

Children, Young People and Education Committee

From: Welsh Government
Date: 18 April 2018
Venue: Senedd Cardiff Bay
Title: Childcare Offer for Wales

Background

The Childcare Offer will provide working parents with 30 hours of Government-funded early education and childcare for their 3 and 4 year olds for up to 48 weeks a year. The early education element of the offer is the existing universal entitlement, available under the Foundation Phase Nursery (FPN) provision. The childcare element of the offer is specifically designed to help parents to undertake paid work and forms part of the wider programme of support for employment which is set out in the Welsh Government's five-year strategic plan *Taking Wales Forward*. Details of eligibility are at Annex 1.

The evidence is clear that well-paid work is the best route out of poverty¹ and the greatest protection against poverty. There is also growing recognition that, even where adults are supported into employment, they may go from being in "out of work poverty" to being in "in-work poverty"². In Wales, the majority of children in relative income poverty live in a household where at least one person is working³. The offer will help tackle in-work poverty by supporting parents into full-time employment, supporting people working part-time to work more hours, supporting second earners into work and allowing working families to keep more of their pay for other purposes..

While the Public Policy Institute for Wales report in 2016 argued that the policy "*would not have substantial impacts on net income, poverty or work behaviour for families with children*"⁴, other research suggests otherwise. For example, the OECD *Starting Strong 2017* report found that "*affordable and quality early education and care with an adequate number of hours per week can contribute to increased participation of women in the labour force*" and that "*the relationship between mothers' labour market participation and enrolment rates in formal childcare is strong*"⁵.

Delivery of the Offer

We started testing the offer in seven Early Implementer Local Authorities (EILAs) in September 2017. These are Blaenau Gwent, Caerphilly, Flintshire, Rhondda Cynon Taff, Swansea and Gwynedd and Anglesey, who are working on a joint trial. The offer is available across the whole of Blaenau Gwent and up until recently in certain pilot areas of the other authorities.

¹ Joseph Rowntree Foundation (2016) UK poverty: Causes, costs and solutions. Full report available at: <https://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions>

² MacInnes T, Aldridge H, Bushe S, Kenway P and Tinson A (2013) *Monitoring Poverty and Social Exclusion*, Joseph Rowntree Foundation

³ Children in Wales (2014) Child and family poverty in Wales: A snapshot of key issues raised by families <https://www.childreninwales.org.uk/.../children-and-families-in-poverty-in-Wales.pdf>

⁴ Public Policy Institute Wales (2015) *Childcare Policy Options for Wales*

⁵ OECD (2017) *Starting Strong 2017: Key OECD Indicators on Early Childhood Education and Care*

A child becomes eligible for the childcare element of the offer from the term after their third birthday, in line with the arrangements for early education. Entitlement is capped at 30 hours per week, with the amount of childcare varying between EILAs. For example, if an EILA offers 10 hours of early education, 20 hours of childcare are available. Whilst parents are not obliged to take up both elements of the offer they cannot substitute education for childcare or vice versa.

Guidance was provided to the EILAs in June 2017. Amongst other things this states that for the purposes of early implementation:

- the parent and child must live within a pilot area;
- the entitlement is to 30 hours of early education and childcare in the 39 weeks of school term-time and 30 hours of childcare for 9 weeks in the school holidays;
- no changes have been made to the way the early education element of the offer is delivered, with each of the EILAs continuing to allocate places;
- any childcare provider can deliver the childcare element of the offer, if they wish to do so, as long as they are registered with and inspected by the Care Inspectorate Wales (or Ofsted if they are in England);
- there are no restrictions on the hours or days of the week when parents may use the childcare element of the offer; and
- parents can use a maximum of two childcare settings a day in addition to their early education provider.

The guidance also contains details on the payment rate for the offer and how EILAs can deliver the offer.

Experiences from Early Education, Flying Start and the English childcare offer suggested that not all eligible parents would apply for the offer, with demand led programmes taking time to fully establish themselves. As a consequence, we did not set specific targets for take-up, with the focus instead on early testing of the offer to understand how it works for parents and providers and learning the lessons from early implementation prior to national roll out.

