

Rt Hon Alistair Darling MP
Chancellor of the Exchequer
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Dear Alistair

The forthcoming Pre-Budget Report offers a last opportunity in this parliament to address some key issues for children and families. The childcare strategy is five years into a ten-year delivery programme and a lot of work remains to be done.

We commend the Prime Minister for his conference speech announcement that free places for more two-year olds will be rolled out in the near future. We applaud this development as it marks further steps down the road to the universal childcare services we have campaigned for since we were set up nearly 23 years ago.

However, we were disappointed to see that this is to be paid for at the expense of other families with children who will lose their employer-supported childcare subsidies. In a tight economic environment, the very high cost of childcare in Britain means this is a tough sacrifice indeed for many families with children. Many parents on modest incomes with school-aged children will be hit very hard, such as those who save their childcare vouchers through the year to pay for expensive holiday childcare. Most beneficiaries are lower rate tax payers and we know that families with children tend to be lower down the income distribution than those without. Despite being on modest incomes, many of these families will not benefit substantially, if at all, from the childcare element of Working Tax Credit. For example, a lone parent paying £40 a week for an out-of school club for one child loses entitlement to the childcare element of WTC if their income is more than £22,300 per annum. If just for this reason, we would urge the Government to re-think this aspect of the announcement, or at the very least tell us when places for two year olds will be rolled out to all families, so those with younger children losing tax breaks today will benefit from these new, free places tomorrow.

The Government can be very proud of the steps it has taken so far to create a national childcare service that has been for too long the missing element in our public infrastructure and the one that – in our view – holds the most promise of being able to improve the outcomes of the most disadvantaged children as well as making it possible for more parents to be able to take paid work and lift themselves and their families out of poverty. But there is still more to do. And more to do to protect families and children from the worst effects of the recession. Here are our top recommendations that we believe could begin to make a real difference to families and children facing tough times ahead:

- Expand the free entitlement to all 2-4 year olds to at least 20 hours a week and consider extending this to 30 hours for 3-4 year olds. And ensure there is adequate funding under the single funding formula to cover existing free places and avoid the loss of any further high quality, maintained sector childcare places;

- Extend the childcare element of the working tax credit to cover 100% of childcare costs for the poorest parents. The 20% shopping incentive does not work as childcare services do not properly operate as a market. Therefore parents are put off taking paid work though fear of additional outgoings - this simple step could demolish this barrier to work;
- Improve quality as a matter of urgency – numerous government and academic reports underline that only high quality childcare makes a difference to children’s outcomes. We will shortly be publishing a substantial report on the cost of quality childcare, which we look forward to sharing with you. Improving quality will require a step-change in the pay and status – as well as qualifications – of the childcare workforce;
- Childcare Advance – our recent report (enclosed) found that over half of parents surveyed struggled to pay upfront childcare costs such as fees in advance, deposits and administration fees. Therefore a national scheme offering parents help with upfront childcare costs, in the form of a low-cost loan, is required. A second stage of this project needs to be funded in order to trail and evaluate different delivery models. The London pilot schemes offering help to lone parents with the up-front costs of childcare needs to be made permanent;
- Protect childcare places at risk in the recession – see report enclosed. And develop policies to ensure no child loses their childcare place as a result of a parent’s redundancy, for example by extending the childcare element run-on to at least three months after a parent loses their job. This way, parents can continue to seek work without any disruption to their child’s education and care
- Make out of school activities and care free for all families with children in receipt of free school meals and consider making it free for all children in due course as part of a comprehensive extended schools programme, to include supervised care for secondary school children;
- Provide free childcare for all parents undertaking vocational courses in further education, as many parents are currently falling between different elements of childcare funding, or finding that funding has run out.

We are aware that there are today enormous demands on public funds, but the childcare strategy remains only halfway to completion. Now is not the time to backtrack, but to continue the investment and underpin efforts to protect families and children through the recession..

We would be happy to meet up and discuss these suggestions further. We look forward to hearing more about the proposals in this year’s Pre-Budget Report,



Alison Garnham and Emma Knights
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