

<b>Subject:</b>	<b>Families, Children and Learning Fees and Charges 2018/19</b>		
<b>Date of Meeting:</b>	<b>15 January 2018</b>		
<b>Report of:</b>	<b>Executive Director Families, Children and Learning</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Louise Hoten / Caroline Parker</b>	<b>Tel: 29-3440 / 3587</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT:**

- 1.1 The purpose of the report is to review the Families, Children and Learning Services fees and charges in accordance with the corporate policy.

**2. RECOMMENDATIONS:**

- 2.1 That the position on fees charged for nurseries as detailed in section 3.3 be agreed.
- 2.2 That the position on fees and charges for Childcare Workforce Development as detailed in section 3.4 be agreed.
- 2.3 That the position on the charges for school meals as detailed in section 3.5 be noted.

Note: If the above recommendations are not agreed, or if the committee wishes to amend the recommendations, then the item will need to be referred to the Policy, Resources & Growth Committee meeting on 8 February 2018 to be considered as part of the overall budget. This is because the budget is being developed on the assumption that the fees and charges are agreed as recommended and any failure to agree, or a proposal to agree different fees and charges, will have an impact on the overall budget, which means it needs to be dealt with by the Policy, Resources & Growth Committee as per the requirements of the constitution. This will not stop the committee from making recommendations to Policy, Resources & Growth Committee.

**3. CONTEXT/ BACKGROUND INFORMATION:**

- 3.1 As part of the budget setting process Heads of Service are required to agree any changes to fees and charges through relevant Committee Meetings. The management of fees and charges is fundamental both to the financial performance of the City Council and also the achievement of the Council's

corporate priorities, in particular making better use of public money. The recommendations agreed by this Committee will be subject to whatever is agreed regarding fees and charges in the budget report presented to Policy Resources & Growth Committee on 8 February 2018 and then by Budget Council on 22 February 2018.

3.2 The recommendations above reflect the areas that need approval and those that are for noting. The Council's Corporate Fees & Charges Policy requires that all fees and charges are reviewed at least annually and should normally be benchmarked and increased by either: the standard rate of inflation (2%), statutory increases, or actual increases in the costs of providing the service as applicable.

### 3.3 Nurseries

3.3.1 Part of the council's early years strategy is to provide high quality childcare in the most disadvantaged areas to ensure that local children can access provision. Council-run full day care nurseries are:

- Acorn Nursery – North Portslade Children's Centre (Ofsted good)
- Bright Start Nursery – Old Slipper Baths (North Laines) (Ofsted good)
- Cherry Tree Nursery – Hollingdean Children's Centre (Ofsted outstanding)
- Jump Start – Moulsecoomb Children's Centre (Ofsted outstanding)
- Roundabout Nursery - (Roundabout Children's Centre, Whitehawk) (Ofsted outstanding)

There are also two sessional nurseries:

- Pavilion Pre-school – North Portslade (Ofsted outstanding)
- Sun Valley Nursery – Valley Social Centre, (Whitehawk) (Ofsted good)

The Council also subsidises Tarnerland Nursery School to provide full day care in addition to free early education places (Ofsted outstanding).

3.3.2 The nurseries provide free part time early education places for low income two year olds and 3 and 4 year olds and childcare that parents pay for. All of the nurseries are based in buildings owned by the Council except for Sun Valley which is leased from the Valley Social Centre in Whitehawk.

3.3.3 The Council subsidy for the nurseries is £300,000 and a funding gap has been identified for 2017/18. Some funding pressures are due to one off factors following the nursery restructure in 2016. However the low level of Government funding for the early years free entitlement and the increase to 30 hours for 3 and 4 year olds will increase the pressure on the budget next year.

The total projected income for the all the nurseries in 2017/18 is:

- 42% fees from parents
- 40% Dedicated Schools Grant (early years block) for the entitlement for 2, 3 and 4 year olds (this will increase next year – 30 hours for 3 terms)
- 18% council subsidy (based on the latest TBM figures).

3.3.4 The highest subsidies are in the nurseries in Whitehawk and Moulsecoomb where most children just take up their free childcare places and there are the highest number of funded two year olds. There are also more children with child

protection plans and special educational needs and disabilities who need higher staff ratios.

