early lessons of Sure Start.

Pre-school children

The Spending Review provided funds to support the longer-term vision of establishing children’s centres for pre-school children in the 20 per cent most disadvantaged wards.

While the precise size of and services provided by each centre should be based on local need, all centres will provide a core offering that includes good quality childcare combined with early years education, some health services, family support, parental outreach and a base for childminders.

It is important to be clear that the centres will not just be about providing childcare places, but will also be about offering integrated services to families regardless of whether their children attend the centre for childcare. This outreach role is crucial. Centres will also provide support for children and parents with special needs, including help getting access to specialised services.

There will be a number of new centres, but the majority will be developed from existing provision: adding core Sure Start services to Neighbourhood Nurseries, attaching childcare and early years education to existing Sure Starts, and redesignating existing initiatives including relevant Early Excellence Centres and co-located Sure Start/Neighbourhood Nurseries. In this way, government investment already made in these programmes can be maximised. Ultimately, the objective is for existing initiatives to be mainstreamed within a new and rebranded strategy for children.



Box 4.3: Children's centres core offer

Children's centres will offer the following core services:

- good quality, early education combined with full day care provision;
- parental outreach;
- family support services;
- child and family health services, including ante-natal services;
- support for children and parents with special needs, including help getting access to specialised services; and
- acting as a service hub within the community for parents and providers of childcare services for children of all ages; offering a base for childminder networks and a link to local Neighbourhood Nurseries, out of school clubs, extended schools and the local Children's Information Service.

As the centre develops further, it will prove a flexible base upon which additional services can be added to the core offer. These should be developed following consultation with the community, ensuring that the centre reflects the needs of its host community.

Examples of such additional services include:

- adult/family literacy programmes;
- adult vocational training;
- mobile crèches/playbuses;
- community cafés;
- Internet access points; and
- specific back-to-work programmes.

Ultimately, children's centres will provide the focal point for rationalising a wide range of existing community-based initiatives, building vital links between education, employment, health and social services. For example, close co-ordination with Jobcentre Plus would help join up the return to work with the childcare required.

Centres will also play a significant role in developing the childcare career ladder, providing challenging managerial opportunities for experienced professionals to move into, and taking a key role in training for the childcare workforce more generally.

Older children

While benefits from certain types of provision continue to apply for older children, there is insufficient evidence to say that the benefits would outweigh the costs of such an approach for older children. But the evidence that out of school activities and care

and study support have positive effects, particularly for disadvantaged children, and research from the US, shows that social gains of an extended use of schools approach may include: positive attitudes to learning, improved behaviour, better school attendance, reduced truancy and better



future employment prospects. The role of extended schools is covered in Chapter 5, while the Spending Review conclusions on support for out of school clubs and childminders are covered in Chapter 3.

Childcare for older children is also important for parents, and in particular mothers in helping them to return to work. The issues around access to the right type of childcare and affordability are discussed in Chapter 3.

The theme of integration is important, especially where family support and health services can be provided or signposted alongside childcare. Chapter 6 describes the importance of integration of services in improving the delivery of childcare services, and helping programmes and policies to practically interact and deliver for children and parents.

Summary of conclusions

The 2002 Spending Review settlement has been built on the work and recommendations of the inter-departmental childcare review.

The Government's vision is to transform the way services are delivered to ensure that, over time, the Government better meets the needs of children and their parents, particularly for the most vulnerable, reflecting the early lessons of Sure Start. The Government's longer-term aim is to establish a children's centre in every one of the 20 per cent most disadvantaged wards. This will be achieved through a steady roll-out of children's centres, based on a tightly defined core offer and building out of existing provision. By March 2006, at least 650,000 children will be covered by children's centre services.

5. A PARTICULAR ROLE FOR SCHOOLS

Summary

Key conclusions of the review

The development of childcare in, or around, schools will help meet government objectives to increase childcare places and provide wider support for disadvantaged children. Schools could also provide an essential part of the childcare solution for many parents of school-age children. And where no children's centre exists, extended schools could take on the role of childcare hubs in the community on a smaller scale.

Provision within schools, though not necessarily provided *by* the school, will also help to maximise the cost effectiveness of new investment to create places, by making better use of existing infrastructure and resources whilst also meeting the need for a mixed economy of provision. It will help to promote the benefits of integrating care and education and enable provision of childcare that will meet parents' needs and preferences. It will also provide opportunities to improve access to childcare for teachers.

There are a number of key issues which will be crucial to the success of childcare in schools:

- the levelling of the playing field – to ensure that all sectors have access to schools;
- the role of the school as a hub in the community to provide information and co-ordination even if space is not available for childcare on site; and
- the need for local support to ensure rapid roll-out and co-ordination.

These measures would be expected to have a major impact on the availability of childcare in schools. To ensure that the measures do have this impact, it would be sensible to review the provision of childcare in schools.



The 2002 Spending Review

Significant extra resources were allocated to support the development of places in out of school clubs. Most of these are likely to be based in or around schools, or other community facilities. Further provision was also made available to provide support for those schools that wish, directly or indirectly, to offer childcare.

5.1 The current position

Schools have the potential to play a major role in the delivery of childcare. With a presence in every community, schools often have the capacity to provide childcare on site, increasing the availability of childcare for disadvantaged children and families, and promoting out of school activities and study support. More childcare provided in and around schools will play a major role in meeting parental preferences and needs and so support the transition into work. Even where schools do not have the physical space to accommodate childcare, they can still play a crucial role as a hub – providing information and acting as a signpost for parents and providers.

Schools have a particularly important role to play in areas where there is a shortage of high quality accommodation such as disadvantaged communities and rural areas. These are also areas which are most affected by market failure in the childcare system. A joint report by the Countryside Agency and National Children's Home (NCH) showed that co-location of services is particularly important in rural areas, with research showing that creative ways of delivering services in rural areas can make a major difference to rural people.

5.1.1 The current role of schools in the delivery of childcare

Schools have traditionally played a significant role in the development and delivery of childcare, although they have not been able to act as childcare providers. Many childcare, out of school learning and family support services are already based in schools. There are approximately 25,000 primary and secondary schools in England. 97 per cent⁴⁵ of schools currently have out of school learning activities on site. 50 per cent of out of school childcare clubs are currently based in schools, accounting for 65 per cent of after school clubs and 41 per cent of holiday play schemes. 75 per cent of Early Excellence Centres have grown from schools (57 per cent have grown from nursery schools) and up to half of Neighbourhood Nurseries are expected to be in schools.

However, there is also some evidence that some sectors do not gain equal access to school premises. According to the National Day Nurseries Association, only 5 per cent of day nurseries are based in schools. It will be important to ensure that all sectors have access to schools in the development of childcare as part of an extended schools programme. This will be essential to the development of a viable childcare market and will need to be built into all aspects of guidance, support and development with schools.

⁴⁵ *Out of School Hours Learning Activities: Surveys of Schools, Pupils and Parents*. MORI/BMRB, 2000.



5.1.2 Current developments to extend the use of schools

The Government gave a commitment in the White Paper *Schools: achieving success* to develop an “extended” schools approach, and it is critically important that the development of childcare provision in and around schools is considered as part of that agenda. The extended schools approach entails schools and their partners establishing a range of services and facilities on school premises for the benefit of pupils, their families and the wider community. Services will include health and social care, childcare, and family and community learning. This will be an important step in improving access to services and helping schools to improve key areas such as achievement, attendance and behaviour. The move is based on the belief that children’s needs are best met by the provision of easily accessible and integrated services, that they learn better if their family is involved in their learning and that schools are important learning and social resources for the whole community.

