

Subject:	Families, Children and Learning Fees and Charges 2019/20		
Date of Meeting:	14 January 2019		
Report of:	Executive Director Families, Children and Learning		
Contact Officer:	Name:	Louise Hoten / Caroline Parker	Tel: 29-3440 / 3587
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Ward(s) affected:	All		

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 14 February 2019 to be considered as part of the overall budget proposals. 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 will normally need to be dealt with by Policy, Resources & Growth Committee as per the requirements of the constitution. This does not prohibit the service committee from making alternative 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. 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 14 February 2019 and then by Budget Council on 28 February 2019.

3.2 The council's Corporate Fees and Charges Policy requires that all fees and charges are reviewed at least annually and should normally be increased by either the corporate rate of inflation or actual increases in the costs of providing the service. The budget update report approved by Policy, Resources & Growth Committee in July 2018 specified the assumed corporate rate of inflation to be applied to fees and charges income targets of 2.0% with the exception of parking Penalty Charge Notices. The corporate rate of inflation is applied to ensure that income is maintained in proportion to expenditure where annual inflationary cost pressures are experienced. The council's Standard Financial Procedures state that service committees shall receive a report from Executive Directors on proposed fees and charges variations above or below the corporately applied rate of inflation.

3.3 Nurseries

3.3.1 Part of the council's early year's 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
- Bright Start Nursery – Old Slipper Baths (North Laines)
- Cherry Tree Nursery – Hollingdean Children's Centre
- Jump Start – Moulsecoomb Children's Centre
- Roundabout Nursery - (Roundabout Children's Centre, Whitehawk)

There are also two sessional nurseries:

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

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

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 £509,000 in 2018/19. The budget for 2017/18 was £308,000 and, together with an over-spend of £155,000, the total subsidy was £463,000. The budget for 2018/19 was increased to take account of the overspend last year. This was due to the low level of Government funding for

the early years free entitlement and the increase to 30 hours for 3 and 4 year olds.

The total projected income for the all the nurseries in 2018/19 is just over £2.94 million:

- 38% fees from parents (compared to 42% in 2017/18)
- 45% Dedicated Schools Grant (early years block) for the entitlement for 2, 3 and 4 year olds compared to 40% in 2017/18
- 17% council subsidy (based on the latest TBM figures) compared to 18% in 2017/18

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.

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

3.3.5 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.

3.3.6 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 £4.25, including additional support funding. This is less than the average fee that parents pay for childcare. The Government published the national early years funding rates for 2019/20 in November 2018 and these did not increase by inflation.

3.3.7 The Council has repeatedly raised the issue of the low rate of early years funding for the city with the Government both through the city's MPs and directly with Ministers. Unfortunately the funding we receive has not increased.

Nursery Fees

3.3.7 The existing fee policy for the nurseries is:

- £5.35 for all ages of children (£5.20 for children attending Pavilion as the pre-school is based in a sports pavilion, sharing space with a football team. Typically sessional providers in shared buildings charge a lower rate). The fees were set at the same rate for all ages last year with increases between 9% and 3%.
- £2.18 for lunches and teas. Breakfast and snacks are included in the hourly rate. Parents can choose to bring a packed lunch.

3.3.8 The proposal is to increase fees to take account of the continuing pressures on the nursery budget caused by the low hourly rate for free places for 2, 3 and 4 year olds and increases in the cost of meals. There is a range of help from the Government for parents with childcare costs in addition to the free early years entitlement of 15 or 30 hours. 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).

The following table show the income that would be generated by increasing fees that parents pay. This is based on the estimated income from fees for 2018/19 of £1.122 million. Inflation is 2% for 2019/20 so a rise of below 2% would lead to a cost pressure of the nurseries.

