

EXECUTIVE COUNCIL

PUBLIC

Title:	Childcare Subsidy
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Report Author:	Childcare Project Manager
Portfolio Holder:	MLA Stacy Bragger
Reason for paper:	This paper is submitted to Executive Council: For policy decision (including budgetary policy)
Publication:	Yes with redactions highlighted in grey Not recommended <i>Under Executive Council Standing Order 23 (2). Executive Council must have regard to the categories of exempt information in Schedule 3 to the Committees (Public Access) Ordinance when determining if information should be withheld.</i> <i>The category which is potentially relevant to this paper is paragraph 7 'Information about Individuals'</i>
Previous papers:	123/17 Child Minding and Day Care Bill 2017 01/17 Regulation of Nursery Provision 226/15 Nursery and Childminding Provision in the Falkland Islands 94/15 Nursery Provision in the Falkland Islands May 2015 118/14 Early Years Childcare Strategy June 2014 246/12 – Financial Assistance 08/05 CE - Childcare Facilities 162/05 CE - Childcare Facility 256/04 CE - Childcare Facilities 329/03 CE Childcare Facilities 130/02 Childcare Provision for working parents May 2002 203/01 CE Childcare Provisions for Working Parents
List of Documents:	Appendix 1 – Impact of nursery provision on FS1 baseline results

1. Recommendations

Honourable Members are recommended to:

- (a) Instruct the Director of Education to implement the subsidy scheme as set out in this paper. Namely, that a subsidy of £1.75 maximum per child per hour is awarded to Childcare providers that maintain their registration with the Department of Education on the Childcare Providers' Register.

2. Additional Budgetary Implications

Childcare Subsidy

	2018/19	Annual Recurring
Operating Budget	£747,201	£747,201

3. Executive Summary

- 3.1 For clarification, throughout this paper the term 'childminder' will refer to a provider of childcare within domestic premises; 'day care provider' will refer to organisations that provide full or part time nursery care (ie to babies and infants) and / or wrap around care (to primary school age children). Finally, the holistic term, 'childcare provider' refers to anyone on the childcare register and encompasses both types of provider outlined above.
- 3.2 The childcare sector in the Falkland Islands has been an area for concern for some time both in terms of the safety of children and the stability of the sector where many businesses have faced persistent financial and operational challenges.
- 3.3 A recent study carried out by the Childcare Advisory Teacher identified that in a single cohort of Falkland Islands children, "24 out of 46 children entering FS1 are below or considerably below their age-related expectation in the area of understanding, within the Communication and Language" and identified that "poor adult and child interaction within the nursery settings" was one of many factors influencing this. A summary of findings may be found in appendix 2
- 3.4 Executive Council, in consideration of Paper 123/17, approved the process of developing Child Minding and Day Care Legislation and subsequent Regulations. The Child Minding and Day Care Bill and the Child Minding and Day Care Regulations are currently in draft with proposed wider consultation in the near future.
- 3.5 Work carried out both within the sector and by the Falkland Islands Development Corporation has highlighted that childcare subsidy in some shape or form will need to be inextricably linked to the on-going development of the sector.
- 3.6 It is proposed that the childcare subsidy be established as a 'top up' for all registered childcare providers at a maximum rate of £1.75 per child per hour, to allow them to achieve payment of £4.50 per hour per child (£2.75 parental cost + £1.75 subsidy).

- 3.7 This subsidy will enable providers to improve their standards of care and quality, as well as to meet their obligations with regard to safeguarding, which is of paramount importance.

4. Background and Links to Islands Plan and Directorate Business Plan/s

- 4.1 As part of the Islands Plan, the Legislative Assembly confirmed its commitment to improving early years provision and childcare regulation. “We will continually raise standards, ensuring better outcomes for every child from early years learning through to further and higher education”. “During this assembly, we will invest in improved early years provision, including the introduction of regulations for the nursery sector.”
- 4.2 Honourable Members have received reports on the current state of the sector and have requested that proposals on regulation and other means of improvement be set out to enable them to make decisions on actions required in the childcare sector and to enable them to deliver on their commitment in the Island Plan.
- 4.3 The Director of Education is required, under the Draft Childcare Legislation to develop a set of National Minimum Standards (NMS). The Handbook is currently under final review, in consultation with industry and other stakeholders. This handbook translated all the Childcare Regulations into an accessible form, so that providers can ensure that they meet all relevant legislation and thus maintain their registration.
- 4.4 Day care businesses and child minding providers in the Falklands operate in a number of ways. One current provider operates as a charity and holds Charitable Status in the Falkland Islands. Other operations operate as either partnerships or sole traders while most child minders operate on an ad hoc basis.