The extended school model draws upon a number of examples of community use of schools including the New York Community Schools and US Full Service Schools. New Community Schools are also currently being piloted in Scotland. Evaluations show a number of significant improvements in school achievement, improved attendance and behaviour, and increased motivation to learn.

The extended schools approach will be a key way of mainstreaming services, including Sure Start and Children’s Fund activities. The co-location and integration of preventative services around schools has been supported by a number of cross-cutting reviews, including the children at risk and health inequalities cross-cutting reviews.

The cross-cutting review of the public sector labour market also highlighted the importance of teacher recruitment and retention. This objective is supported by the provision of childcare in, or around, schools.

5.1.3 A resource for the community – the capacity to provide childcare in schools

The ability of schools to provide childcare on site will depend to a large extent on the physical space available within schools. Childcare and family support are two of the key services which could be provided on school premises, but the decision on the amount of space available for childcare will rest ultimately with the governing body. In any case, existing capacity should be used to maximum effect. But additional scope may be available due to falling birth rates across England. There has been a 14 per cent decline in births since 1990, which is projected to continue for at least the next 10 years. The trend in births has led to fewer pupils in maintained nursery and primary schools, although the maintained secondary school population is still rising and is expected to peak at 2004. Projections show a most pronounced decline in child population in the North (over 12 per cent decline in the North-east) and Midlands with a slower decline in the South. London goes against the trend with a projected increase in population of 0–2 per cent over the period. Figures show that there is an overall current excess capacity of 10 per cent in primary schools and 7 per cent of secondary schools in England which will increase in most areas as child populations fall.

Whilst there is some certainty that the overall capacity within schools will increase over the coming years, the capacity within individual schools will vary widely. This year sees the



introduction of a new Net Capacity Assessment system, which assesses all space within schools. Community use and specially resourced facilities will be exempt from the capacity calculations for the first time. This will offer some safeguards to existing community facilities in schools.

5.2 Key conclusions of the review

5.2.1 Childcare within schools could strengthen the ability to meet key objectives

Supporting provider economics and sustainability

Better use of the schools infrastructure for childcare provision will help to improve provider economics and sustainability. There are three areas which will help providers:

- Savings will be made on capital cost, limiting the level of borrowing required. Specifically, the acquisition of premises can be avoided and much of the space on school sites should be ready for use for childcare – some conversion costs may remain, but they are likely to be minimised. Equipment may be shared between the school and childcare, making further savings.
- Problems actually *finding* appropriate space are mitigated.
- It will help to address concerns raised by providers about the time it takes to fill places. Operating from a school site may offer a head start in marketing, allowing a faster ramp-up of provision. Parents may have greater trust in a provider operating at the school, while the provider can communicate and publicise services to a captive audience of school parents.

Many parents with children of different ages report of the struggle they have delivering and collecting children from different childcare sites. The school offers an opportunity to create co-ordinated services that are co-located.

Some minor caveats remain, however, and these need to be addressed to maximise the role that schools can play. There needs to be consistent, reliable space available at the school site. The space must be available at a reasonable rent and extra elements, such as storage space, can be important.

Integrating early years and childcare

School-based childcare offers significant opportunities to integrate childcare and education – for early years and school-age childcare. As the number of 3 and 4 year olds with access to a nursery education place in schools increases, there are likely to be particular opportunities to develop wrap-around childcare, although the physical capacity of the school to provide space remains a potential problem.

In addition to the key role that schools can play in providing a base for an expansion of out of school clubs, there may also be opportunities to co-ordinate and integrate childcare and study support out of school. Anecdotally, many working parents say that their children are currently not able to attend study support, as it is not compatible with their childcare arrangements. Co-ordinated activities of this kind have the potential to link closely with the school to support and further children's educational attainment.

75 per cent of Early Excellence Centres are based in, or built around, schools. 57 per cent have grown from nursery schools, demonstrating the importance of the early education base to the development of wider



childcare services for 3 and 4 year olds. Integrated early education and childcare will also be at the core of children's centres.

Building quality

Childcare in schools will be regulated by OFSTED to National Day Care Standards. There are also opportunities to develop a more coherent, broad-based workforce for early years and childcare, combining with wider school activities. Evidence suggests that the part-time nature of many childcare jobs – especially childcare for school-age children – is a barrier to recruitment. Situating services within schools may offer the opportunity for portfolios of jobs to be developed across the school, combining school support and childcare worker posts. This is an area of activity that would particularly benefit from being tested as part of demonstration and pathfinder projects.

The evaluation of Early Excellence Centres shows that one of the key factors in the success of the programme is the level of management skills and experience of the centre manager. The school has an established management structure on which to build which will include the management of physical resources and staff. This will be an important resource for childcare projects in schools – particularly for children's centres.

The school also has important resources, which can support the quality of childcare such as computers, sports facilities and art rooms.

Providing childcare support for teachers

There is an important opportunity to provide childcare support for teachers and school staff in schools to meet Government objectives to strengthen the delivery of public services.

5.2.2 Removing barriers to the use of schools

Whilst there is a strong case for maximising the potential of the school as a base for childcare, it is also important to be aware of the potential limitations and barriers.

Reforming legislation and issuing guidance to schools

The Education Act will remove legal barriers to schools becoming direct providers of childcare. The Act includes provision enabling (but not requiring) school governing bodies to provide facilities or services for the benefit of their pupils, their families and the wider community. Other provisions allow governors to incur expenditure, make charges, enter into contracts and employ staff to deliver these objectives. Schools continue to need to make safeguards to protect the school's delegated budget and are also required to consult the Local Education Authority (LEA) and to have regard to LEA and Government advice.

The introduction of these changes is expected to have a significant impact on the numbers of schools willing to become direct providers of childcare. However, it is important not to create an unfair market where schools have a monopoly or where the new role for the school will displace existing provision. To address these potential effects, it is important that guidance for schools includes the requirement to consult with key local stakeholders, including parents and childcare providers, before developing any extended community service. The guidance should also make it explicit that entry to early years and childcare is not linked with entry to the school.

Encouraging and enabling schools to develop childcare

Some schools will be cautious about providing childcare in their school. DfES is



planning demonstration programmes, promotional events, and information and branding on the extended use of schools. These will all play an important role in ensuring that schools and parents are aware of new opportunities and are directed to the support that they need to make it happen.

However, experience shows that direct support for schools to develop childcare will be needed. Schools are well placed to draw on their experience of employing staff, managing significant budgets and in devising and delivering complex teaching programmes. However, management and development capacity within schools is limited. DfES is planning to offer direct operational support from Early Years development and Childcare Partnerships to develop childcare in schools.

5.2.3 The operational model

Schools will embrace an extended programme to differing degrees according to their own circumstances. However, the core childcare offer for a fully extended school is likely to include nursery and pre-school provision, breakfast, after school and holiday provision for 4–14 year olds, and childminder networks, as appropriate to the needs of local families.

Direct childcare services may also link to parenting programmes; information and advice; adult training; health and specialist support; training and co-ordination for childcare workers; joint use of resources; study support; and play and youth provision.

The school can act as a hub within the community – co-ordinating and supporting community-based provision, which can also link into the specialist support and information outlined above.