Progress of Early Implementation

To date, the EILAs have received over 2,400 applications for the childcare element of the offer, with over 2,000 children receiving funded childcare. Whilst just six months in to early implementation, we have seen that interest and take-up varies between the EILAs. Not all eligible parents have applied, some parents who have applied have subsequently chosen not to take up their funded childcare, and others are not using the full amount available to them. Early comments to EILAs include parents:

- not being aware of, or understanding the details of, the offer;
- being unwilling to move children from the care of family and friends;
- deciding not to move children from childcare settings not delivering the offer;
- not using their full entitlement as they combine the funded childcare with other informal care such as that from friends and family.

Further research to understand parental behaviour is planned as part of the evaluation of the pilots. In addition, we will be undertaking more research into the drivers which underpin parents' choices regarding whether or not to use childcare, and the type of childcare they select. This will help us to support the childcare sector to adapt and become more sustainable prior to full roll-out, and refine models on likely take-up levels.

Childcare Providers and Early Implementation

The decision to allow all childcare providers registered with and inspected by CIW to deliver the offer during early implementation, even if they are located outside of a pilot area, was taken both to minimise the impact on the sector and allow us to test market conditions. We did not want to force parents to choose from a limited number of providers, whose location might not suit their requirements, or risk the sustainability of providers outside pilot areas.

Feedback to date has been that this was the right approach; with parents valuing the choice this gives them over whether to use childcare close to home or work. Parents also value the ability to co-locate siblings. Feedback from our EILAs on this approach has also been positive, particularly around the flexibility of cross-border provision.

However, the requirement for registration and inspection, which is important in ensuring the overall quality of the care provided and the safety of the children, has meant that providers covered by the CIW Voluntary Approval Scheme, such as nannies, are not able to deliver the offer. This requirement also means that childcare under the offer has to be provided in line with the governing legislation. The Child Minding and Day Care Exceptions (Wales) Order 2010 clearly states that a childminder does not act as a childminder in respect of a child who is a relative. The Order was amended in 2016, but no changes were made to that specific provision.

A review of our position on who can and cannot provide childcare under the offer, and all of the conditions above, will take place before full roll-out.

Providers are paid £4.50 per hour for the childcare element of the offer. In setting the rate we assessed the impact against the rates providers currently charge, as per information provided to CIW through their Self Assessment of Service. This is a single funding rate across all seven early implementer local authorities, ensuring clarity and consistency of the childcare offer for every parent and provider. However, in recognition of the different services offered by different childcare providers, this rate does not cover costs associated with the provision of food or the transportation of children. Providers may charge up to £7.50 per day for food and snacks, and fair rates for transport and consumables such as nappies and wipes. No additional top-up fees are permitted.

Feedback from providers on the rate of £4.50 has been broadly positive, and the flexibility to charge for food and transport in line with their business model and the services they provide has also been welcomed.

Payments in respect of the early education element of the offer remain a matter for local authorities. The Welsh Government provides funding for this mostly through the Local Government Settlement (revenue support grant), with some additional funding through the Education Improvement Grant to support staff to learner ratios. We are currently reviewing the rates paid by local authorities for early education in light of comments from providers.

EILA Processes

Each EILA is currently processing applications for the offer within their pilot areas and confirming eligibility. Some have introduced an online eligibility checker which filters out the majority of ineligible parents; some have wholly online application systems; and some require hard-copy applications that can be downloaded from their websites. All require some form of documentation from parents to evidence eligibility, though in most cases this can be scanned and submitted electronically.

All seven EILAs commented on the level of administration required in the lessons learned exercise conducted in January 2018. This has been greater than envisaged, with a significant administrative burden experienced both in terms of initial assessments, and conducting spot checks at reconfirmation points. These findings have already contributed to thinking on the approach to processing applications and confirming eligibility at the point of national roll out.

Monitoring and Evaluation of Early Implementation

Early implementation is subject to a robust independent evaluation. ARAD and NatCen have been commissioned to undertake the evaluation of the first year of early implementation, with an option to extend their contract to cover the second year. The evaluation report on year one will be submitted in October 2018.

