

Rt Hon Alistair Darling MP
Chancellor of the Exchequer
1 Horse Guards Road
London
SW1A 2HQ

11 March 2009

Dear Alistair

The Daycare Trust applauds the incredible contribution that the current government has made to parents' and children's lives by investing so significantly in developing the UK's childcare sector over the past decade.

We strongly believe that in the current economic climate, the provision of high quality and affordable childcare continues to be essential in improving children's outcomes and facilitating parents' return to training and work.

With the 2009 budget rapidly approaching, we are taking this opportunity to write to you to highlight the key priorities for Daycare Trust in the coming year and suggest where we feel additional investment is likely to yield the greatest returns in benefits for children, families and our society as a whole – in particular for low-income tax payers.

Protect families from the early effects of the credit crunch

There are signs that parental debt is increasing and this is having an immediate impact on occupancy rates and sustainability for some childcare providers in the mixed economy. This seems most likely to occur in low-income areas. The loss of the childcare element of the working tax credit (WTC) in these circumstances exposes the limitations of demand-led funding sources as childcare funding is linked to parental employment and in a recession this means losing vital funding for providers. We need urgently to protect the invaluable childcare places that have been created under the childcare strategy since 1998. Action is needed to protect families from losing childcare places so they can remain in the labour market, or re-connect with it quite quickly. And children need to be protected from the disruption this can cause to their development - with parental incomes disrupted, continuity for a child becomes increasingly important. We urge the government to:

- Make funds available to local authorities so they can protect any childcare places that may be at risk;
- Develop policies to ensure no child loses their childcare places as a result of their parents' redundancy, for example by extending the childcare element run-on to at least three months after a parent loses a job so parents can retain childcare places and seek work without any disruption to their child's education and care;
- Continue payment of childcare vouchers for three months after redundancy;
- Extend the childcare support available through JobcentrePlus to those recently unemployed, rather than waiting for 26 weeks;
- Consider removing the link to paid work so more families can take advantage of the childcare element –eg, by attaching entitlement to the child tax credit rather than WTC (see below); and
- Speed up the development of free places and for longer hours (see below).

Make childcare affordable for all:

Access to universal childcare is crucial to the government's agenda to end child poverty, yet parents still cite affordability as the main barrier to them using childcare services. Our recent 2009 childcare costs survey found that the cost of childcare had risen by five percent, with the average full-time weekly cost in Britain currently standing at £167, and significantly higher, £226, in Inner London.

Although some help with costs is currently available for many families through the Working Tax Credit (WTC), and some reforms to the childcare element will shortly be piloted, the remaining costs still act as a barrier making real childcare choices out of reach for many, even for those already in low-paid work. It is vital that further support is offered and that it is targeted at the poorest families, to help them help themselves out of poverty. Daycare Trust recommends that the government should:

- Extend the free entitlement for all three and four year olds to at least 20 hours per week and for 48 weeks in the year, and extend free places to two year olds in line with recommendations drawn from the current pilots.
- Give local authorities the means to develop sustainable services in poorer areas and provide free places for those missing out, including places for disabled children, parents needing out of hours care, Further Education students and parents of under-threes who want to train.¹
- Continue funding the Childcare Affordability Programme (CAP), currently led by the London Development Agency (LDA) and consider extending the principle to other cities and regions in order to: subsidise costs and fund more free places in London and other high cost areas, rural areas, and for disabled children. We understand that the 'transition to work' element of CAP Phase II has been particularly successful, with intensive support and brokerage helping to secure work for families.

Reform the childcare element of WTC:

Additionally it is known that take up of the childcare element of WTC is low as a proportion of all eligible families – partly because the current system is confusing to many parents, and partly because even when receiving full entitlement, the remaining costs can still be prohibitive, particularly in high cost areas. We recommend the following changes to WTC (further detail included in our response to the 2008 tax credits consultation):

- Separate the childcare element from WTC and either include it under the Child Tax Credit or made into a separate programme. Attaching the childcare element to the Child Tax Credit might be preferable, however, as to further aid take-up, the application process could remain a single form for parents to complete.
- A more radical step could be to remove the work requirement for parents so that childcare support could be provided if a parent is claiming just the Child Tax Credit. This is based on the premise that we know that childcare brings positive outcomes for children and should not depend on whether both of their parents are in paid work. This would also enable parents who are students to claim the childcare element.
- Daycare Trust argues that the proportion of help with childcare costs available through the tax credits should be increased from 80 to 100 per cent, as is

¹ We welcome the forthcoming free childcare places available through the Learning and Skills Council for low-income couple parents, but are concerned that the funding will be restrictive.

being piloted in London. At the very least, creating a 100 per cent childcare costs subsidy should be considered either for families on very low incomes, or for specific families – in a similar way that the Government is currently doing for 50,000 workless parents undergoing training to prepare for work.

Improve the quality of childcare:

The benefits for children of a quality childcare experience in the early years and beyond are manifest – only the highest quality childcare will deliver improved outcomes for children and therefore have an impact on inter-generational child poverty. We warmly welcome the investment and initiatives aimed at raising the levels of care and education expected in Britain's childcare settings. However, funding is still desperately needed to meet the sector's aspirations of upskilling a still largely under-qualified and low-paid workforce, especially as the qualifications and training of staff has been shown to have the biggest impact on the quality of settings and therefore on children's outcomes. To that end we would recommend the government should:

- Ensure the Graduate Leader Fund provides long-term and ongoing funding to enable providers to engage with the opportunities it brings without fearing for their sustainability. Too many settings are put off improving qualification levels because once staff have been trained to a higher level they would be unable to pay appropriate salaries without the fund's support.
- Ensure that the new Early Years Professional Status is afforded the same status (and the same pay scales) as qualified teachers to encourage people to train and remain in the role. Funding must be made available to subsidise settings so they can afford this, as the market (parents) cannot continue to bear the lions share of childcare costs.
- Set new standards for the pay of all childcare workers, either through national benchmarks or through incentives such as the Graduate Leader Fund.

Increase the provision of affordable out-of-school and holiday childcare:

For many working parents, finding affordable out-of-school and holiday childcare can be a particular headache. This is supported by the first round of Local Authorities' childcare sufficiency assessments: 93 percent of published reports highlight gaps including childcare before and after school, holiday care, provision for children with disabilities and special educational needs, and care for under-tuos. To support the investment it has already made in the extended schools programme we would like to see the government:

- Introduce free places for poorer families in after-school, holiday and breakfast clubs, possibly passported in the same way as free school meals. And subsidise out of school activities for 11-14 year olds, aiming ultimately to make them free.

We hope that these suggestions can be taken on board by the Treasury when considering how to allocate resources in the coming year. If you would like further information about any of our proposals included here, please do not hesitate to contact us on: 020 7840 3350 x211.

Yours sincerely,

Le Knights

A handwritten signature in black ink, appearing to read 'Alison Garnham'. The signature is stylized with large, overlapping loops for the letters 'A' and 'G', followed by a long horizontal stroke.

Alison Garnham and Emma Knights
Joint Chief Executives
Daycare Trust