Funding

Schools will need to be able to access pump-priming funding to develop early years and childcare and new children's centres. This funding is being recommended as part of the wider childcare package. Schools will also benefit from access to wider funds – the Nursery Education Grant (which many will already be in receipt of) to support early years education for 3 and 4 year olds, and wider funding for early years and childcare from Neighbourhood Renewal, Sure Start, study support and the Children's Fund. A key role of proposed EYDCP school support staff would be to help providers to access funding to support the development of services.

5.3 The 2002 Spending Review

The 2002 Spending Review backed up the conclusions of the inter-departmental childcare review that schools should provide a key part of the childcare solution for many parents of school-age children.

In this way spending has been allocated for an expansion of out of school clubs, many of which would be located in and around schools or other community facilities. These could contribute around 100,000 of the gross childcare places supported through the Spending Review. Schools would not always provide these services directly; in most cases the expectation would be that schools would contract with the private, voluntary or maintained sectors.

In addition, childcare provision within schools would also benefit from the investment being made in the Spending Review to address difficulties for providers in starting up provision, and in sustaining provision in the face of fluctuating occupancy levels.



While children's centres will act as the hub within the community for childcare, extended schools would have an important role to play, especially where no children's centre exists.

Provision was also made in the settlement to provide support to those schools that wish directly or indirectly to offer childcare.

Summary of conclusions

The 2002 Spending Review will enable schools to provide an essential part of the childcare solution for many parents of school-age children.

The removal of barriers to the development of childcare in schools through the Education Act, support for the development of extended schools – and help for childcare providers – through the 2002 Spending Review, and the introduction of guidance and support to establish new childcare facilities will all have a major impact on the availability of childcare in schools.

Through these measures, significant progress will be made in meeting the childcare needs of parents and children whilst enabling providers to establish and sustain viable childcare businesses.

6. DELIVERY AND INFRASTRUCTURE: INVESTMENT MUST BE BACKED UP BY REFORM

Summary

Current arrangements for childcare have been characterised by:

- confusion at a local level over responsibility and accountability;
- separate funding and monitoring arrangements for a large number of different, but similar initiatives; and
- burdensome planning and monitoring arrangements covering a number of overlapping yet separate targets.

Key conclusions of the review

- Government should bring related initiatives and their funding together at a national level to improve joining-up locally.
- Responsibility should be given to local authority (LA) chief executives and LAs allowed to consult local partners through Early Years Development and Childcare Partnerships (EYDCPs) or, ultimately, other means which suit them.
- Targets should be aligned to the overall vision, and be meaningful locally as well as centrally.
- There should be a clear framework of rewards and sanctions in relation to LA performance on childcare.

The 2002 Spending Review

- The Government has brought together the responsibility for childcare, early years and Sure Start within a single inter-departmental unit and plans to simplify funding arrangements.



- **LAs will be given a clearer responsibility for strategic planning and meeting delivery targets at the district level, with a requirement on them to consult with appropriate bodies.**
- **A clear performance management framework will be put in place in line with the Local Government White Paper.**

6.1 Evidence on the existing situation

The Spending Review has emphasised that new investment needs to be backed up by reform. The review's findings on infrastructure concluded that it was vital to make sure that the infrastructure was reformed both at a local and a central level if Government was to deliver its vision.

6.1.1 The architecture

The Department for Education and Skills (DfES) has the lead responsibility for childcare within Government and it works through local partners to deliver childcare on the ground.

- Local education authorities (LEAs) have duties to:
 - prepare, submit and publish plans on childcare and early years;
 - convene and work with Early Years Development and Childcare Partnerships (EYDCPs); and
 - provide information and advice for childcare providers.
- Local authority Social Services Departments (SSDs) have duties under section 17 of the Children Act to provide childcare for children in need. SSDs set

their own priorities for children in need, against locally-agreed definitions.

- EYDCPs were established in 1998 to deliver the National Childcare Strategy (NCS). They were an extension of the Early Years Development Partnerships established in 1997 to deliver free part-time nursery education. EYDCPs are described as having statutory functions, but do not have any powers to enter into contracts or directly manage resources.⁴⁶ It is LEAs that have ultimate responsibility for EYDCPs; who are accountable for handling the money and employing EYDCP staff; who let contracts, pay bills and complete paperwork for DfES. LEAs must also importantly ensure that the interests of a wide range of groups are represented on the EYDCP.

The Education Act 2002 gives LEAs duties to carry out an annual review of childcare in their area and to establish and maintain a Children's Information Service, though in practice LEAs are already carrying out these tasks and the Act merely regularises the current position.

There are strengths and weaknesses
EYDCPs represent and draw together a diverse range of providers covering early years and childcare, and to a lesser extent business, employment and regeneration interests. Before EYDCPs were established, childminders, the voluntary sector and

⁴⁶ *Early Years Development and Childcare Partnership Planning Guidance 2001–2002 Background Notes*, DfEE.



private sector had no locus in local planning or decision making.

EYDCPs have no legal status and cannot hold funds or let contracts. The message from the centre that EYDCPs are the local delivery agents has caused some confusion about what EYDCPs are expected to deliver and what they actually can do within the law. EYDCPs have often required intensive support from DfES as well as local authorities (LAs). The Chief Executive of Leicestershire Council has commented that “Partnership is a fine notion but does not always stand up to scrutiny when accountabilities and responsibilities become blurred”.

DfES has found EYDCPs to be most effective when their work is:

- “mainstreamed within the wider LA agenda in strategic planning and implementation”;
- “[when] local elected Members are involved as advocates when childcare and early education matters are discussed, including approval of plans”; and
- “[when EYDCPs’] work is mainstreamed and taken into account when [the LA allocates] funding via the Standard Spending Assessment (SSA).”⁴⁷

DfES evidence also shows that where EYDCPs are working well it is because of clear leadership on the behalf of the LA.

6.1.2 Joined-up services

There is strong evidence suggesting that high quality, integrated early years education (see Chapter 4) and childcare can increase school readiness for pre-school children, and that these effects are disproportionate for children in low income households.

There is a need to change the way in which policy is made and services are delivered at both the central and local level to enable a more joined-up approach, and the Government reforms have been designed to address this. At the centre there are a number of Government Departments that have an interest in childcare policy: DfES, Department for Work and Pensions (DWP), Department of Trade and Industry (DTI), Inland Revenue (IR), Department for Culture, Media and Sport (DCMS), Department of Health (DH), Home Office (HO), Women and Equality Unit (WEU), Office of the Deputy Prime Minister (ODPM – previously Department for Transport, Local Government and the Regions). This has also meant that the relative priority of targets has not always been clear in the past.

Complex programmes are difficult to co-ordinate on the ground

There has been a lot of responsibility on local players to co-ordinate the numerous policies and programmes related to children and families and their separate funding, timescales and monitoring arrangements. LAs have worked hard to join things up at the local level. Often the same people represent the same interests on different partnerships, for example EYDCPs, Sure Start Partnerships, Crime and Disorder Partnerships, Youth Justice Boards, Connexions, Behaviour Support Partnerships, Regeneration Partnerships and Children’s Fund Partnerships. This places a special burden on voluntary sector partners whose organisations may be too small to allow the amount of partnership participation required. It also means there can be duplication of effort – for example, although each will be distinct there is likely to be some overlap between what different Sure Start Partnerships will require. As the burden grows on LA staff it discourages them from applying for new programmes.

⁴⁷ *Partnerships – What Works*, DfES Guidance, 2002.



