

# Treasury Committee

House of Commons, London SW1A 0AA

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Rt Hon Elizabeth Truss MP  
Chief Secretary to the Treasury  
HM Treasury  
1 Horse Guards Road  
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9 February 2018

Dear Liz,

Thank you for giving evidence to the Committee on 31 January 2018. During the session you agreed to write to the Committee with the following additional information and clarifications.

There are two estimated figures that you agreed to provide to the Committee:

- An estimate of the economic loss from those parents that are willing but unable to enter the labour market due to childcare costs; and
- An estimate of the economic benefit arising from the Government's investment into both the Tax Free Childcare and 30 Hour Free Childcare schemes, and identify risks to these benefits materialising.

In providing these estimates could you please include an explanation of how these estimates have been calculated and outline any assumptions that underpin them.

The Committee also asked you to provide more information in the following areas:

- An outline of the childcare support from the Government available for those in education and training, in particular whether all those on apprenticeships schemes are eligible for Tax Free Childcare and 30 Hour Free Childcare.
- Whether those parents in the national retraining scheme are eligible for childcare support from the Government and if so, what support they are eligible for.
- Whether there are families in specific circumstances (e.g. single parents) and /or income brackets that are not sufficiently served by the current childcare support system provided by the Government. In particular, can you outline those

circumstances where parents cannot claim either tax credit/universal credit support or Tax Free Childcare?

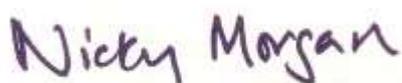
- Whether there are any family circumstances (household income levels, number of children, single parents) where they would be better served by the childcare vouchers system rather than the Tax Free Childcare scheme. Please explain what these circumstances are?
- A detailed breakdown of the £220m administration cost of the childcare voucher scheme.

During the evidence session, you were asked about the funding the government gives providers to support delivery of the 30 Hour Free Childcare scheme. You referenced that the per hour funding rate was based on analysis carried out by Frontier Economics. They found that the per hour cost of providing childcare for three to four year olds was £3.72 and that this calculation underpinned the £4.94 “average hourly rate that the Government are paying [to providers] for three and four-year-old children”. You concluded that their “analysis showed that the Government were paying significantly over the cost for the provision of those childcare places” and that the “objective evidence [you] have, which is not from somebody who is part of the system, is that the level of support the Government are providing to pay for the free places is a reasonable level of support.”

I would be grateful if you could confirm that the Frontier Economics Report that you referenced in the meeting was the “Study of Early Education and Development: The cost and funding of early education” which was commissioned by the DfE and which was published in January 2017?

This report notes that the hourly cost of childcare provision (£3.72) for three and four year olds is based on 2015 data (see page 9 of the report). I would be grateful if you can provide reassurance to the Committee that this has been appropriately uplifted for cost rises that providers have faced since 2015, including the minimum wage and living wage uplifts announced in the recent Budget. Also, please outline how this per hour cost figure has been adjusted to get to the £4.94 per hour funding rate.

This letter and your response may be placed in the public domain.



The Rt Hon. Nicky Morgan MP  
Chair of the Treasury Committee