

LAUNCH OF INTERNATIONAL CENTRE FOR STUDY OF  
THE MIXED ECONOMY OF CHILDCARE

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Stephen Timms MP

Minister of State for Competitiveness at the Department of Business, Enterprise and Regulatory Reform

I am delighted to be here to contribute to this launch. As the local MP I am a long term supporter of the development of this University, and particularly of this campus, and I welcome this new initiative. And as Minister for Competitiveness I am interested in the work the new centre will be doing on the contribution and needs of childcare businesses. We are looking at the moment with our new Enterprise Directorate at what we can do to support small businesses better, and I look forward to some messages from the centre about the business support needs of childcare providers.

The Mixed Economy of Childcare

This is a timely and important launch. We certainly do have a 'mixed economy of childcare'. Childcare provision is marked by striking diversity. It is delivered by private, voluntary, maintained and independent providers, on both a full daycare and a sessional basis – including provision by childminders, and childcare both before and after school and during the school holidays. Indeed, private, voluntary and independent providers – the PVI sector – currently deliver the majority of childcare in England. The sector plays a vital role, with children's centres and extended schools, in providing children and families with flexible and responsive services.

The Big Picture

Improving childcare provision has been very important in the Government's aims over the past ten years. Provision was patchy in 1997. Since then, we have made a huge investment, doubling the number of childcare places up to 1.3 million, and giving every three and four year old the entitlement to free nursery education.

London Borough of Newham, where we meet this morning, is one of 20 'pathfinder' local authorities phasing in the extension of that free entitlement from 12½ to 15 hours per week. The local authority is working with providers to make the free entitlement more flexible, so that parents

can more easily balance their work and family commitments. Based on the experiences of Newham and the other pathfinders, the extension of the free entitlement will be rolled out nationally between now and 2010, offering more educational opportunities for children, and helping parents back into work or training.

In addition, there are now over 1,400 Sure Start Children's Centres, with more opening every day, offering essential early years services to over one million young children and their families. By March 2010 there will be 3,500 centres nationwide – a children's centre for every community.

It is the biggest transformation ever of services for very young children and their parents – perhaps the most radical redrawing of the frontiers of the welfare state since the 1940s. We were pleased that the OECD's *Starting Strong II* report last year – good source material for the new centre - recognised what we have been doing as exemplifying key elements of successful early childhood education and care in an international perspective.

The PVI sector is certainly playing an important role in children's centres in this borough. 18 of Newham's 20 proposed children's centres have or will have PVI provision of the daycare element of the 'core offer' to parents. And in the other two, the PVI sector is also involved in delivering childcare through registered childminders.

We have laid the framework, and established the infrastructure. The next part is harder! We have to make sure every bit of the system is delivering the ambitious vision set out in *Every Child Matters* – transforming the every day experiences of children, young people and of their parents.

#### The role of local authorities

The Childcare Act 2006 aims to maintain and strengthen the diversity of childcare, giving parents choice of high quality provision in a variety of settings. Local authorities have important new duties to assess the sufficiency of childcare locally and then, from April next year, to secure sufficient childcare for working parents in their area.

The word "secure" is extremely important. This is not a duty on local authorities to provide childcare themselves. We want parents to be able to choose the type and pattern of provision which best meets their needs and those of their children. We want the current diverse and vibrant market to be maintained and developed.

Some 80 per cent of all full daycare today is provided by the private, voluntary and independent sector. The Childcare Act makes it clear that the primary role of local authorities is to commission and support childcare. And “commission” doesn't just relate to the procurement or delivery of childcare provision but to everything local authorities do to facilitate and shape the childcare market – including providing business support, or incentivising providers to meet the needs of disabled children.

The Act goes further. It contains provisions – in section 8(3), coming into force next month – to restrict legally the ability of local authorities to set up their own childcare in competition with existing good PVI provision.

This doesn't mean that, as of next month, local authorities have to decommission their existing provision. Section 8(3) only applies to new or expanding childcare. And it is not a blanket ban on new local authority provision. What it does mean is that when a local authority decides that there is a need for new or expanded provision, it should establish the willingness and ability of alternative organisations to provide the services, independently or under contract. If no alternative providers are available, or if – after carrying out an appropriate tendering exercise – it is considered appropriate, the local authority may decide to provide childcare directly.

This idea of local authorities being, in effect, 'providers of last resort' covers children's centres and extended schools too. It is a condition of Government funding that local authorities must consult, and consider using, PVI sector providers in their area when planning the development of new children's centres. Similarly, schools are strongly encouraged to make use of the PVI sector as providers of 8 am to 6 pm childcare which is key to the extended schools 'core offer'.

The statutory guidance to local authorities on *Securing Sufficient Childcare* sets out the principles for facilitating and supporting local childcare. They include maintaining a diversity of supply, so that parents have choice, and the different needs of children are met; and ensuring a cost effective and sustainable market which efficiently meets the needs of parents. There are no limitations in the Childcare Act on the types of assistance local authorities can give providers. But the guidance makes clear that they should establish mechanisms for consulting on solutions to difficulties, and for publicising the support they are securing, particularly where additional provision is required to support disabled children or those with special educational needs.