The role of EYDCPs

Analysis has shown that the establishment of EYDCPs has not always made a significant difference in driving forward the joining together of services or encouraged those parts of the local statutory services with an interest in children – LEAs, SSDs and NHS Trusts – to work together co-operatively.

Traditional approaches, where local agencies act competitively rather than collaboratively, do not help children and their families, particularly those who are already at the greatest risk or who face the most challenges, such as children at risk and children with disabilities. It can also put providers in a difficult position.

Much can be learnt from the Sure Start approach where services around health, education, and improving the community are integrated. Sure Start programmes bring together a range of services including home support, support for families, primary and community health care, and support for children and parents with special needs in one place, so making it easier to access services.

EYDCPs have been most successful where LAs have been actively involved, and there has been a more holistic approach to childcare services, with a joining-up between LEAs, SSDs, and related programmes such as Sure Start and the Children’s Fund.

There has also been a growing appreciation of the importance of the relationship between EYDCPs and Jobcentre Plus offices in identifying and resolving childcare issues. The 2002 Budget announced that from April 2003 there will be a dedicated childcare co-ordinator in every Jobcentre Plus district. Childcare co-ordinators will work with LAs and Jobcentre Plus advisers to improve access to information about local childcare provision, and ensure that the needs of unemployed parents are taken account of in planning new childcare provision.

6.1.3 Performance management

Every three years, in accordance with DfES guidance, EYDCPs/LAs prepare Strategic Plans. These should set out the EYDCP’s/LA’s vision of where they expect to be in three years’ time based on annual local audits of

Box 6.1: Coverage of the targets

EYDCPs/LAs are expected to plan towards targets covering:

- the provision of universal, free early education places;
- the content and quality of early education provision;
- creating childcare places related to various age groups or to parental need;
- improving the sustainability of childcare places;
- promoting Working Families’ Tax Credit;
- local recruitment to the childcare workforce; and
- childcare quality.



provision and needs, and against the targets set or directed by DfES (see Box 6.1).

EYDCPs/LAs also prepare detailed Implementation Plans annually. These include a review of progress over the previous 12 months; provide business plans and objectives for the coming year, including details of resources; and show how the progress made and planned contributes to the Strategic Plan. Both Strategic and Implementation Plans have to be agreed by the Council and then with DfES. The plans have invariably been approved by DfES though some have required extra work before approval was given. LAs have also had to prepare a childcare progress report each quarter for presentation to and discussion by the EYDCP before submission to DfES who have required the reports to be submitted with claims for Childcare Grant. These planning and reporting requirements are burdensome for local and central government partners. For instance, during the planning period, which runs from September to February, some Partnership managers can spend over 50 per cent of their time pulling together the plan, and in Sunderland a member of staff works full-time monitoring 20 different budgets.⁴⁸

There have been no formal inspection arrangements for assessing LA/EYDCP performance on childcare

DfES has made informal assessments of EYDCP performance and offered additional support to those who are struggling, but there has been no formal inspection mechanism. OFSTED inspects childcare and education settings. It also inspects LEAs but the extent to which it assesses EYDCP performance will depend firstly on whether the EYDCP is co-ordinated by the LEA (some come within the responsibility of SSDs) and secondly on its inspection priorities.

Management through targets

EYDCPs/LAs have had little discretion to decide how to deliver against targets. A number of the targets set by Government are expected to reflect or improve on the relevant national target and are not negotiable downward: for example, the target to ensure that a minimum of 80 per cent of all out of school childcare places sponsored from New Opportunities Fund money remain viable and available five years after being established. Others are negotiable but lower targets can result in reduced funding, and higher targets often only receive higher amounts of funding if other Partnerships reduce their targets, for example the target to have set up a minimum of 120,000 places with childminders across England by 2004. Some targets have proved difficult. For example, there have been definitional difficulties in relation to the target to increase wraparound facilities (a manifesto commitment), which have affected objective measurement. Others have no focus on outcomes or outputs and are concerned with common sense process, such as target 26 – *“to ensure Partnerships keep membership, working practices and progress under review, so that they are successful in the delivery and evaluation of their Strategic Plans and key objectives”*.

For targets to have the best effect on service outcomes they must be owned and understood by those delivering the service. It must also be clear how actions to deliver the targets contribute to the overall objectives and vision. At the moment too many EYDCPs do not understand how the targets relate to their work, and Partnership managers are spending too much of their time explaining the targets and making them understandable.

⁴⁸ *Joining-up to Improve Public Services* – Report by the Comptroller and Auditor General HC 383 Session 2001–2002: 7 December 2001.

The performance management process has been burdensome

The current planning and performance management processes that EYDCPs, LAs and DfES undertake have been time consuming and burdensome and have added little value to the work of the Partnership or its customers. Most Partnerships view the whole process as a means to an end, enabling them to get funding and deliver their services.

6.1.4 Funding

Funding programmes have been complex

Funding has not been well aligned. The EYDCPs' role in delivering the National Childcare Strategy has not been reflected in their control over funding. This is particularly the case for start-up funding which is currently available through the New Opportunities Fund. Funding for early years and childcare is spread across a wide range of programmes to create a complex funding map. Each has its own application and planning process. The key sources of funding for providers are:

- *Early Education Grant* – currently provides for universal early education provision for 3 year olds (which is planned in due course to move into the SSA) as well as specific funding for Early Excellence Centres; and money for training, for example.
- *Childcare Grant* – provides direct funding for childcare to EYDCPs. This grant is allocated by DfES to LAs partly on an equal shares basis and partly depending on the 0–14 population taking account of relative deprivation. This fund mainly covers staffing to support EYDCPs, but also includes some funding for Children's Information Services, training, childminder start-up grants and some funding for pump-priming.

- *New Opportunities Fund* – provides pump-priming funding from the national lottery for out of school hours places (including holiday schemes, before/after school clubs, education projects) with a particular focus in deprived areas.
- *Standard Spending Assessment (SSA)* – provides for early years education for 4 year olds, some residual registration responsibilities, and information services (though in some cases LAs have been unwilling to allocate SSA funds to childcare).
- Funding for *childcare training* is available through the Learning and Skills Council.
- Funding for *Sure Start* is allocated by the Sure Start Unit to local Sure Start partnerships.

In addition to these, there is the funding for related programmes for children and families, including the Children's Fund and Study Support. Parents also receive support through the childcare tax credit element of WFTC.

The numerous programmes for children's services have added to the complexity of delivering childcare. The main problems have been:

- for providers: uncertainty and difficulties in securing funding (i.e. different timetables and targets), and the amount of time it takes to deal with them;
- for EYDCPs/LAs: a heavy burden in terms of time spent accessing the various programmes and funds;
- for parents: the apparent lack of an overall vision, compounded by multiple brands, reduces their trust in childcare; and



- for Government: difficulty in tracking the impact of overall spending on different initiatives and ensuring that it is used in the most sensible way.

6.2 Conclusions from the evidence

New investment in childcare must therefore be backed up by reform. Reform needs to ensure that initiatives are joined up with clear accountability and a smarter performance management regime.

6.2.1 The architecture

A clear LA role

The childcare vision as a whole cannot be delivered narrowly through one arm of the LA such as the LEA, but needs to take account of cross-cutting local interests in health, social services, planning and regeneration as well as encompassing employment and local labour market interests. The vision involves a mixed economy of childcare and therefore local childcare decisions need to be taken on the basis of meaningful consultation with the range of providers: including the private and voluntary sectors as well as school governing bodies and employers. This was the original intention behind EYDCPs back in 1998 when they were established, and in some 30 LA areas the approach is working well. But the analysis suggests that for this to be effective in all areas there needs to be tidying up of the structural flaws: responsibility needs to be acknowledged as resting with the LA, and the overall accountability of the LA needs to be clarified. It is only when LAs are playing a central role and childcare is mainstreamed as part of the wider agenda that childcare and children's services can reflect the full range of objectives to which they contribute.

