

## **Budget 2017: Q&A on the Affordable Childcare Scheme**

### **1. What is the Affordable Childcare Scheme?**

The Affordable Childcare Scheme is a new national scheme of financial support for parents towards the cost of their childcare. It will replace the existing targeted childcare subsidisation schemes with a single, streamlined and more user-friendly scheme.

The new scheme will provide a system from which both universal and targeted subsidies can be provided towards the cost of childcare. In the case of targeted subsidies, these will be payable for children from 6 months of age up to 15 years of age. The level of subsidy will depend on the investment available and on a family's income (see question 6 below with regard to Budget 2017).

Budget 2017 enables a universal subsidy to be payable for children between the ages of 6 and 36 months (or until the child qualifies for the free pre-school programme if later) who are availing of childcare by a Tusla registered childcare service. The universal subsidy will not be means-tested and will be available for families at any income level.

The Affordable Childcare Scheme will also create a flexible platform for future investment in childcare funding supports, allowing subsidies to be expanded to more children and families over time.

### **2. How much childcare funding will this new Affordable Childcare Scheme provide when it is developed?**

Budget 2017 has approved additional funding of €19m for the introduction of the Affordable Childcare Scheme. This will be added to the funding for the existing targeted schemes to give the overall budget for the new scheme. The scheme will be available from September 2017.

### **3. When will the new scheme begin?**

It is intended that the new scheme will be available from September 2017.

### **4. What existing schemes will the Affordable Childcare Scheme replace?**

The new scheme will replace four targeted childcare schemes:

- Community Childcare Subvention (CCS and CCSP).
- Childcare Education and Training Support Programme (CETS).
- After-School Child Care Programme (ASCC).
- Community Employment Childcare Programme (CEC).

### **5. Will the new Affordable Childcare Scheme replace ECCE also?**

No. The ECCE free pre-school will remain in place. The new Affordable Childcare Scheme is intended to provide 'wraparound' care for pre-school and school-age children. For the first time, it will therefore be possible for a child in the ECCE scheme also to benefit from a subsidy for additional childcare use.

**6. How will I know if I am eligible for the Affordable Childcare Scheme and what level of subsidy might I receive?**

From September 2017, the universal element of the Scheme will be available to all families with children between the age of 6 months and 36 months (or until the child qualifies for the free pre-school programme if later than 36 months), who are attending a registered childcare provider (see question 12 below for information on registered childcare providers).

Eligibility for targeted childcare subsidies will be based on **net** parental income. For parents with **net** incomes up to €22,700 per annum, the maximum rate of childcare subsidy will be payable (see maximum subsidy rates set out in table 1 below).

The rate of subsidy will taper downwards as net income rises, with no means-tested subsidy payable when **net** income reaches €47,500. The income thresholds increase where there is more than one child in a family, so a family with two children under 15 years of age would have a maximum net income threshold of €51,300 and a family with three children under 15 years would have a maximum **net** income threshold of €55,100.

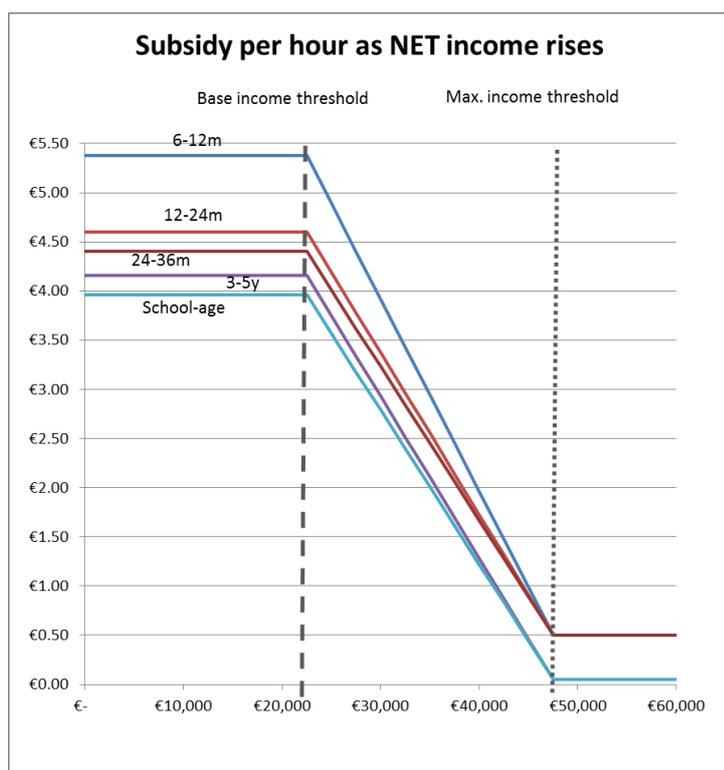
The maximum subsidy per hour will depend on the age of the child and the net income of the parents but will range from €5.38 for a baby under 12 months to €3.96 for a school age child.