The main aims of the evaluation are to determine:

- how effectively the offer is being delivered to children and parents in the early implementer areas and provide lessons to inform future delivery;
- the impact that the offer is having on parental employability, wellbeing and disposable income (linked to poverty) – likely to be limited in the first year;
- the impact of the offer on the childcare sector, looking at the affect on different types of childcare providers, changes to business practices and the effect of intervention on the childcare market.

The evaluation will consider both the process and impact of the childcare offer in the first year. The process evaluation will look at delivery and alignment of the offer with other policies and activities along with identifying any unintended consequences. The impact evaluation will look at the impact of the offer on employment choices, income and wealth. There is a specific requirement to consider the impact of the offer on access to and demand for Welsh-medium childcare during the period of early implementation.

Alongside the evaluation we have a programme of monitoring in relation to the offer, with EILAs required to submit monthly and termly data. The monitoring data is

supporting the management of the programme and will feed into the independent evaluation.

Expansion of Early Implementation

National roll-out of the offer is scheduled for September 2020. However, it is our intention to expand our programme of early implementation at regular intervals, and to make the offer available in at least part of each local authority across Wales ahead of the national roll-out in September 2020. This approach will enable more families to benefit from the funded childcare, allow the childcare sector the time it needs to expand sustainably, and enable us to test the offer in a range of local markets across Wales.

To support this expansion the Welsh Government budget includes £25m in 2018-19 and £45m in 2019-20. Details of the expansion of our early implementation programme, including specific locations, will be announced later in the spring, subject to agreement with individual local authorities. New authorities will begin delivery from September 2018.

Progress towards National Roll-out

Current estimates suggest that we could expect around 40,000 children to be eligible for the offer across Wales in each year. Given the administrative burden currently being experienced by EILAs, and a desire to avoid a number of different approaches to assessments, we have decided it would be preferable to introduce a single, national system for the assessment of applications. Alongside the development of this system, we also need to undertake more work with the childcare sector to improve its capacity and readiness.

National Application System

The Welsh Government will be bringing forward legislation shortly to facilitate the sharing of data pertinent to the development of a national application and eligibility checking system in respect of the offer. It is our intention that this will be a primarily online system, although it will also be possible for applications to be made offline, with a dedicated telephone helpline available. Further information will be available at the point of introduction.

Engagement with Parents and Childcare Providers

The #TalkChildcare Campaign was launched in August 2016, with the intention of engaging with parents and providers on the offer for Wales. Phase 1 of the campaign aimed to:

- understand the current challenges parents and providers face when accessing or delivering childcare;
- understand what steps may need to be taken to ensure the offer is as accessible as possible; and
- understand what's important to parents and providers about the offer.

Through the first phase of our #TalkChildcare campaign we engaged with over 6,500 parents and providers. The responses from this phase provided rich data on the views of parents and providers, which were used to inform decisions ahead of the early implementation of the offer from September 2017 and will help further develop the childcare offer in the coming months and years.

We have recently embarked on the second phase of our #TalkChildcare engagement campaign, in which we will engage with childcare providers specifically so they can give us their views on the offer.

Capacity of the Childcare Sector

In 2016 we worked with CIW and the Wales Institute of Social and Economic Research, Data and Methods (WISERD) to look at the capacity of the childcare sector across Wales⁶. The analysis used CIW data on provider locations mapped against ONS mid year population estimates.

The report showed that there is currently insufficient childcare available should all eligible children across Wales want to access the offer. However, the report only shows potential and estimated demand. There may be a number of factors contributing to the cold spots of childcare provision nationally, and further work is needed to understand the parental behaviours that contribute to these factors and to gain a clearer understanding of actual demand for formal childcare.

In 2016 we also commissioned Alma Economics to undertake a review of the childcare sector in Wales⁷. Looking at the sector's growth over recent years and its potential to expand, the report found that:

“The sector has grown in recent years, and it has the potential to expand further. While many of the providers we surveyed (particularly childminders) stressed there were both obstacles and risks to expansion, sector participants overall felt they would be able to meet increased demand given sufficient time to make the required adjustments (i.e. recruiting new staff, upgrading premises)”.

Welsh-Medium Childcare

One of the guiding principles of the Offer is that all working parents should be able to access their entitlement in line with their preferences and the needs of their family. This includes the ability to access Welsh-medium childcare. We want to work with our partners to develop practical solutions to barriers parents may face in accessing the childcare they need to be able to work, including ensuring sufficiency of Welsh-medium and bilingual childcare.