In particular this will ensure that education, health, social services and planning interests are brought together to determine local childcare plans. This will reinforce the strong message about the importance of childcare to national and local agendas.

In helping to further emphasise the profile and overcome the problems of organisations not always working together, the review concluded that the LA could play an important role in bringing the key players together. For example, this could be done by putting the responsibility for driving the strategy at local level with the Chief Executive's Department. The existing consultative approach to planning and developing childcare and early education places should be retained and, over time, successful LAs should be given freedom to choose the mechanisms for doing this (in line with the Local Government White Paper). They might choose to retain the EYDCP as a consultative body where it works well, but equally might not. It could be appropriate to use alternative partnership forums as long as the necessary range of childcare and early years interest groups, including the Jobcentre Plus and local business groups, were consulted.

There is also a role for Regional Development Agencies (RDAs). RDAs have a key role in economic regeneration in their areas. Ensuring that there is provision of sustainable childcare may often be a key element of this. LAs and RDAs should liaise to make sure that joined-up childcare services and regeneration efforts work together.

Clarity in the role of the LA should facilitate the joining together of services and programmes at the local level. Delivery of the Government's vision will also require LAs over time to extend their remit to take



responsibility for delivering Sure Start programmes currently managed from the centre, particularly where such services are being integrated with childcare and early years education on the ground.

If responsibility for childcare was to be placed with Chief Executive's Departments it would also allow for flexibility in terms of LA structures and would fit well in areas where LAs have decided to bring together education and children's social services functions.

Reform of the central infrastructure must follow as a logical consequence

Confusion on the ground has been linked to co-ordination at the centre. The Public Services Productivity Panel report on

Partnerships⁴⁹ found that the central Government structure was relevant to Partnerships' performance: "Many of the partnerships in our study felt that the way the centre behaved [in terms of setting objectives and targets, providing funding, sponsoring and monitoring] inhibited partnership working on the ground".

In particular, the review concluded that responsibility for Sure Start and for early years education and childcare need to be brought together at the centre, with a clear Ministerial lead in a new inter-departmental unit. This will help to join up policies and objectives in these areas, including those related to child poverty and welfare to work through the Department for Work and Pensions.

Conclusions

Greater responsibility for the delivery of services should be devolved to LAs. In particular, the review concluded that it will be important to:

- promote and develop the role of the LA in early years and childcare development, perhaps with the Chief Executive's Department driving the strategy forward;
- allow LAs to identify the best mechanism for delivering childcare services;
- maintain and strengthen the consultative approach to planning and developing childcare and early years places;
- ensure that planning for childcare and early years places takes account of local interests and other relevant initiatives; and
- give LAs the lead role in supporting delivery of joined-up services including Sure Start.

6.2.2 Joining up initiatives and funding

The centre should bring initiatives together as part of a single vision for children and families

The centre has an important role to play in supporting what happens on the ground by

helping to increase the joining-up of policies at the central level. The new inter-departmental unit will need to consider how to present to local partners a joined-up vision of what the various policies and programmes which affect children and families are

⁴⁹ Working Together, Effective Partnership Working on the Ground, Public Services Productivity Panel, 2002.



intended to achieve, and how the policies and programmes can practically interact.

These problems are not just related to childcare services. The cross-cutting review on children at risk⁵⁰ has identified a need for improved working between agencies and a move towards the joining-up of services.

Bringing together the various initiatives at the centre and at local level, starting with Sure Start, childcare and early education allows for greater integration of funding streams. Although it will not be possible to integrate some funding streams, it will be important to present this as part of the broader funding strategy, perhaps by using a single brand.

By giving LAs a greater role and accountability in the delivery of the National Childcare Strategy, it would follow that funding for early years and childcare should continue to be routed through LAs.

To support the vision there will be an increased budget for the new inter-departmental unit. This will also mean that Sure Start funding is added to the childcare and early years funds. Funding will also be simplified through mainstreaming. For example, the pump-priming and sustainability funding that currently comes through the New Opportunities Fund to EYDCPs will in future be funded through the inter-departmental unit's budget. Over time

there would be potential to direct funding for childcare and related programmes through, for example, the SSA for high performing LAs and a move away from ring-fenced funding. In addition, in line with the performance management framework, LAs who can demonstrate that they are delivering good outcomes should be rewarded with greater flexibility over funding and this will be something for the new inter-departmental unit to consider early on.

Funding can be integrated in stages

Funding should be integrated increasingly at central and local levels. Key steps include:

- integrating pump-priming and sustainability funding within DfES's Childcare Grant;
- perpetuating the distribution of ring-fenced funding for childcare and early years education to LAs until such a time as LA performance is such to justify removing ring fencing;

and in the longer term:

- considering the possible integration of other sources of funding to the new integrated funding stream; and
- integration of childcare funding from central government into LAs' SSA funding or a suitable alternative pot where LAs perform well.

⁵⁰ 2002 Spending Review White Paper *Opportunity and Security for All*
http://www.hm-treasury.gov.uk/Spending_Review/spend_sr02/report/spend_sr02_repindex.cfm?



Conclusions

- Present funding should come under one brand.
- The various initiatives at the centre and local level should be brought together starting with Sure Start, early education and childcare.
- Funding should be simplified through mainstreaming, for example integrating pump-priming and sustainability funding in the Childcare Grant.
- There should be a move towards integrated funding for early years and childcare with less ring-fenced or targeted funding over time. LAs that can demonstrate that they are meeting national childcare targets and delivering successful programmes should be allowed greater freedom over the distribution of funding for childcare. As LAs improve their performance on childcare, they should be rewarded with greater freedom over funding.

6.2.3 Performance management

A new performance measurement system should focus on what is required to deliver the 2010 vision – and monitoring the progress of new policies in helping achieve this. It is also important to ensure that there is clear ownership of the targets, and flexibility to allow those at the local level to set measures relevant to local need. There need to be rewards and incentives to encourage good practice, but also clarity about the consequences of failure.

The Prime Minister's four principles of public sector reform should underpin the reforms to performance management of local planning and delivery of childcare:

- high national standards and full accountability;
- devolution to the front line to encourage diversity and local creativity;
- flexibility of employment so that staff are better able to deliver modern public services; and
- promotion of alternative providers and greater choice.

The new performance management framework will ensure that there is a link from the overall vision down to the outputs and objectives. Each objective is linked to a target. Data to show progress against the targets can be gathered by Government or LAs. Progress against the targets will be measured through outputs/ performance indicators. An example of an indicator might be the number of integrated childcare places for those aged 0–4. The aim would be to define all measures in line with SMART (specific, measurable, achievable, realistic and timed) principles, and to incentivise performance.

Performance monitoring will play a key role in working towards the 2010 vision and reviewing progress in the 2006 Spending Review. As new policies bed down it will be important to have detailed performance monitoring, which can be reduced as policies become established. As part of this it will also be important to ensure that performance information is of a high standard and not too burdensome on those who are collecting it. The inter-departmental unit will need to review and rationalise the information



collected now to ensure that delivery of the PSA targets can be properly monitored. Data should not be collected unless it serves a clear purpose. In addition, the unit should feed back performance information to LAs allowing them to compare their performance with performance in other areas.