Hourly rate for a child under 1 year	€5.38
Hourly rate for a child aged 1- 2 years	€4.60
Hourly rate for a child aged 2- 3 years	€4.40
Hourly rate for a child aged 3-5 years	€4.16
Hourly rate for school-aged children	€3.96
Average hourly co-payment for parents based on maximum subsidy rate	€0.30 per hour or €12 per week based on 40 hour week

Further details on the scheme will be published in the coming weeks. A diagram illustrating the income thresholds and subsidy rates for both the universal and targeted elements is set out below. Some sample case studies are also set out at the end of this Q&A document.

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### Diagram showing key scheme parameters



### **7. What do these net income thresholds mean in gross income terms?**

The net income thresholds can translate into different gross income thresholds depending on each family's circumstances and their tax liabilities, credits etc. However, by way of example, a family of two adults and two children which has a net income of €51,300 (i.e. the maximum income threshold for a family with two children) may have a gross income of approximately €70,000<sup>1</sup>. A range of illustrative examples are set out in the box below.

<sup>1</sup> This assumes that the family makes a pension contribution of 10% of gross income.

**Box 1: Illustrative examples of subsidies at different gross income levels:**

Family with two children, aged 2 and 4. The 2 year old needs full-time childcare (40 hours per week). The 4 year old is in the ECCE free pre-school scheme, but needs an additional 25 hours ‘wraparound’ care per week. The family makes a pension contribution equal to 10% of gross income.

Gross family income	Net family income	Weekly childcare fee (illustrative example)	Subsidy per week under Affordable Childcare Scheme	Parental co-payment per week (illustrative example based on sample fee)
€ 20,000	€18,000	€ 267	€ 259	€ 8
€ 30,000	€ 26,580	€ 267	€ 259	€ 8
€ 40,000	€ 33,697	€ 267	€ 205	€ 62
€ 50,000	€ 39,264	€ 267	€ 146	€ 121
€ 60,000	€ 45,514	€ 267	€ 81	€ 186
€ 70,000	€ 51,764	€ 267	€ 20	€ 247
€ 80,000	€ 57,134	€ 267	€ 20	€ 247

**8. How much will parents have to pay?**

Childcare fees are determined by childcare providers. The Affordable Childcare Scheme will provide a subsidy towards the fee charged by the provider, but the sum that parents will have to pay will then depend on the childcare provider’s own fee policy. The amount of subsidy provided by the Affordable Childcare Scheme will depend on the family’s income level. At the lower end of the income scales parents will pay a very small amount towards their childcare costs, the parental co-payment will increase as the income approaches the maximum threshold.

**9. How can I apply for a subsidy through the Affordable Childcare Scheme?**

Budget 2017 has allocated funding for the development of an online IT application system that will allow parents to apply for subsidies online. It is intended that applications for the new scheme will be allowed from September 2017.

**10. What is the youngest and oldest age of children who will be covered by the scheme?**

It is intended that the Affordable Childcare Scheme will cater for children from the age of 6 months up to 15 years old.

The universal subsidy will be payable for children from the age of 6 months to 36 months (or until the child qualifies for the free pre-school programme if later than 36 months).

**11. Will the level of subsidy depend on a family’s gross income or net income?**

In the case of targeted subsidies, the level of subsidy provided for the targeted scheme will depend on a family’s net income, i.e. income after the deduction of income tax, USC, PRSI and pension contributions and certain other allowable deductions.

### 12. What types of childcare provider will be included in the scheme?

The scheme will be open to all childcare providers who are **registered with Tusla**, including both centre-based childcare providers (e.g. crèches, preschools and daycare centres) and child-minders. It is hoped that, over time, more child-minders will be encouraged and supported to become registered and to participate in the new scheme. Currently only a small percentage of child-minders are registered.

### 13. Will there be subsidised childcare places available in all areas of the country?

The scheme is a national scheme and will be open to all childcare providers who are registered with Tusla. Participation in the Scheme, by childcare providers, will be voluntary and the choice of childcare provider will be up to the parent, subject to the provider participating in the Scheme. Local City and County Childcare Committees will be able to help parents find local childcare providers who are participating in the scheme. It is expected that the 900 community / not for profit services currently in existence will register for the scheme in addition to a large percentage of private providers.

