

Queen's speech: More free child care...at a cost ^[1]

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EXCERPTS

Parents who work should be over the moon that there's more free childcare coming as a result of the Queen's Speech – there's just one problem, how they're planning to pay for it.

Good news! According to the Queen's Speech the Government will soon be offering 30 hours of free childcare a week. Not enough for both parents to work full time, but a big helping hand for millions of struggling parents.

"The cost of childcare is one of the biggest barriers single parents face to finding and staying in work. 30 free hours of childcare a week is really good news for parents of three and four year old children," said Fiona Weir, chief executive of single parents' charity Gingerbread.

"Measures will be brought forward to help working people by greatly increasing the provision of free childcare," Queen Elizabeth said at the state opening of Parliament.

Digging into the legislation itself, the proposed Childcare Bill promises:

"To provide for an increased entitlement to 30 hours a week of free childcare (for 38 weeks of the year) to be made available to eligible working parents of three and four year olds," and "to require local authorities to publish information about the provision of childcare in the local authority area, and other services or facilities which might be of benefit to parents or prospective parents, or children or young persons in their area."

However, the bill only covers England, so struggling parents in Wales, Scotland and Northern Ireland will have to look for other means of support.

Given that they're also planning tax cuts, and to eliminate the deficit, it's a fair question to ask how all this will be funded. And the answer might not please.

It looks like in response to help when your children are young, the Government plans to tax your pension, hitting your income when you retire.

"Cash-strapped parents will no doubt welcome the increase in free childcare for three and four year-olds to 30 hours a week, however the less welcome news is that this proposal is expected to be funded by reducing tax relief on pension contributions," said Maïke Currie, associate investment director at Fidelity Personal Investing.

"Few parents will be willing to sacrifice pension tax relief for a brief respite in their child care fees. Pensions must remain attractive for all sections of society if we are to see the full benefit of the reforms."

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