Inspection will be important in ensuring that LAs are effective in planning and facilitating the delivery of early years and childcare services for communities. The Local Government White Paper⁵¹ sets out a new model for gauging the performance of LAs using inspection and other performance data: the Comprehensive Performance Assessment (CPA). Under the CPA those LAs that are assessed as performing well will be rewarded by a substantial reduction in inspection activity, and possible funding flexibility rewards also. However, for those where there is little or no prospect of improvement early intervention measures will be taken, and

where there are serious failings tougher actions will be taken such as:

- the transfer of functions to other providers (perhaps another LA, a not for profit company or trust or the private sector) with the council retaining statutory responsibility for strategic decisions; and
- franchising management (giving stronger councils a role in running weaker ones, and including success related rewards/ bonuses).

The model being developed by the Audit Commission for the CPA includes a childcare performance indicator. This means that the LA's performance in terms of childcare will be part of a new overall judgement. The CPA will be reviewed annually, allowing for a review of the childcare performance indicator as the childcare vision is rolled out, and helping to bring more consistency to the inspection of the LA's role in enabling childcare services.

Conclusions

- Measure progress against targets in the childcare PSA through output/performance indicators based on information collected by either the Government or LAs.
- Review progress towards the 2010 vision in the 2006 Spending Review.
- Review and rationalise the information about childcare that is collected now. Feed back performance information to LAs, allowing them to compare their own performance with performance in other areas.
- Make rewards and incentives a key part of performance monitoring to encourage good practice and the right behaviours. Reward those that perform well by giving them greater flexibility in the way that they use their funding and set targets.

6.3 The 2002 Spending Review

Announcements in the 2002 Spending Review supported the conclusions of the review to transform the way in which services are delivered.

6.3.1 Reforming the infrastructure

Joined-up services

In the Spending Review the Government announced its intention to give LAs a clearer responsibility for strategic planning and

⁵¹ *Strong Local Leadership – Quality Public Services*, DTLR, 2001.



meeting delivery targets at the district level, based on the LA's assessment of local need. The role of local partners will be crucial and there will be a requirement for LAs to consult with appropriate bodies, for example Primary Care Trusts and Local Strategic Partnerships, and importantly encouraging informal, local parental participation.

At the centre, responsibility for childcare, early years and Sure Start will be brought together within a single inter-departmental unit, with a new budget rising to £1.5 billion by 2005/06. The unit will lead the phased joining-up of Sure Start, childcare and early years education providing new opportunities for effective delivery and re-branding.

Simplifying the funding

As part of the Government's announcement to join up existing services, it intends to simplify funding. The Sure Start, early years and childcare budgets will be brought together as a ring-fenced budget for the inter-departmental unit.

Clear performance management

The settlement provides for a clear performance management framework to help enhance the delivery of services. This will be developed in line with the Local Government White Paper. The Government also intends to streamline targets.

The performance management framework will focus on the overall objective:

“To increase the availability of childcare for all children, and work with parents to be, parents and children to promote the physical, intellectual and social development of babies and young children – particularly those who are disadvantaged

– so that they can flourish at home and at school, enabling their parents to work and contributing to the ending of child poverty.”

The objectives are underpinned by a national Sure Start, childcare and early years Public Service Agreement (PSA), which was published in the 2002 PSA White Paper and is the responsibility of the inter-departmental unit. This shows the objectives the Government has for childcare in terms of employment, poverty, education, health and crime and how progress can be demonstrated through measurable outcome targets. The PSA also revises the targets for Sure Start programmes and children's centres.

The objectives for fully operational areas are:

- an increase in the proportion of young children aged 0–5 with normal levels of personal, social and emotional development for their age;
- a 6 percentage point reduction in the proportion of mothers who continue to smoke during pregnancy;
- an increase in the proportion of children having normal levels of communication, language and literacy at the end of the Foundation Stage and an increase in the proportion of young children with satisfactory speech and language development at age 2 years; and
- a 12 per cent reduction in the proportion of young children living in households where no one is working.

6.3.2 Achieving the 2010 vision

To deliver the vision there will a number of changes. LAs will have a greater role in early years and childcare development. Co-ordination and joining-up of services and



funding will be encouraged, building on the co-ordination under way between Sure Start and childcare. Integrated funding will help to support integrated planning and delivery.

There will also be re-branding through a new national communication and information strategy. Progress towards the vision will be reviewed in the 2006 Spending Review.

Summary of conclusions

The key conclusions, which have been supported by the outcomes of the 2002 Spending Review, are:

- to enhance the role of LAs in supporting the delivery of services;
- that Government should bring related initiatives and their funding together at a national level to improve joining-up locally;
- that targets should be aligned to the overall vision, and be meaningful locally as well as centrally; and,
- that there should be a clear framework of rewards and sanctions in relation to LA performance on childcare.

7. CONCLUSION

7.1 Key conclusions from the review

Childcare supports a range of objectives. Childcare, alongside other labour market policies, enables parents to go out to work and lift their families out of poverty. Childcare can improve outcomes for children. It also plays a key role in meeting other key objectives, for example in improving educational attainment, reducing crime, improving health, boosting productivity, and closing the gender pay gap.

Despite the significant role that the National Childcare Strategy has played in creating new places, the childcare sector has not been delivering childcare that is available and accessible for all parents. There are shortages in most local childcare markets, and little childcare is provided in schools.

The evidence collected during the inter-departmental review made a strong case for investment in childcare:

- **There are very significant payoffs from good quality early interventions for disadvantaged children:** not only do the benefits cascade throughout the educational system, but there are big gains in reducing crime, in improving health, and in reducing demand on social services.
- **New investment is needed to support the Government's employment and poverty targets:** targets to increase lone parent labour market participation to 70 per cent by 2010, in particular,

require a substantial increase in childcare places by 2010. The market alone will not deliver this.

7.2 The vision: the 2002 Spending Review

The Government's vision for children is one in which every parent can access affordable, good quality provision. The 2002 Spending Review – which will double funding for childcare by 2005/06 – was underpinned by the conclusions from this review, and has provided resources to build on the successes of the National Childcare Strategy and Sure Start by:

- **developing a thriving supply of childcare:** by supporting the creation of at least 250,000 childcare places by 2005/06 to advance the Government's lone parent employment and child poverty objectives, through targeted assistance to providers in areas of market failure. This exceeds the number of places that were estimated to be required to meet key Government targets. New funding will support the growth of full day care and out of school clubs, and will provide help for additional childminders. Funding has also been provided to help sustain provision in the most disadvantaged areas;
- **providing financial help to lower and middle income parents for whom the cost of childcare is a barrier to work:** parents can currently receive generous support towards the costs of approved



childcare. This assistance will continue – in an improved, more flexible form – as part of the Working Tax Credit from April 2003. The Government is committed to keeping the level of support under review; and

- **transforming the way in which services are delivered to better meet the needs of children and parents, particularly the most vulnerable:** by supporting the creation and operation of children's centres in disadvantaged areas. Building, where possible, on existing childcare and Sure Start provision, these will sit at the heart of the community offering integrated services and support to parents, children, and childcare providers. The Government's longer-term aim is to establish a children's centre in every one of the 20 per cent most disadvantaged wards.