### Nursery Restructure

- 3.3.5 The Council nurseries were restructured in 2016/17 to introduce a consistent staffing structure and reduce costs. This included recruiting more apprentices. The restructure led to increased costs in the short term. Staff vacancies had been held in the run up to the restructure and it took longer to recruit new staff than anticipated. Most of the existing bank staff moved into permanent posts. Together with staff sickness, maternity leave and cover for apprentices this led to more use of agency staff. The use of agency staff has reduced significantly over the last 6 months and the number of council bank staff is starting to increase.
- 3.3.6 There are now 11 apprentices working in the nurseries. However any apprentices who started from May have to have 20% of their time out of ratio for study. This means that extra staff cover is needed. The Council pays a high rate for apprentices compared to private and voluntary providers.

### Funding for free childcare places for 2, 3 and 4 year olds

- 3.3.7 One of the reasons for the over spend is that funding the Government provides for free places for 2, 3 and 4 year olds is not sufficient to cover the costs of providing childcare in Council nurseries. The level of funding is an issue for all childcare providers in the city. Council nurseries have higher staff costs than some providers because staff are employed on council terms and conditions.
- 3.3.8 Disadvantaged two year olds are entitled to 570 hours a year of free childcare from the term after their second birthday and a key priority is to ensure that there are sufficient high quality places for these children. Brighton and Hove is funded at an hourly rate of £5.20 an hour. This is the lowest rate in the south east. The highest is £5.88 and the average is £5.56.
- 3.3.8 All three and four year olds are entitled to 570 hours (15 hours a week, term time only) of free childcare. Funding is allocated by Government on a national formula. The rate for Brighton and Hove is £4.45 per hour which is significantly below the published national average amount of £4.88. The lowest rate in the South East is £4.30, the average is £4.80 and the highest is £5.79. These figures refer to the total rate paid to the local authority and include inclusion funding and central costs. The council is passing on 95 per cent of its funding allocation to childcare providers, with an average hourly rate of £4.26. This is less than the average fee that parents pay for childcare.

### The funding pressures are likely to increase for 2018/19.

- 3.3.9 The Government has published the national early years funding rates for 2018/19 and these are **not** increasing by inflation. This will lead to an additional budget pressure of over £21,000 based on the existing level of DSG income. It will be more for 2018/19 because the proportion of income from the DSG is increasing.
- 3.3.10 The amount of fee income is decreasing from September 2017 because of the extension of free childcare for 3 and 4 year olds with working parents from 15 to

30 hours term time (22.3 hours for 51 weeks a year). The increase to 30 hours means that the nurseries will receive funding at the DSG rate of £4.26 an hour for 570 hours rather than the fee rate of £4.92 or £5.20. Across the nurseries it is estimated that the reduction in fee income is likely to be £56,000. This may be off-set in part by increased occupancy.

### Nursery Fees

3.3.11 The existing fee policy for the nurseries is:

- A daily rate of £4.92 an hour for children aged 3 and 4, which includes breakfast and snacks (very few parents pay this rate as many take some free hours in the day)
- A daily rate of £5.15 an hour for children aged two and under.
- A rate of £5.20 an hour for sessions of half a day (5 hours) or less.
- An additional charge of £2.08 per meal for lunch or tea

3.3.12 The rate for Pavilion Pre School is lower at £4.80 for 3 and 4 year olds and £5.00 for 2 year olds as the pre-school is based in a sports pavilion and shares space with a football team. Typically sessional providers in shared buildings charge a lower rate.

3.3.13 The proposal is to increase fees to take account of the increased pressures on the nursery budget caused by the low hourly rate for free places for 2, 3 and 4 year olds. There is a range of help from Government for parents with childcare costs which will help pay for these increases. Parents on Universal Credit can claim up to 85% of childcare costs and parents on higher incomes can apply for Tax Free Childcare which will pay 20% of their childcare costs (see paragraph 5.3.1). It is estimated that the increases proposed below will generate additional income of £33,000.

The proposals are to:

- No longer offer a reduced daily rate of £4.92 an hour for children aged 3 and 4.
- Charge a standard hourly rate of £5.35 for all ages of children (£5.20 for children attending Pavilion). This is a 9% increase for the full day rate for 3 and 4 year olds, a 4% increase for the full day rate for children aged two and under and a 3% increase for the part day rate.
- Increase the cost of meals by 10p to £2.18 per meal for lunch or tea where this is supplied by the nursery – an increase of 5%.