Increase (%)	Hourly fee	Additional income	Income above inflation
0	£5.35	0	-22440
2	£5.46	22440	0
3	£5.51	33660	11220
4	£5.57	44880	22440
4.3	£5.59	48246	25806
4.5	£5.60	50490	28050

There will also be a pressure on the nursery budget as the DSG income for the early years free entitlement is not increasing by inflation. Two per cent of the DSG income of £1.3 million is £26,000. A rise of 4.3% in fees could generate enough income to cover the inflation pressure for the both the fee and DSG income. However there is a risk that a high increase will mean that parents take up less childcare which will reduce income. A lower increase could improve occupancy and increase income. An increase of 4% is being proposed.

The proposals are to:

- Increase the standard hourly rate of £5.35 for all ages of children to £5.57. (£5.51 for children attending Pavilion). This is a 4% increase.
- Increase the cost of meals by 12p to £2.30 per meal for lunch or tea where this is supplied by the nursery to reflect increases in costs from the supplier – an increase of 5.5%.

Nursery Benchmarking - average cost per hour for a 10 hour day (summer 2018)

	PVI Average hourly rate	Council nurseries from April 2019
Full day care		
0-23 months	£5.50	£5.57
2	£5.35	£5.57
3 and 4	£5.28	£5.57
Any age	£5.40	£5.57

The data is based on 74 full day care settings and the hourly rate for a full day's childcare in the summer of 2018. 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 2018/19 are:

- £120 for paediatric first aid training
- £62 for full day training (£100 for outside of B&H)
- £42 for half day training (£70 for outside of B&H)
- £20 for safeguarding courses (£100 outside Brighton and Hove)
- £70 for job vacancy advert (£120 outside of B &H)

3.4.2 The proposed fees for 2019/20 are to keep the fees at the same level as 2018/19. Applications for our courses are down this year so a price rise could have a negative impact early years providers and on income generation. The income helps to sustain a programme that offers training opportunities for the sector not readily accessible elsewhere locally.

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

3.5 School Meals

3.5.1 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 2018 for a period of 4 years with an opportunity to extend up to 24 months. 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 has remained at £2.20 and was last increased in April 2018; the new contract requires the payment of the Living Wage (Living Wage Foundation) to employees.

Any decision to increase the selling price to parents will be made in June 2019 for implementation from 1st August 2019, and will be based on the April 2019 indices detailed below:

The meal price will be varied in line with the following two indices:

a) Food element

Annual movement in the Retail Price Index (all items) as published by the Office for National Statistics. (Food CHBA)

b) Labour element

The labour element will increase based on the percentage (%) annual movement as agreed by the Living Wage Commission for the UK Living Wage (outside of London).

The Management fee price will vary in line with the annual movement in the Consumer Price Index (all items) published by the Office for National Statistics.

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.

3.5.3 Under the current contractual arrangement there continues to be a low fixed cost in the form of a management fee and a higher variable cost for each meal served, this ensures that the contractor should be more inclined to increase sales as we have seen with the previous 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 the continued support 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 Council. The increased cost of free school meals has not been passed onto schools for the financial year 2018/19, this will be mitigated 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 2018/19 is approximately £2.6m excluding schools.

5.1.1 The fees and charges recommended in this report have been reviewed in line with the Corporate Fees & Charges Policy and budget assumptions approved by Policy, Resources & Growth Committee. This is to ensure that fees and charges

are appropriately benchmarked to comparative services and recover the full cost of service wherever possible. The anticipated recurring financial impact of the proposed changes will be reflected within service revenue budgets. Where proposed increases are greater than the corporate rate of inflation of 2% (applied to all income targets except parking Penalty Charge Notices to ensure income is maintained in proportion to expenditure) and provide an increased contribution toward the cost of services including overheads, changes to fees and charges can result in a net budget saving. Where this is the case, this will normally be reflected in Integrated Service & Financial Plan proposals for the relevant service and will be incorporated within the revenue budget report to Policy, Resources & Growth Committee and Budget Council.

Finance Officer Consulted: Louise Hoten

Date: 19/11/2018

Legal Implications:

- 5.2 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: Serena Kynaston

Date: 21 December 2018

Equalities Implications:

- 5.3 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.
- 5.3.1 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.
- 5.3.2 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:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 5.6 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:

- 5.7 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 2019/20.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

1. Fees and Charges Analysis – 2018/19