5. Options and Reasons for Recommending Relevant Option

Childcare subsidy

- 5.1 Currently the average cost of Childcare is £2.75 per hour with an FIDC established ‘ideal rate’ of £4.50 per hour required in order to effectively operate a business in the sector within appropriate standards of care. Subsidy has therefore been calculated as a maximum of £1.75 per hour per child up to £4.50 per hour. A number of assumptions have been made when considering modelling and impact of Childcare Subsidy, these can be summarised as follows;
- Subsidy is applied to all children under the age of 11, or the end of Year 5
 - Current average cost to the parent, per hour of childcare is £2.75 per hour, per child
 - Hourly rates would be subsidised at a maximum of £4.50 per hour, per child and a maximum subsidy rate of £1.75 per child. This figure would need to be assessed annually by the Education Directorate and reported to Standing Finance Committee as part of budget monitoring.
 - Take up has been assumed at 80% of all eligible children. (A current review of take up shows that approximately 60% of all pre-school age children access childcare and approximately 40% of all 4 – 11 year olds access wrap around care.)
 - Hours have been assumed as; all in wrap around care utilising 4.5 hours per day, 3 year olds (FS1) utilising 6.5 hrs per day and all early years users utilising 7 hours per day

- 5.2 Extensive work has been done by FIDC in modelling what childcare businesses need to operate in a newly regulated environment. Meetings with the FIDC development team have indicated that £4.50 per hour per child should be sufficient to make a business viable in the longer term.
- 5.3 Detailed financial considerations and comparisons have been made and honourable members have discussed the advantages and disadvantages of each; the remaining two options can therefore be broadly summarised as;
- 5.3.1 **Do nothing.** The ‘do nothing’ option acts broadly as a base line for the current situation in the Falklands.
- 5.3.2 Most parents paying average of £2.75 per hour for child care
- 5.3.3 Subsidy exists for those earning less than £15k (household income) and with savings less than £17k through Working/Childcare credits
- 5.3.4 There are no additional costs per annum to FIG
- 5.3.5 Advantages are:
- No additional cost to FIG **REDACTED**
- 5.3.6 Disadvantages are:
- Insufficient revenue for childcare businesses to comply with new regulations, invest in facilities improvement and improve quality standards;
 - Existing poor conditions and facilities will continue;
 - Collapse of childcare legislation and registration scheme due to lack of funds within the sector;
 - Childcare in the Falklands continues to be characterised by potentially low standards of safety and care for 0-11 year olds who utilise the settings;
 - Children from the Childcare sector are more prone to enter FS1 below their age related expectation in Communication and Language
- 5.3.6 **Preferred Option** - This can roughly be defined as ‘*Childcare Provision – Top Up Scheme*’. In this scheme all registered Childcare providers (Day Care and Child Minders) will be eligible to apply directly to FIG for funding per child attending per hour of attendance. The childcare subsidy will be established as a ‘top up’ for all registered childcare providers at a maximum rate of £1.75 per child per hour, to allow them to achieve payment of £4.50 per hour per child (£2.75 parental cost + £1.75 subsidy).
- 5.3.7 Attendance records will be open to audit by the Treasury Audit Department as required. Quality attendance records are a requirement of the National Minimum Standards (NMS) and all current operators are comfortable with external audit of their registers.

5.3.8 All Childcare providers will be required to maintain registration on the Childcare Register in order to be eligible to apply for the ‘Top Up’ scheme. This will mean they have to fully comply with all the bronze level standards the NMS. Failure to meet any standard when inspected will result in removal from the register. Within this, engagement with the Childcare Advisory Teacher is mandatory. A provider would not be able to operate without adhering to the NMS or engaging with the Childcare Team.

5.3.9 A 12-month window is planned to allow current operators to meet the new NMS and achieve registration.

5.3.10 In order for registration to be achieved the Department of Education will require a comprehensive range of information which will include, but is not limited to the personnel, number of children, capacity of the provision and hours of business. This information will populate the application form for the top-up scheme.

5.3.11 Ongoing monitoring and an inspection framework is necessary to maintain a provider’s registration and therefore their access to this scheme. This will be the responsibility of the Department of Education and will be carried out by the Childcare Advisory Teacher.

