

What does the recent budget announcement mean for childcare providers?



Yesterday's "back to work" budget includes a phased roll out of the expansion of "free" childcare provision for babies aged 9m+, when maternity or paternity pay ends, at an estimated cost of over £4bn.

What does this mean for families?

This is good news for families. More affordable childcare means parents should be able to make a more informed decision about their working patterns and about whether they return to work at all. It is a measure which aims to support the government's goal of returning people to the workplace and is also good news for employers.

What does it mean for childcare providers?

In our role as corporate advisors in the early years sector, we speak to many owners of nurseries and other childcare settings all over the UK. Funding and staffing levels are two major issues often cited by owners.

There are positive indications that the government will increase the hourly rate it pays to childcare providers for each funded place and will make more funds available to councils to provide wraparound childcare. However it is unlikely that this increased funding will be enough for most nurseries. Currently many nurseries need to offer the funded hours with an additional consumables charge or find other payment structures. For example, cutting the longer working day into funded and unfunded hours. The reason for this is to compensate for the loss of income and avoid running at a loss, let alone trying to make any profit in order to reinvest in the business. This is



likely to get harder when funding is extended to younger children. Especially as many nurseries use the fees charged for under threes to part-subsidise the free places for three and four year olds.

Many nurseries also have waiting lists, especially for babies, so they will not be able to create spaces immediately. Which is likely why there will be a phased roll out of the extension of the funding, rather than it taking immediate effect. Lack of places is mainly due to shortages of qualified staff. The government is seeking to address this by making it optional for nurseries to relax staff-to-child ratios for some groups of children. However, this may not be acceptable to parents or indeed to some nurseries. It may not fit with their ethos and the quality of education they wish to provide.

It remains to be seen whether these proposals are transformative for the sector and for workplaces in general. More details of the proposals need to be made available for this to become clear.

How we can help

If you would like to discuss your childcare or education business and what the recent budget announcement means for you, please [get in touch](#).



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