The offer links closely to the aspirations of *Cymraeg 2050 – A million Welsh Speakers*⁸, our Welsh language strategy. The Welsh Government's vision is to see the Welsh language thrive, with an increase in the number of people who both speak

⁶ <http://gov.wales/statistics-and-research/childcare-capacity-wales/?lang=en>

⁷ <http://gov.wales/statistics-and-research/review-childcare-sector/?lang=en>

⁸ <http://gov.wales/topics/welshlanguage/welsh-language-strategy-and-policies/cymraeg-2050-welsh-language-strategy/?lang=en>

and use the language in their daily lives. The early education and childcare sector has a significant role to play in this context, and Cymraeg 2050 states:

“The long-term aim for our early years provision is to reach a position where children under five have had sufficient contact with the Welsh language to be able to start on their journey towards fluency.”

The strategy goes on to identify ten transformational changes that need to take place if the targets are to be achieved. The first of these is centred around expanding Welsh-medium early years provision, opening 150 new nursery groups over the next decade to facilitate a seamless transition into Welsh-medium education.

There is currently insufficient reliable evidence on the availability of Welsh-medium or bilingual childcare provision across Wales⁹ to determine whether or not there is capacity to meet this commitment. However, the Childcare Sufficiency Assessments produced by local authorities and feedback from the EILAs all report there is not enough Welsh-medium childcare provision, except in some parts of North West Wales. This is supported by comments from parents within the #TalkChildcare campaign.

Recognising the challenge, Cymraeg 2050’s work programme for 2017-21 includes targets to:

- deliver the Childcare Offer across Wales, providing more government-funded Welsh-medium childcare places and strengthening Welsh-medium provision, building on the intelligence gained through the early implementation of the Offer from September 2017;
- continue to support existing Welsh-medium childcare provision, helping providers expand and become sustainable, as well as support an expansion by 40 nursery groups, targeting areas where work on the Childcare Offer shows there is limited provision at present.

However, supply is only part of the answer and if we are to ensure investment in new settings is appropriately directed, we also need to understand current and future demand. We do not have robust data on how many eligible working parents of three and four year olds would prefer to access Welsh-medium childcare. Some findings were reported in the National Survey 2016-17 and this will be looked at again in the National Survey 2018-19.

Work is currently underway to build a clearer picture of parental demand for Welsh-medium childcare using the findings of the National Survey and local authority monitoring data. There is also a specific requirement to consider the impact of the offer on access to, and demand for, Welsh-medium childcare during the early implementation.

⁹ <http://www.senedd.assembly.wales/documents/s69349/Paper%205.pdf>

Support for the Sector

Our evidence tells us there are many challenges facing the childcare sector in the current economic climate, and that there is a need to invest in building capacity and capability across the sector to support providers to grow and operate sustainably. In recognising these challenges we have prioritised support for the sector. Our 10 year Childcare, Play and Early Years workforce and Economic Action Plans (published in December 2017), set out the actions we will take in this Assembly term to assist the sector to build the capacity and capability needed to support full roll out of the childcare offer and support wider economic growth.

In driving our ambition forward, we are currently working on the development of business support and skills assistance. We have already committed £100,000 over the financial years of 2018-19 and 2019-20 to support those childcare providers participating in the early implementer pilots and for those seeking to expand or start up a business in order to take advantage of the new opportunities provided by the childcare offer. To support the £100,000 business grant funding and assist childcare providers to balance their operating costs, we have from 1 April this year increased the amount of Small Business Rate Relief for the sector from £12,000 to £20,500 and will be exploring what additional support we can provide including consideration of the Barclay Review on Business Rates undertaken in Scotland in 2017.

Alongside this work we are working with our partners to introduce a new suite of qualifications for the sector focused on raising standards and skills and supporting our ambition to up skill and professionalise the sector. The qualifications will be introduced in September 2019 covering levels 2-5. Funding to support delivery of the new qualifications will be supported by our Apprenticeship programme. Under the Apprenticeship programme we will continue to prioritise support for the sector starting at the current entry level 2 and encouraging progression to higher levels.