The guidance also underlines that small and medium-sized enterprises, and social enterprises, can be well placed to deliver competitive, responsive and efficient services. Where third sector organisations want to engage in delivering services, we are keen that there should be no unnecessary barriers in their way. Which is another reason why local authority commissioning processes must be open and transparent, effective and fair.

Local authorities need to get better at engaging with the third sector – but third sector organisations also need to engage effectively with local authorities, to be ready to work in partnership with them and with each other. Newham does have a commitment to work alongside the private, voluntary and independent sector. The PVI sector is represented, with full voting rights, on Newham’s Early Years Development and Childcare Partnership, an important advisory body to the council. And I hope that’s a model we shall see adopted widely.

### Quality

What really matters is not who delivers but what is delivered. So another guiding principle in the statutory guidance to local authorities is that they should ensure that provision is high quality, and that it meets the appropriate standards of learning and care, so that children of all ages are given the opportunity to improve and develop.

To win confidence from parents, we need to be absolutely committed to delivering good quality. Latest research from the *Effective Provision of Pre-School Education* (EPPE) study tells us that good quality early years education has a significant positive effect on children up to the age of ten, improving their reading age and improving their maths skills. And that the effect is most notable on children from disadvantaged backgrounds.

Only good quality early years education and care has this kind of impact on the outcomes of children. Only by guaranteeing the quality will we convince parents who want to balance work and childcare that its viable to do so. That's why the Early Years Foundation Stage will be so important, designed to help practitioners plan with parents what support their children can benefit from most.

### New Funding Arrangements

Successfully delivering quality, and securing parental confidence, raises important issues about funding. We need a fair system for providers in the private, voluntary and independent sectors for

funding the free entitlement for three and four year olds.

It would make no sense to have one set of funding rules for PVI providers delivering the free entitlement, and another for those in the public sector – particularly when over 80 per cent of all childcare is delivered by PVI providers and a third of children access their free entitlement in PVI settings.

So, we announced in June important changes to the funding system for early years education and childcare. Our aim is to support a diverse and sustainable market, investing in quality, with a funding system that is fair and transparent.

Reform has started, with local authorities assessing the costs to PVI providers of delivering the free entitlement before they set their budgets for next year. And we will be changing the legislation to make sure that providers' views are properly represented in local planning funding and decisions. The aim is that all authorities will fund PVI providers and schools in the same way by 2010 at the latest, but we will encourage them to do it as soon as possible. We think that will help us achieve a diverse early years market characterised by exceptional quality and giving parents real choice.

### Regulation

I know from their recent piece in *Nursery World* that Helen Penn and Eva Lloyd have concerns about what they characterise as the Government's "*attempt to maintain quality through regulation*".

Concerns about regulation – about red tape – are very familiar to me in my discussions with small businesses of all kinds. The department where I am a Minister is the Department for Business, Enterprise and Regulatory Reform, reflecting the Government's recognition that business success does require real progress on reducing the regulatory burden.

Actually, in childcare, we are working hard to streamline and simplify the framework of regulation. From September next year, the Early Years Register and the Ofsted Childcare Register – for 0 to 5s and 6 to 7 year olds respectively – will create a single regulatory system, replacing today's plethora of registration routes which we know can be confusing to providers as well as parents.

The new registers will create a single framework of high quality care with clear standards overseen by Ofsted. The new framework will also support quality in early learning, requiring those

providing for 0 to 5 year olds to deliver the new Early Years Foundation Stage.

The consultation exercises over the last few months have underlined the need for us to keep our regulatory framework simple. We need to make sure it:

- promotes good outcomes for children;
- helps ensure provision meets required standards;
- and where it fails to do so, ensures effective action is taken to put things right – above all, helping to keep children safe.

And at the same time it needs to be manageable and proportionate, so that it can actually be delivered. The new arrangements are in our view a big step forward in achieving that balance.

### ICMEC

So we celebrate the mixed economy of childcare in this country and we want to develop it further. In this borough, the PVI sector in Newham is keen to work with the local authority, and the local authority recognises the PVI sector as key partners which they will be consulting in the childcare sufficiency assessment.

This centre is an imaginative and timely step and I warmly welcome the contribution it will be making in illuminating how our mixed economy of childcare is working and how it compares with arrangements in other countries. I, and my colleagues Ed Balls and Beverley Hughes, will follow the research which it produces with great interest. The centre will certainly gain immensely from Helen's deserved renown as a leading authority in this field, and I think we can be confident that it will thrive given the leadership which she and Eva will provide. I welcome also the close involvement of the University's business school in the Centre's leadership. I am delighted to be able to launch the centre today and I wish it and everyone associated with it great success.

Thank you, and I wish everyone a stimulating conference today, as you set the scene for the centre's future work.