To deliver better integrated services in partnership with the private, voluntary and community sectors, responsibilities will be brought together at the local authority level, backed up by better performance management, with a focus on outcomes, and more integration of key funding streams.

At the centre, the Spending Review announced an important first step to develop more integration by establishing a new inter-departmental unit, with a total budget of £1.5 billion by 2005/06, to ensure that Government policy for children, particularly young children, is joined up. This will ensure that a focus is maintained across the wide range of Government objectives to which childcare contributes.

It will be important to review progress in all these areas before 2010. The proposal is for that milestone to be built into the 2006 Spending Review process, enabling a detailed examination of the delivery of the key

components of the vision and their effect in creating new childcare places and in directing help to those who need it most.

7.3 A vibrant future for children and families

This review has emphasised the importance of childcare to Government objectives of extending employment opportunities and tackling child poverty, as well as other objectives such as boosting productivity and closing the gender pay gap. It has also highlighted significant benefits to children (particularly very young children and those from disadvantaged backgrounds) when good quality childcare is delivered alongside early years education, family support and health services.

The Government's vision, building on the conclusions of this review, is to ensure that the Government supports a childcare market where every parent can access affordable, good quality childcare. In this way parental choice is at the centre of the vision. The Government's longer-term aim is to establish a children's centre in every one of the 20 per cent most disadvantaged wards.

The 2002 Spending Review has responded to those conclusions and has allocated significant new funding to create and sustain more childcare places and to support the creation and operation of children's centres in the most deprived areas. The spending review has also ensured that such investment is backed up by reform, both in terms of devolving funding and responsibility for delivery to local authorities, and also by establishing a new inter-departmental unit to join up thinking.

ANNEX 1: BACKGROUND

A1.1 Inter-departmental childcare review

The inter-departmental childcare review was announced in October 2001 to consider childcare as part of the 2002 Spending Review. It has been led by Baroness Ashton from the Department for Education and Skills, supported by Dawn Primarolo, Paymaster General, HM Treasury with Baroness Hollis from the Department for Work and Pensions and Barbara Roche, Minister for Women at the Cabinet Office.⁵² They were supported by officials from the Department for Education and Skills, the Department for Work and Pensions, HM Treasury, the Department of Trade and Industry, the Women and Equality Unit, the Children and Young People's Unit, the Department of Health and the No 10 Policy Directorate, together with the Strategy Unit⁵³ at the Cabinet Office who have project managed the review.

The main objectives for the review were:

- to assess the future demand and need for childcare, given trends in labour force participation, and how this compares with current and projected trends in supply;
- to assess the effectiveness of different types and qualities of childcare in terms of impacts on child development, educational attainment and labour market outcomes in later life; and
- to develop a 10-year vision and strategy for childcare in the light of these assessments, including recommendations for improving the effectiveness of delivery

mechanisms and bringing greater coherence to existing initiatives (this involved examining different delivery models, funding mechanisms and regulatory approaches).

The project started in November 2001 and fed into the 2002 Spending Review process, which rolls forward existing spending plans and sets budget and outcome targets for departments up to 2005/06.

The outcomes from the inter-departmental review were announced in the Chancellor's Spending Review statement on 15 July 2002⁵⁴ and the White Paper *Opportunity and Security for All*.⁵⁵

A1.2 The team

The Strategy Unit project team responsible for preparing this report comprised staff drawn from Government, the private sector and the voluntary sector:

- Charlie Massey (Team Leader) – Strategy Unit, seconded from the Department for Work and Pensions;
- Jane-Frances Kelly – Strategy Unit, previously from Boston Consulting Group;
- Mary Pooley – seconded from the Department for Education and Skills;
- Anne Longfield – seconded from Kids' Club Network;
- Nick Percy – Strategy Unit, previously from McKinsey & Co;

⁵² Now the Office of the Deputy Prime Minister.

⁵³ Formerly the Performance and Innovation Unit.

⁵⁴ http://www.hm-treasury.gov.uk/Spending_Review/spend_sr02/spend_sr02_statement.cfm?

⁵⁵ *Opportunity and security for all: Investing in an enterprising, fairer Britain. New Public Spending Plans 2003–2006*, CM 5570, July 2002.



- Shane Tomlinson – Strategy Unit;
- Nick Donovan – Strategy Unit;
- Jane Halestrap – Strategy Unit; and
- Mia Rosenblatt – Strategy Unit.

Additional assistance was provided by Phil Ling, Mark Hayward, John Ambrose and Matthew Jaffa from the Strategy Unit.

Thanks also to Alan Duncan and Howard Reed at the Institute of Fiscal Studies, Lucy Lloyd at the Daycare Trust, Teresa Smith at the University of Oxford, Jo Blanden and Steve Machin of the London School of Economics and Political Science, Jim Robertson at Kent County Council and Tom O’Shea.

The team also acknowledges with thanks the assistance of all who offered advice and contributed in meetings.

A1.3 Methodology for the review

The review team, with key government departments, carried out a number of different strands of work and analyses as part of the review.

In defining a rationale for government intervention, the review examined:

- current government policies and objectives that impact on childcare;
- the principles underpinning current policies;
- market failures, including the nature and importance of them; and
- the body of evidence on the payoffs for children from investment in childcare and the early years.

To complete this work, an important aim was to develop a clear understanding of the

childcare market. The review team achieved this by completing:

- a quantification of the size/range of the potential gap between supply and demand;
- analysis of how different government interventions might impact on any market failures identified;
- analysis of labour market participation decisions, and the role of demand-side policies; and
- provider economic modelling and sustainability analysis.

It was also important to develop a clear understanding of the effectiveness of different types and qualities of childcare in terms of impacts on child development, educational attainment and labour market outcomes in later life. One way in which the review approached this subject was through undertaking a systematic literature review of the evidence on the payoffs of different types and qualities of childcare.

To contribute to each of these main strands of work, the review also carried out some international benchmarking work.

To design a longer-term vision for childcare, the review team worked with departments to develop potential scenarios and evaluate them against the range of relevant government objectives.

It was also important to look at the nature of the current childcare infrastructure and the reform that would be needed to deliver the vision. Building on earlier policy mapping and auditing work, the team analysed potential models of accountability and funding, identified key reforms, and designed a potential framework for developing new success measures and targets.

ANNEX 2: IMPLEMENTATION PLAN

Key to acronyms

CBI	Confederation of British Industry	LGA	Local Government Association
CPA	Comprehensive Performance Assessment	LSC	Learning and Skills Council
CYPU	Children and Young People's Unit	LSP	Local Strategic Partnership
DfES	Department for Education and Skills	ODPM	Office of the Deputy Prime Minister
DoH	Department of Health	OGC	Office of Government Commerce
DTI	Department of Trade and Industry	PCT	Primary Care Trust
DWP	Department for Work and Pensions	PMDU	Prime Minister's Delivery Unit
EYDCP	Early Years Development and Childcare Partnership	SBS	Small Business Service
HA	Health Authority	SOLACE	Society of Local Authority Chief Executives
HMT	HM Treasury	SR	Spending Review
HO	Home Office	TUC	Trade Union Congress
IR	Inland Revenue	WEU	Women and Equality Unit
LA	Local Authority		