#### Nursery Benchmarking - average cost per hour for a 10 hour day

	PVI (November 2017) Average full day rate	Council nurseries from April 2017
Full day care		
0-23 months	5.43	5.35
2	5.22	5.35
3 and 4	5.14	5.35
Any age	5.24	5.35

The data is based on 67 full day care settings and the price for a full day's childcare. Many settings charge more for shorter sessions, particularly for a morning. Some settings limit the number of free hours that children can take each day and charge a much higher rate for hours which are bought by parents in addition to the free hours, for example between £6 and £10 an hour depending on the number of extra hours paid for.

### 3.4 Childcare Workforce Development

3.4.1 Charges for early years and childcare providers to access the childcare training programme in 2017/18 are:

- £120 for paediatric first aid training
- £60 for full day training (£100 for outside of B&H)
- £40 for half day training (£70 for outside of B&H)
- £70 for job vacancy advert (£120 outside of B &H)

3.4.2 The proposed fees for 2018/19 are:

- To increase the training rates by 3.5% to £62 (whole day) and £42 (half day).
- To charge a reduced rate for safeguarding courses (£20) which are free now.
- To keep the paediatric first aid and job vacancy rates at the same level.

Applications for our courses are slightly down this year so a price rise could have a negative impact on income generation.

3.4.3 Benchmarking Information 2017/18 shows that we charge slightly more than other LAs for half day training and are mid-range for full day costs. Some other LAs do not charge for their job vacancy services.

Local Authority	Half day	Full day	Job Vacancy Service
Surrey	£25	£50	£50
East Sussex	£50	£90	No charge
Southampton	£45	£80	No charge
Bedford	£35	£55	No charge
Oxford	£30	£50	No charge

West Sussex has a subscription scheme so do not have like for like pricing.

The income helps to sustain a programme that offers training opportunities for the sector not readily accessible elsewhere locally.

### 3.5 School Meals

3.5.1 There is no intention to increase the current price of school meals, however, this will be subject to the outcome of the current tendering process for the school meals contract. The cost of school meals to the local authority (schools) is inflated annually in accordance with the price review mechanism detailed in the school meals contract as detailed below. The current contract started on 1 August 2011 for a period of 4 years with an opportunity to extend up to 24 months. A delay in the procurement process means this has been extended for a

further 12 months to 31/07/2018. The contract is now in the additional 12 month extension period. As a fully delegated service, schools may choose to buy into the contract or make their own school meals arrangements. All secondary schools and secondary academies within the city and the Bilingual Primary School provide meals, including free meals to entitled pupils, through their own individually negotiated contracts.

- 3.5.2 The current charge for school meals in primary schools is now £2.20 (this has increased to enable the Living Wage Foundation Living Wage (outer London rate) to be paid from April 2018. Previously the price had remained at £2.10 since 2010) for children and £2.50 or £2.08 excluding VAT for adults.

The School Food Plan highlights the importance of encouraging adults to eat with children. In line with the contractual arrangements the price was increased from 1 August 2017. Based on the April 2017 indices, there was a requirement to change the price, the price was further increased to cover the increased wage cost to move from the Governments Living Wage to the higher rate. Staff received an increase in wage rates from October 2017 and will receive a further increase from April 2018. Tenders for the new contract should be returned by early March 2018 for evaluation and this will give an indication of the selling price from September 2018.

The Meal price was varied in line with the following two indices:

(a) Food element

Annual movement in the Retail Price Index (all items) as set out in the Consumer Price Indices published by the Office for National Statistics (Ref Table 40 Food CHBA)

(b) Labour element

The Management fee price will vary in line with the annual movement in the Retail Price Index (all items) as set in the Consumer Price Indices published by the Office for National Statistics (Ref Table 40 All Items RPI CHAW).

As this is built into the contract terms and conditions, approval by the Children Young People & Skills Committee would only be sought if an increase exceeding inflation was being proposed. We are currently working on a new specification for a contract to be provided from 1 August 2018 and intend to retain a price review mechanism with the wage rate (labour cost), as set by the Living Wage Foundation.