### 14. Why are we providing a universal subsidy for children between the ages of 6 months and 36 months?

The Programme for Government commits to “the introduction of a robust model for subsidised high quality childcare for children aged 9- 36 months”. At present, paid maternity leave in Ireland extends to 26 weeks or about six months, although the Programme for Government commits to further increasing paid parental leave in the first year of life. In line with *current* leave entitlements, the universal subsidy will be available from six months of age. This approach recognises that the cost of childcare can push many parents out of the labour market when paid leave ends. Indeed, the gap between the end of paid leave and the start of an entitlement to early care and education is an international indicator used to examine national policies in this area.<sup>2</sup>

Finally, it is also worth noting that the cost of childcare is generally highest when children are under 3 years of age. This is due to both the hours of care required (i.e. notably longer than afterschool care needs) and the underlying cost of providing quality childcare for very young children. Recent reports also suggest that cost and sustainability issues are affecting the availability of childcare places for children under 3 years. The Government commitment to provide a universal subsidy for this age cohort, as well as to provide higher rates of targeted subsidy, recognises and responds to these issues.

### 15. What will be the benefits of the new scheme?

The Affordable Childcare Scheme will bring a number of benefits. The new scheme will:

- ✓ Contribute to the reduction of **child poverty**.
- ✓ Enhance **affordability**, providing both universal and targeted subsidies for parents towards their childcare costs.
- ✓ Be more **user-friendly** than existing targeted schemes for both parents and childcare providers, enabling online applications for subsidies.
- ✓ Encourage **labour market activation**, through shifting the focus which has existed historically on linking childcare subsidisation to eligibility for social welfare benefits and medical card entitlement to income.

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<sup>2</sup> Koslowski, A., Blum, S. and Moss, P. (2016) *12<sup>th</sup> International Review of Leave Policies and Related Research 2016*, International Network on Leave Policies and Research.

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- ✓ Facilitate **parental choice** and improve **access** to affordable childcare through being open to all childcare providers registered with Tusla, including registered childminders.
- ✓ Provide a **flexible platform** for sustained investment in childcare in future years so that affordability can be further strengthened, while also providing a **basis for quality improvements** through supply-side funding of childcare services.

### **16. How many children will benefit from the new scheme?**

In 2017, the expected number of children benefiting from the new scheme is estimated at **79,000**. This includes 25,000 children who will benefit from the universal subsidy. An estimated 54,000 children will benefit from the targeted subsidies, including 31,500 children who already receive support under the current targeted schemes and 22,500 new beneficiaries.

The number of children benefiting is expected to rise further in 2018 as demand for the new scheme increases, to 64,000 targeted beneficiaries and 26,000 universal beneficiaries, i.e. **90,000** children in total will be supported under the new scheme.

(127,000 children are expected to benefit from ECCE in 2017)

## **Budget 2017: Q&A on the Overall Early Years Investment**

### **17. What does this Budget increase mean generally for the Early Years Sector?**

The €121.5m increase in Budget 2017 for Early Years increases investment from €345m per annum to €466.5m, an increase of 35%. This represents an additional €86m for the full year 2017 costs of the extension of ECCE, the further roll out of the Access and Inclusion Model (AIM) within ECCE and, €35.5 for further measures to address affordability and quality.

### **18. How does Ireland's early years spending now compare with other countries?**

Including the spend on infant classes in primary schools, total early years spending in Ireland will now (post-Budget 2017) be 0.55% GDP using 2014 GDP figures, an increase on this year's 0.5% GDP figure. For the first time, total early years spending (including spending on infant classes in primary schools) will now exceed €1 billion per year.

### **19. How much of the funding achieved in Budget 2017 is for ECCE?**

- €67.6m is for the full year 2017 costs of the extension of ECCE which commenced in September 2016. ECCE has been extended to enable all children from the age of three attend free pre-school until the time they start school. The extended ECCE has been available since September of this year, with more children joining in January and again in April. The number of children benefitting from ECCE is expected to increase from 67,000 to 127,000. Traditionally families benefited from 38 weeks of free pre-school. This has now been increased to 61 weeks on average. It has been estimated that this 61 weeks of ECCE reduces parents childcare costs by €4000 (per child).
- €18m has also been made available for the further roll out of the Access and Inclusion Model (AIM) within ECCE. AIM ensures that children with a disability will be able to fully participate in mainstream pre-schools with their peers. Investment in 2016 allowed the model to be introduced in September 2016 and the additional funding will enable all supports to children and providers to be further rolled out in 2017. The additional

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expenditure will ensure that where children remain in ECCE for two years, and continue to have need for access to the resources under AIM, these resources will be available.