Conclusion	Outputs	Activities	Lead responsibility	Key stakeholders	Timetable
<p>Support the development of a thriving and entrepreneurial childcare market to create the places needed to meet the Government's objective of a 70 per cent employment rate among lone parents and its commitment to halve child poverty within 10 years.</p> <p>Support the creation of at least 250,000 gross childcare places (at least 160,000 net) over SR2002, thereby:</p> <ul style="list-style-type: none"> • supporting the achievement of the lone parent employment target; • supporting the achievement of the child poverty target; and • improving productivity and gender equality. 	<ul style="list-style-type: none"> • At least 250,000 new childcare places to be established by March 2006 (with a net gain of at least 160,000 places). • Sufficient additional places in deprived areas to reduce the difference in childcare availability between deprived and non-deprived areas. • Reduce turnover rates among childcare businesses, particularly in deprived areas, helping promote availability. • Increased use of childcare by lone parents and low income families to enable parents to work and to sustain them in work. 	<ul style="list-style-type: none"> • Develop subsidy structures for out of school clubs, childminders and nurseries. • Manage the transition from existing programmes. • Monitor the development of new places and total number of places. • Ensure sufficient support is provided to encourage the establishment of provision in the most deprived areas. • Develop a "safety net" funding mechanism (a sustainability grant) to help good childcare provision survive, and ensure it is transparent and well-understood. 	New inter-departmental unit.	<p>Central: DFES, HMT, DWP.</p> <p>Local: EYDCPs, LAs, providers and parents.</p>	<p>At least 250,000 new childcare places to be established by March 2006 (with a net gain of at least 160,000 places).</p>
<p>Monitor the affordability of childcare for parents.</p>	<ul style="list-style-type: none"> • Ensure lone parents and parents who need to move into work to pull their children out of poverty receive appropriate support. • Monitor the impact of Government support on the sustainability of childcare businesses. • Monitor the impact of childcare costs on parents' employment decisions. 	<ul style="list-style-type: none"> • Continue to build parents' understanding and use of childcare tax credit. • Continue to monitor tax credit take-up rates and effectiveness. • Review barriers to work for middle income parents, including availability and affordability of childcare. 	<p>IR/HMT, with new inter-departmental unit and DTI.</p> <p>As above.</p> <p>WEU and new inter-departmental unit.</p>	<p>HMT/IR, DWP, DFES, DTI, WEU.</p>	<p>Continuous review of impact of childcare costs on employment and provider economics.</p>
<p>Take actions to ensure that the childcare workforce does not act as a brake on the growth of the sector.</p>	<ul style="list-style-type: none"> • Achieve sufficient workforce growth to support the growth in places. 	<ul style="list-style-type: none"> • Develop a strategy to ensure recruitment, and retention, of childcare workers. • Ensure that children's centres and extended schools act as bases for childminder networks and wider worker recruitment. 	New inter-departmental unit.	<p>Central: DFES, DWP, HMT, DTI.</p> <p>Local: EYDCPs, LAs, LSCs.</p>	<p>Develop strategy in tandem with existing activities in this field. Ensure strategy is in place in time for increase in start-up investment.</p>

Conclusion	Outputs	Activities	Lead responsibility	Key stakeholders	Timetable
Employers to be encouraged to play a greater role.	<ul style="list-style-type: none"> More employers understand how helping with childcare could be good for their business. More employees have help with information about or costs of childcare. More childcare places are supported by employers. Employers play a greater role in local decisions about childcare provision. 	<ul style="list-style-type: none"> The Work-Life Balance Campaign will raise awareness of the business case for childcare. IR to continue to monitor the effectiveness of current tax exemptions. More publicity to employers on how they can help their employees get information about childcare. 	DTI, WEU, IR, new inter-departmental unit.	DFES, DWP, DTI, IR, HMT. CBI, TUC, SBS. Employers, employees.	Work-Life Balance Campaign – ongoing; progress to be measured through repeat Work-Life Balance surveys.
Roll out children's centres to every one of the 20 per cent most deprived wards.	<ul style="list-style-type: none"> New build children's centres, expanded Neighbourhood Nurseries, and expanded Sure Starts. To ensure that by March 2006 at least 650,000 children will be covered by children's centre services. 	<ul style="list-style-type: none"> Develop financial model: clarify fee model for places and funding model. Staffing and management: identify constraints/barriers to recruitment and devise interventions where necessary. Identify timetable, critical path and milestones for roll-out of programme. Clarify arrangements for integrating services around existing provision. Ensure that children's centres target services on children in need, but also extend to children from a wide range of backgrounds. Develop and implement appropriate monitoring and evaluation systems, ensuring compatibility with existing programmes. Develop branding recommendations and communication strategy. 	New inter-departmental unit.	Central: DoH, DWP, DFES. Local: Sure Start partnerships, EYDCPs, LAs.	Coverage to reach at least 650,000 children by March 2006.





Conclusion	Outputs	Activities	Lead responsibility	Key stakeholders	Timetable
Responsibility for childcare given to local authorities.	<ul style="list-style-type: none"> • Clear accountability at the local level. • Higher local profile for childcare. 	<ul style="list-style-type: none"> • Agree the appropriate mechanisms, success criteria and timescales for giving responsibility to LAs. • Work closely with LAs to consult with local partners about the new arrangements. 	New inter-departmental unit.	<p>Central: DFES, DWP, HO, ODPM, HMT.</p> <p>National: LCA, SOLACE.</p> <p>Local: LAs, EYDCPs, HAs, Sure Start Partnerships, PCTs, LSPs, business, voluntary sector.</p>	Timetable to be defined following discussion with key stakeholders.
Government to improve integration of initiatives and funding.	<ul style="list-style-type: none"> • A new inter-departmental unit bringing together Sure Start, Early Years and Childcare. • Increasingly integrated funding streams. • Increased business support for providers. 	<ul style="list-style-type: none"> • Define timetable for simplifying funding streams. • Manage the integration of funding, and ensure that key stakeholders are clear about the changes. • Ensure providers are given greater support through the process of identifying and applying for funding. 	New inter-departmental unit.	<p>Central: All central depts especially – DFES, CYPJ, DWP, DH, DTI, ODPM, HMT.</p> <p>Local: LAs, EYDCPs, LSPs, PCTs, providers, parents.</p>	Timetable to be defined following discussion with key stakeholders.
Implement a new performance management framework.	<ul style="list-style-type: none"> • Clear hierarchy of meaningful targets. • Improved information management. 	<ul style="list-style-type: none"> • Define the range and hierarchy of central government targets. • Review the targetry/ performance information requirements to meet the needs of the new regime. • Consider plans for publishing performance information. 	New inter-departmental unit.	<p>Central: All central depts especially – DFES, DWP, DH, DTI, HMT, OGC, ODPM, PMDU.</p> <p>Local: LAs, EYDCPs.</p>	Central government targets to be defined and published in autumn 2002.
A clear framework of rewards and sanctions in relation to LA performance on childcare.	<ul style="list-style-type: none"> • System of rewards and sanctions. 	<ul style="list-style-type: none"> • Design a system in line with the CPA, working closely with OGC and the Audit Commission to develop the framework. • Consult on guidance on how the new framework will operate. 	New inter-departmental unit.	<p>Central: All central depts especially – DFES, DWP, DH, DTI, HMT, ODPM.</p> <p>Local: LAs.</p>	Timetable to be defined following discussion with key stakeholders.
Review progress towards the vision at 2006 Spending Review.	<ul style="list-style-type: none"> • Stocktake of progress to date. 	<ul style="list-style-type: none"> • Review progress against targets, and revise plans to reflect outcome from the stocktake. 	New inter-departmental unit.	<p>Central: DFES, DWP, DH, HMT.</p>	By February 2006.