5.3.12 Estimated annual costs are £747k per annum.

5.3.13 Advantages are:

- Easy to administer
- Fair across the board
- Businesses develop and are able to comply with National Minimum Standards and the Law
- Potentially brings more children into the childcare sector
- Removal of the Childcare Subsidy from the wider ‘welfare debate’ allowing childcare providers to continue to develop the sector with consideration of ‘welfare’ provision to take place at a later date

5.3.12 Disadvantages are:

- High income earners will still have subsidised care

6. Resource Implications

6.1 Financial Implications

6.1.1 Financial implications are laid out in section 2, there will be some additional work within the Education and Treasury Departments in the initial stages to develop the Childcare ‘Top Up’ Scheme, however these lines are already included in the existing Education Department budget, with minimal impact expected for the Treasury Department other than review and approval of documents.

6.1.2 Some additional work may be required in the Education Office in order to administer the scheme going forwards.

7. Legal Implications

- 7.1 Legal support will be required to finalise the forms and paperwork required to administer the scheme. Draft documentation will be prepared by the Childcare Project Manager for final approval by the Legal Department.

8. Environmental & Sustainability Implications

- 8.1 None anticipated

9. Significant Risks

- 9.1 The introduction of Childcare Subsidy aims to reduce the risks within the childcare sector, including accidental harm, whilst promoting child safety and child welfare.
- 9.2 Appendix 2 highlights work undertaken by FIG Education staff members on the impact of Childcare Provision on FS1 Baseline results. Salient points are;
- 24 out of 46 children entering FS1 were below or considerably below their age-related expectation in the area of understanding, within Communication and Language.
 - Factors that may have contributed to more than half the class being below age related expectations include children being bilingual, speaking English as an additional language and the result of poor adult and child interaction within the childcare settings
- 9.3 Failure to invest appropriately in the Childcare Sector appears to have resulted in direct impact on children's FS1 baseline results, with the potential for longer-term impact on their education as a whole.
- 9.4 It should be noted that this study deals with a single cohort in a single year and as such may not reflect the true nature of the impact of childcare provision on FS1 results.
- 9.5 If no scheme is agreed there will likely be little or no progress towards the improvement of childcare facilities in the Falkland Islands, as businesses will not have the working capital required to effectively run their business.
- 9.6 Subsequently the proposed implementation of future legislation will likely stall and regulations, as they stand, will likely become unattainable for most, if not all, operators in this sector.
- 9.7 The issue of Capital Development and Childcare subsidy are inextricably linked. Without some form of subsidy, any investment in capital improvements to facilities will be shortly lost out of the sector.
- 9.8 Without a clear steer and commitment from Members on Childcare Subsidy it is widely held that any capital development will ultimately fall short, in that businesses will be unable to sustain a Full Repair and Insurance Lease in the long term, nor be in a position to apply for commercial funding from FIDC or SCB or indeed operate appropriately in a Regulated environment.

10. Consultation

- 10.1 This paper has been widely consulted within the Childcare Sector including all current providers.
- 10.2 There has been extensive internal consultation with Education, Treasury and FIDC amongst others.
- 10.3 The Project Manager has actively sought input from Child Minders and any other prospective childcare providers. Some engagement has been achieved by the Childcare Advisory Teacher.



APPENDIX 1



Report on impact of nursery

provision on FS1 baseline results

On analysis of the FS1 baseline results from September 2017, it is evident that 24 out of 46 children were below or considerably below their age related expectation in the area of understanding, within Communication and Language. Out of 24 of these children, 22 of them attend one of the childcare providers in Stanley. All of the EAL and bilingual children in FS1 attend a nursery. In the area of speaking, 21 out of 24 children that are below or considerably below attend a day nursery.

Factors that may have contributed to more than half the class being below age related expectations include children being bilingual, speaking English as an additional language, living in Camp and the result of poor adult and child interaction within the nursery settings. As the majority of staff have historically lacked training and motivation, the role of the adult in play and effective communication with children has not always been considered as important.

In response to this, the Childcare Advisory Team plan to provide specific early years training that caters to the need of each nursery. In addition to this, the team will model activities that demonstrate positive and appropriate language that develop the communication skills of the children. These activities, as well as the additional support that the advisory team will provide should hopefully have a positive effect on the early language skills of the children.

PRIME AREA OF LEARNING	Considerably Below (16-26 or below)	Below (E or D 22-36)
Communication and Language Understanding	5 children – all attend nursery	19 children – 17 children attend nursery
Communication and Language Speaking	4 children – all attend nursery	20 children – 17 children attend nursery

Report written by Joanne Ford

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