Our Progress for Success (PfS) programme (supported by European Social Fund) provides training support to practitioners over 25 and enables them to up skill across levels 2-3. By October 2018, the programme will have supported at least 950 practitioners across Wales to up skill. Building on the achievements of PfS, we are preparing a business case to WEFO to potentially extend the Operation until 2023. This will provide opportunities for the existing early years, childcare and play workforce to increase and broaden their knowledge and skills. The package of support we are proposing will compliment and enhance the provision that is already available via Apprenticeships and other skills programmes.

Our partners are key to achieving and delivering our ambition. We will be providing CWLWM the childcare consortium representing the 5 leading childcare organisations in Wales with funding of £1.6 m in 2018-19 to help support the early years, childcare and playwork sector in Wales. This will include providing support to develop and implement the childcare offer; supporting children with Special Educational Needs and Additional Learning Needs; developing the use of Welsh across the sector and contributing to our planned review of the National Minimum Standards for Regulating Childcare.

Annual Costs

We have only been piloting the offer in seven local authorities since last September. It is therefore very early into the implementation of the offer to come up with a definitive estimate of the annual cost of the childcare offer once it has been fully rolled out across Wales in 2020-21. There are a range of factors that will influence the costs, including the number of children born in any year, the number eligible to receive and who subsequently take up the offer, and the numbers of hours of childcare a family may choose to access.

The current revenue budget profile for the Offer is:

- 2017-18 - £10m
- 2018-19 - £25m
- 2019-20 - £45m

National roll-out will take place in 2020-21 which is outside of the current budget round. However, ahead of this we are undertaking modelling on a range of assumptions. These include:

- Likely number of eligible children across Wales;
- Likely take-up rate by eligible parents;
- Likely number of hours of overall entitlement used; and
- Likely national rate for the funded childcare provision.

Emerging findings from early implementation suggest that not all eligible parents will take-up the offer, but rates vary between EILAs. We have only limited data on the average numbers of the overall entitlement to funded childcare, but this suggests that where parents access the offer, they do not use all of the hours they are entitled to. More time and data will be required to refine estimates and provide a firmer view on the potential range of full annual costs when the offer is fully implemented.

Eligibility for the Childcare Offer

Working parents will be eligible for the childcare element of the Offer:

- where both parents are working or where the sole parent is working in lone parent families;
- where each parent is earning, on average, a weekly minimum equivalent to 16 hours at national minimum wage (NMW) or national living wage (NLW);
- for self-employed parents and parents on zero hours contracts, providing their average earnings meet the minimum earnings criteria over a 3 month period;
- from the term after the child's third birthday until the September after their fourth birthday.

No upper earnings cap was in place for the first year of early implementation. From the second year of early implementation onwards, if at least one parent in a household earns £100,000 or more a year, that family will not be eligible to take up the additional hours of childcare provided through the Offer.

Recognising that there are many types of family groupings and their situations and circumstances can sometimes be complex, the funding will be available in other exceptional circumstances:

- where both parents are employed (and earning the equivalent of at least 16 hours at NLW or NMW per week) but one or both parents are temporarily away from the workplace on parental, maternity, paternity or adoption leave;
- where both parents are employed (and earning the equivalent of at least 16 hours at NLW or NMW per week) but one or both parents are temporarily away from the workplace on statutory sick pay;
- where one parent is employed (and earning the equivalent of at least 16 hours at NLW or NMW per week) and one parent is disabled or incapacitated based on receipt of specific benefits or has substantial caring responsibilities based on specific benefits received for caring – this enables and supports one of the parents in that family to work. This includes families where one parent meets the eligibility criteria and the other parent is in receipt of one of the following benefits:
 - Incapacity benefit
 - Carers allowance
 - Severe disablement allowance
 - Employment and support allowance
- where a parent is newly self-employed, and within the initial start up period of their business. Parents will need to register their business with HMRC and provide evidence that they are self employed in order to qualify;
- for kinship carers, where they meet the definition of a working parent;
- for Looked After Children placed in foster care where the foster carer meets all of the wider eligibility criteria, and where it is in-line with the child's care plan. Foster caring allowance can be used as evidence of earnings to meet our minimum earnings requirement.