



DERBY CITY COUNCIL

**LEADER OF THE COUNCIL CABINET
MEMBER MEETING
31 January 2011**

ITEM 6

Report of the Strategic Director of Children and Young People

Childcare Charging Policy

SUMMARY

- 1.1 A consistent charging policy was approved and adopted in August 2006 for all Local Authority (LA) run childcare to charge the same fees to all parents. The charging policy was subsequently revised on the 19 February 2008, with an agreement that any further increases to charges under 3% in any one financial year could be introduced without Cabinet approval. Increases above this would require the appropriate Council approval. The last charging policy increase of 3% was made in April 2010.
- 1.2 All LA childcare provision receives a subsidy from the general Sure Start grant which ends on 31 March 2011, this will be replaced by an un-ring fenced Early Intervention Grant. The majority of the childcare provision supported by the LA is located within the 30% most disadvantaged localities. The service provided is to be used by the most disadvantaged families to support their return to work or training. However as part of efficiency savings to reduce and ultimately withdraw the subsidy currently being made available to sustain all LA childcare provision.

It is likely that the requirement to provide child care as part of the children's centre core offer will be removed although at this point no firm decision has been made by government. .
- 1.3 Initially some of the childcare provision established under the Neighbourhood Nursery Initiative (NNI) received substantial funding from the government but this ended in 2005. **Since 2005 the provision** been supported through the use of the general Sure Start grant which is now ending.
- 1.4 Charges for LA childcare have only been increased at the rate of inflation throughout this period and to a maximum of 3%. The rest of the market increases have been at least 5% across the city for this same period.
- 1.5 The proposed charges will bring the LA childcare in line with other providers across the city.

RECOMMENDATIONS

- 2.1 To approve an increase in childcare fees for all LA childcare and abolish the choice of a short day (9am-3pm) session for less than three days per week. To be introduced from 1 April 2011.

- 2.2 To continue to increase future childcare fees on 1 April of each year to reflect the standard rate of inflation with a report back to Council Cabinet only if a significant deviation is proposed.
- 2.3 To approve the following increase in charges from 1 April 2011 after giving all parents the usual one month's notification of increase as their contract dictates:
- To adopt a charging policy consistent for all age groups with the removal of the increased charge currently payable for children aged 0-3years.
 - To increase the lowest daily charge from £27 to £32.50, an increase of 20%
 - To increase the lowest half day session from £16 to £19.50, an increase 22%
 - To increase a short day session (9am until 3pm) from £21.25 to £26, an increase of 22%
 - To increase the full week charge from £142 to £155, an increase of 9%. This represents a discount on the cost of five days at £32.50 with a reduction of £2.50 per day.

REASONS FOR RECOMMENDATIONS

- 3.1 The revenue subsidy currently provided to the LA childcare through the previous general Sure Start grant must be significantly reduced and eventually removed.
- 3.2 The LA childcare must become a more sustainable business model and reflect those adopted within the private, voluntary and independent (PVI) sector. Few PVI childcare providers now offer the shorter day as it is difficult to fill the places around these sessions by other children and does result in a loss of income which impacts on sustainability.
- 3.3 To ensure the charging policy is brought in line with what is being charged in the market place by the PVI childcare providers.

SUPPORTING INFORMATION

- 4.1 Currently the LA childcare fees are one of the lowest within the city and offer the short day session which limited other PVI's now make available. The highest daily cost for childcare in a LA childcare provision is £28.50 per day with a full week costing £142. A 9am until 3pm short day session costs £21.50. Half day sessions cost £17.50.
- 4.2 The minimum and maximum charge for a full day of childcare across the city is between £31 and £42 per day and the maximum and minimum for a full week across the city is £139 and £195 for a full week. This means there is a difference of at least £3 per day or as much as £9.50, and a difference of up to £53 per week.
- 4.3 There are 264 places in LA ran childcare across the city which contributes to the LA's statutory duty under the Childcare Act 2006 to provide sufficient affordable childcare to parents of all children who require it.

- 4.4 Affordable, accessible childcare care is the cornerstone of the target to reduce child poverty by supporting parents back in to work and training.
- 4.5 Childcare is part of the children's centre core offer although this does not necessarily have to be provided by the LA. However by offering childcare delivered by the LA it is more expensive and requires the reliance to draw on a subsidy from the general Sure Start grant in the region of £300,000.
- 4.6 In addition to the low charging policy, the LA terms and conditions for childcare staff are much more costly, due to on cost arrangements, than what is prevailing within the PVI sector.
- 4.7 Families are still able to access Working Tax Credit and those on lower incomes are able to access childcare cost element to a maximum of 80% of weekly costs up to a maximum of £175. In addition all 3 and 4 year olds receive 15 hours flexible free entitlement which is free at the point of delivery.

OTHER OPTIONS CONSIDERED

- 5.1 Continue with the subsidy which will impact on delivery of other frontline services across the city and is not equitable with the reduction in subsidy to the three larger Neighbourhood Nurseries.
- 5.2 Reduce the number of childcare places across the city but this would reduce the parental choice and risk the LA failing in its duty to meet its childcare sufficiency legal responsibilities.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Stuart Leslie Alison Parkin Alimun Nessa Rita Silvester
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For more information contact: Background papers: List of appendices:	Name 01332 716867 e-mail Fiona.colton@derby.gov.uk None Appendix 1 – Implications
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IMPLICATIONS**Financial**

- 1.1 The general Sure Start grant is no longer ring fenced from 2011/12 and now forms part of the Early Intervention Grant which has been reduced to the extent of £1.8 million pounds.
- 1.2 The general Sure Start grant cannot continue to subsidise childcare at the current rate. There is a savings target of £200,000 in the next financial year which is the current subsidy for the three larger Neighbourhood Nurseries. If we continue at current charges we will have to maintain some subsidy for the remaining centres and this will lead to a long term impact on frontline services.
- 1.3 Combined income for all LA childcare this financial year is projected at £1.85 million an increase of 20% on the current charges will show an additional income of £217,000.
- 1.4 We anticipate that with an increase at the level suggested there may be a reduction in families using childcare however many of the families who are classed as low income will still be able to claim increased assistance through the tax credit scheme. In addition LA childcare is still competitive with the charges levied in the private sector.

Legal

- 2.1 The Local Authority has a legal duty to provide sufficient, affordable childcare under the Childcare Act 2006.

Personnel

- 3.1 The provision of sustainable childcare provides employment opportunities both for City Council staff and for users of childcare.

Equalities Impact

- 4.1 Childcare should be accessible and affordable for all with support given to make this more affordable by promoting access to the childcare costs assistance available under working families tax credit, employer based childcare vouchers.

Health and Safety

- 5.1 All requirements are followed to meet Ofsted. Staff ratios are adhered to meet and with no lone working.

Carbon commitment

6.1 None.

Value for money

7.1 The childcare is costly as staff are recruited on Local Authority terms and conditions which are considerably more costly than within the private, voluntary and independent sectors.

Corporate objectives and priorities for change

- 8.1
- To build ambition, aspiration and achievement (CYP2)
 - To deliver value for money across all services (COD20)
 - To address and review the financial impact of major projects, legislative changes and changes to local government funding (CPD3.7).