### **20. What new measures are being introduced?**

I am announcing a total of €35.5m for further measures to address affordability and quality. See questions 1-16 above for detail on the first of these measures, the new Affordable Childcare Scheme.

### **21. What will the non-contact time announced for services do for providers, children and families?**

The capitation paid to providers for ECCE is expected to cover the full cost of delivery of programmes. However, I know that providers have been under increasing pressure to comply with regulatory requirements and that the administrative burden on providers has increased. I wanted to support providers with this administrative burden and to encourage them to continue to take the time to plan their curriculum, to communicate with parents, schools and others, much of which they do outside the 15 hours of ECCE per week.

The €14m I am making available in 2017 will enable ECCE providers to be paid for a 39<sup>th</sup> week and part of a 40<sup>th</sup> week (7 ECCE days in total or 1.4 ECCE weeks) where they will have no children present and they will be able to concentrate on their administrative workload. Services themselves can decide how to use the payment when it is received. For the average ECCE service with 25 children, this will mean an additional annual payment of more than €1,600 per annum.

Part of the €14m will be given to CCS and TEC providers on a pro-rata basis also to acknowledge their administrative burden also.

The Affordable Childcare Scheme when introduced in Sept 17 will replace CCS and TEC and will have recognition of non-contact time built into its base.

### **22. Why is DCYA funding additional inspection and registration?**

DCYA is committed to the development of high quality childcare services that ensure children's safety and wellbeing and optimises their physical, cognitive and socio-emotional development.

Early Years Providers are subject to new Childcare regulations to ensure delivery of quality services. Tusla is responsible for carrying out inspections under these regulations and also for registering all early years services. I provided €1.1m to Tusla in 2016 to support them in this developing role and I am providing an additional €0.68m to them in 2017 to enhance and extend the Early Years Inspectorate within Tusla.

Alongside this, the Department of Education conduct Education-Focused Inspections on my behalf aimed at supporting services to deliver a programme of early years education that meets agreed quality standards and international best practice. I am adding to funding provided to them over the last two years to enhance these inspections.

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### **23. What will you be doing to assist services in danger of closure for financial reasons?**

For complex and varied reasons, some community / not for profit childcare services are experiencing sustainability difficulties. To gain a greater understanding of this issue, I am working with the newly created Early Years Forum and Childcare Committees Ireland to analyse the problem and identify solutions.

In Budget 2017 I have secured a small budget to assist in further investigation of the issue and to design interventions to assist services with their business model and/or financial management challenges. I am also implementing a Programme for Government commitment, of commissioning an independent review of the cost of providing childcare that will inform future policy decisions with regard to funding. The Single Affordable Childcare Scheme will also assist services with their financial management.

**Case Studies (all based on current estimated average fee of €4.50 per hour)**

**A. Lone parent on net annual income of €22,700, with one child aged 2 years and in need of 40 hours of childcare per week**

Under the existing targeted schemes, this family may have qualified for a subsidy of €95 per week and faced a corresponding co-payment of €85 per week.

Under the new scheme, this family will qualify for a weekly subsidy of €176 and might be expected to have a corresponding co-payment of €4.

**B. Family with a net annual income of €25,000, with two children aged 1 and 2.5 years and in need of 25 hours of childcare per week**

Under the existing targeted schemes, this family may have qualified for a subsidy of €47.50 per week for each child, giving a total subsidy of €95, with a corresponding co-payment of €130 per week.

Under the new scheme, this family will qualify for a weekly subsidy of €219 and might be expected to have a co-payment of €6.

**C. Family with net annual income of €35,000, with two children aged 1 and 2.5 years and in need of 25 hours of childcare per week**

Under the existing targeted schemes, this family may have qualified for a subsidy of €25 per week for each child, giving a total subsidy of €50, with a corresponding co-payment of €175 per week.

Under the new scheme, this family will qualify for a weekly subsidy of €157 and might be expected to have a co-payment of €68.

**D. Family with net annual income of €47,500, with two children aged 2 years (40 hours childcare per week) and 5 years (17 hours out-of-school care per week)**

Under the existing targeted schemes, this family is unlikely to have received any subsidy, and therefore had to pay the full fee of €256 per week. Under the new scheme, this family will qualify for a weekly subsidy of €54 and may have a co-payment of €202.