- 3.5.3 Under the current contractual arrangement there is a low fixed cost in the form of a management fee and a higher variable cost for each meal served, whereas the previous contract had a very high fixed cost and a low variable cost per meal. Under the previous contract the Council retained a much greater amount of the risk. The current arrangement transfers more risk to the contractor and means that the contractor is more inclined to increase sales as we have seen with this contract.

This budget area is now operated in a way that the need to fulfil a shortfall would be most unlikely and this is being demonstrated through the current contract performance and growth in take up of school meals and the introduction of

central government grant funded Universal Infant Free School Meals (UIFSM). There are strong incentives for the contractor to grow the service and these are supported by successful partnership working with the City Council, which was previously recognised at a national award. The increased cost of free school meals has not been passed onto schools for the financial year 2017/2018, this will be bourn through cash and “sales” of UIFSM which are grant funded.

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 Budget holders with responsibility for specific fees and charges were consulted in the preparation of this report.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

##### **Financial Implications:**

- 5.1 The total Families, Children and Learning fees and charges budget for 2017/18 is approximately £3.3m excluding schools.
- 5.2 As a start point for the budget process, income budgets are increased by inflation, currently 2.0%, to produce a target income budget. Budget holders then review their fees and charges with a view to ensuring that the target budget is achieved and where possible exceeded.

Finance Officer Consulted: Louise Hoten

Date: 09/11/2017

##### Legal Implications:

- 5.3 Families, Children and Learning Services are entitled to review fees and charges as set out in the report, at the time fees and charges are set they must be demonstrably fair and reasonable in all the circumstances. The report indicates the analysis against which the recommendations have been made and the obligations of the council in relation to the funding of free nursery places.

Lawyer Consulted: Natasha Watson

Date: 11.12.17

##### Equalities Implications:

- 5.4 Equal access to childcare is encouraged by ensuring that the nurseries all offer the universal free early years entitlement of 15 hours a week for all 3 and 4 year olds and eligible two year olds. The entitlement for 3 and 4 year olds will increase to 30 hours from September 2017 for working parents.
- 5.5 Two year olds from low income working families are eligible for free childcare in addition to two year olds from families on out of work benefits. Parents with low incomes can claim the childcare element of the Working Tax Credit which pays for childcare costs of up to a maximum of 70% of £175 a week for one child or £300 for two or more. Parents claiming Universal Credit are entitled to claim 85% of childcare costs. Alternatively parents on higher incomes can apply for Tax Free Childcare. For every £8 a parent pays into their childcare account, the government will pay in an extra £2 up to a maximum of £2000. Parents can then use this money to pay their childcare provider.

- 5.6 Equal access to school meals is provided by all primary and special schools through participating in a citywide contract that is the same meal at the same price available to all pupils. The contract specifies that provision should be made for modified meals required on the grounds of cultural, religious or medical requirements.

Sustainability Implications:

- 5.7 There are no direct sustainability issues arising from this report.

Crime & Disorder Implications:

- 5.8 There are no direct crime and disorder issues arising from this report.

Risk and Opportunity Management Implications:

- 5.9 The services included in this report rely on being able to achieve their income targets in order to maintain the level of service provided.

Public Health Implications:

- 5.10 The opportunity to receive a free school meal or meal for no charge (UIFSM) is extremely important to a substantial number of children from low income families, for whom a school lunch may be the only balanced meal they will eat in a day. Research shows that when children eat better, they do better. Whether families are paying for school meals or are entitled to them for free, children are more likely to concentrate in the classroom in the afternoon after eating healthy school lunches in a pleasant environment. This also improves their health and their learning about making better food choices. Research also shows that children eligible for free school meals are less likely to: do well at school, continue into further education, or secure higher paid jobs. Therefore, ensuring that these children eat and gain the benefits of the free school meals they are entitled to, really will make a difference to their ability to learn and succeed.

**6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 Alternative options considered for the nursery fee increases included limiting the number of free hours that children can use each day and further increasing the hourly charge for the hours that parents pay for in addition to the free hours.

**7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 To agree and/or note the Families, Children and Learning Services Fees and Charges for 2018/19.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

None

### **Documents in Members' Rooms**

None

### **Background Documents**

1. Fees and Charges Analysis – 2017/18

