



Family and Childcare Trust

Creating a family friendly UK

Investing in flexible childcare

Using the £535 million savings from the delay to the tax-free childcare scheme to invest in flexible childcare for working families



"The only nursery that would take my son was in a children's centre, where we are not allowed to buy extra hours on top of the free provision. I would love to buy more time, but I can't, so it means I can't work."

(London mum)

The issue

A significant proportion of parents with young children would like to work more: 49 per cent of parents in families where all parents do not work full-time say they would like to find work or work more hours.¹ Whilst female employment is rising in the UK, maternal employment still significantly lags that of many developed nations. Mothers with pre-school children face particularly high barriers to work: both parents are in employment in only 53 per cent of families with two-year-old children.²

Parents face a number of barriers caused by problems accessing suitable childcare. Twenty three per cent of mothers who are not in paid employment cite childcare issues such as affordability and access as a reason

they are not able to work. A lack of work with suitable hours (19 per cent) and not earning enough money (19 per cent) are also frequently cited as problems, both of which often relate to a lack of affordable, flexible childcare.

The Family and Childcare Trust annual childcare costs survey shows that 43 per cent of local authorities in England and 18 per cent in Wales report that they have enough childcare for working parents.³ These figures fall to 14 and zero per cent for parents working atypical hours. Only 27 per cent of local councils in England and 6 per cent in Wales report that they have enough holiday childcare for working parents.

The government's childcare policy

The government recently announced that the roll out of the proposed tax-free childcare scheme, which will offer a 20 per cent top up to childcare costs to working parents, will be delayed from September this year to 2017.

The government's summer budget costings estimate that the delay to the roll out of tax-free childcare will initially save £535million over two years: £165million in 2015/16 and £370million 2016/17.⁴ The delay provides an opportunity to invest to support access to flexible childcare for working parents.

The government has several policies designed to support working families alongside tax-free childcare, including free childcare for the most disadvantaged two-year-olds and 30 hours of free childcare each week for three- and four-year-olds from 2017. The government has also announced an increase in the childcare element of Universal Credit from 70 per cent to 85 per cent from 2016.

The effectiveness of these policies in supporting parents with young children to work will be constrained by the limitations of childcare provision:

- ▶ Many two-year-olds are not able to access a free childcare place. In January, just 58 per cent of eligible children were accessing a free place.⁵ One of the main barriers to take-up of the two-year-old offer is the lack of free places offered by schools: fewer than three per cent of free places provided to two-year-olds are in schools.
- ▶ 73 per cent of three- and four-year-olds access free childcare in a sessional pre-school or nursery class.⁶ Sessional providers do not offer daycare and often work from shared premises that cannot be used for a full day. Fewer than half of schools offer extended provision outside the school day. In order to provide the 30 hour offer in a flexible framework, these providers must invest in the facilities to offer daycare.

Family and Childcare Trust recommendations

We want the Government to use the £535 million savings from the delay to the roll out of tax free childcare to invest in a capital spending programme to make childcare more flexible so that working parents are able to take full advantage of the existing and extra free hours of childcare.

This proposal would help up to 933,000 children with working parents access childcare each year.⁹

Examples of the support providers might need to provide flexible care for pre-school children aged one to four include:

- ▶ Capital funding to expand or adapt premises – providers must expand premises if they create new places to meet minimum space requirements, create rest areas suitable for infants, pay for new equipment such as nappy washing facilities, and create outdoor and activity spaces so children can be active during the day
- ▶ Revenue funding – providers must fund new places

until they are filled by children, which can take time, particularly in the least affluent areas, and meet higher staff:child ratios for children aged two

- ▶ Funding for workforce development to provide staff with the skills needed to work with the youngest children
- ▶ Incentive payments to encourage providers to create new places, for example meeting the administrative costs of expanding provision

A proportion of the funding saved by the government would be made available to the devolved administrations under devolved funding arrangements: £86million in total and approximately £44.5 million in Scotland, £29.1 million in Wales and £15.1 million in Northern Ireland. Whilst the Scottish government has committed to expanding free childcare to 30 hours each week, Wales and Northern Ireland have yet to set out how they will use the funding they receive as spending on free childcare increases in England.

Sources

¹ Department for Education (2014) Childcare and early years survey of parents; Department for Work and Pensions (2013) A survey of childcare decisions among families with children

² Labour Force survey

³ Family and Childcare Trust (2015) Childcare Costs Survey 2015

⁴ HM Treasury (2015) Summer Budget 2015: Policy costings, p. 185. The devolved nations would be allocated a proportion of this funding if spent and the future costs to the tax-free childcare scheme may also be higher as a result of the delay, offsetting short-term savings.

⁵ Department for Education (2015) Provision for children under five years of age in England: January 2015

⁶ Department for Education (2014) Childcare and early years survey of parents

⁷ Evidence from the roll out of the two-year-old offer to date suggests

each new place for a two-year-old requires on average £650 of capital investment and up to 112,000 new places are needed.

⁸ Figure based on targeting 40 per cent of providers serving the most disadvantaged children at an average investment of £60,000 per provider covering direct grants, loans and investment readiness support.

⁹ This estimate reflects the proportion of three- and four-year olds with working parents who stand to benefit from the 30 hour offer (assumed to be 56 per cent and 58 per cent of the age cohort respectively, using the Labour Force Survey and ONS population projections for 2015/16): 391,900 three-year-olds and 405,900 four-year-olds. We also estimate that 52 per cent of two-year-olds eligible for the free offer would currently access care in less flexible settings (i.e., other than a daycare nursery or with a childminder) that would benefit from investment in flexibility, if all eligible children were to access the offer: 135,200 children.



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About the Family and Childcare Trust

The Family and Childcare Trust works to make the UK a better place for families. Our vision is of a society where government, business and communities do all they can to support every family to thrive. Through our research, campaigning and practical support we are creating a more family friendly UK.

The Family and Childcare Trust's annual childcare costs survey is the definitive report on childcare costs and sufficiency in the UK and its data are used by the Department for Education and OECD.

For further information, please go to www.familyandchildcaretrust.org