

## Early Years Best Value Review- additional information requested for Overview & Scrutiny Committee, 18<sup>th</sup> December 2002

Information requested:

(a) The excluded financial information on the costs of childcare in excess of the maximum working family tax credit / childcare tax credit needs to be supplied as a function of family income and number of children. The table I have includes the salaries of nursery nurses etc that I found helpful.

Information requested on Child Tax Credits, Working Tax Credits and Childcare Support Costs are included in the attached tables. To assist the committee we have presented the information as it relates to Family Income.

(b) A commentary on whether these excess costs would encourage people into work or not.

Parents working less than 16 hours per week are not entitled to claim WTC and would have the option to access sessional daycare such as a playgroup (for children aged 3-5) which can cost between £4 and £20 per week, or cover the cost of daycare. The four One O Clock Clubs (Children's Play Centres) are free at the point of access. Lower paid earners (up to £25k) receive substantial subsidy from the WTC (salaries up to £15k attract the maximum 70%). These parents would receive subsidy to enable their daycare to remain affordable.

Higher earners are able to access a range of daycare services at competitive prices. Our investment into early years services will enable these parents to purchase daycare at a reasonable market rate (£135 per week per child with effect from 1 April 2003 and £150 per week per child with effect from 1 April 2004).

Parents with 2 or more children under 5 years of age using daycare services will receive a reduced rate of daycare costs (£94.50 for the second and subsequent children, 70% of the full cost,)

There is a risk that, in particular, families with three children may be discouraged from entering work due to the high cost of daycare (£324 per week with a maximum WTC subsidy this would be reduced to £184 pw).

It is not until we have experienced the effect of the new Tax Credit that we will be able to assess the impact on encouraging people into work. Our professional assessment is that low income families (that receive a high level of financial support) will be encouraged into work and high earning families will be able to afford the market rate and therefore are likely to remain in work. Middle-income families will continue to look for a value for money childcare option and are also likely to wish to remain in work. The Executive has asked us to closely monitor the impact of the changes as a result of Best Value therefore, will be seeking to pick up any trends as a result of price increases.

(c) There is particular concern that costs in community nurseries which currently receive subsidy and are affordable now may not be affordable in future. Some comment and information on this please

Fees table – See attached file on Community Fees Appendix 3.

Each nursery will be encouraged to set its own fees level based on their geographical location and their current fees charge, and other factors. There will be no grant reduction in the first year giving nurseries the opportunity to test the market, adopt variations to their pricing policy where necessary and to conduct a robust marketing programme to encourage parents to access subsidy through WTC.

The points raised in answer (b) above are also relevant to affordability of community nurseries

(d) Information on how this fits with the emerging anti-poverty strategy.

The Council's anti-poverty strategy is at an early stage of development. The Early Years review connects with it in several ways:

- Through the provision of affordable childcare. The recent joint departmental review of childcare by government stresses the importance of affordable childcare in combating poverty. The approach in the review is to maximise the benefit from the tax credits available to parents, particularly those on low income, and to take advantage of the new funding opportunities announced by government to enable existing provision to improve and expand.
- The seven Sure Starts are focused on some of the most deprived parts of the borough. Their scope is set out in Appendix 1(b) of the Vision for Early Years.
- Those living in poverty (using the standard definition of less than half the average or 60 per cent of the median national income (up to around £15,000 for a couple with three children under 12)) are the group who get most benefit from the Working Tax Credit.
- There is a close correlation between the level of poverty and the level of neglect, abuse and reduced life chances of children. Without sufficient resources being made available for child protection and family support, childrens' life chances are reduced and future generations are more likely to be trapped in poverty. The review has recognised that some reduction in the funding for non-statutory (council) subsidy of childcare to working families creates more opportunity for investment in statutory child protection and family support services, which is recognised to be lower than required.

(e) Information on targets for the expansion of affordable childcare for the borough, which is related to the anticipated numbers of childcare places, needed.

Penetration table - See attached file Appendix 1

The Partnership has identified the areas in which childcare falls below the required levels of at least 10% childcare availability for the under 5's population in each Ward (see table attached based on Ward boundaries in March 2002). The current strategy has

sought to maximise the impact of NOF and Neighbourhood nursery funding, and it is projected that by 2004 the number of wards falling below the target penetration will have reduced from six to four. There will be a new strategy for 2004/07, which will include the development of childrens centres, which should take us further towards achievement of these targets.

(f) Commentary on the risks of the proposed strategy reducing the number of childcare places as low-income parents can no longer afford childcare even with working family tax credit and community nurseries shut, as they are no longer viable.

Individual community nurseries will be advised on the best pricing policy to adopt. It will be the responsibility of Management Committees to consider whether to adopt and implement these policies. Given that the first year will be used to test the market and that Officers will be reporting to the Executive Committee in April, October 2003 and January 2004 on the success of the implementation of this strategy, there will be opportunity for intervention before any nurseries become at risk of closure.

A clear support strategy will be in place to support community organisations through this process including, support from a business adviser to develop business plans, support from WTC advisors and help with developing marketing/publicity materials.

### Child Tax Credit

Gross Annual Joint Income (£)	Child Tax Credit (£)					
	One Child		Two Children		Three Children	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
5,000	1,990	38.00	3,435	65.70	4,880	93.30
10,000	1,990	38.00	3,435	65.70	4,880	93.30
15,000	1,335	25.50	2,780	53.20	4,225	80.80
20,000	545	10.40	930	17.80	2,375	45.40
25,000	545	10.40	545	10.40	545	10.40
30,000	545	10.40	545	10.40	545	10.40
40,000	545	10.40	545	10.40	545	10.40
50,000	545	10.40	545	10.40	545	10.40
60,000	0	0.00	0	0.00	0	0.00

## Working Tax Credit

if you are responsible for at least one child or young person				
Gross Annual Joint Income (£)	Couple or lone parent working between 16 and 30 hours a week		Couple or lone parent working 30 or more hours a week	
	Annual	Weekly	Annual	Weekly
5,000	3,000	58.00	3,645	69.70
7,500	2,100	40.50	2,745	52.50
10,000	1,150	22.70	1,820	34.80
12,500	250	4.90	895	17.10
15,000	0	0.00	0	0.00

Working Tax Credit (£)				
if you are <b>not</b> responsible for any children or young people				
Gross Annual Joint Income (£)	Single person aged 25 or over working 30 or more hours a week		Couple (working adult aged 25 or over) working 30 or more hours a week	
	Annual	Weekly	Annual	Weekly
5,000	2,145	41.00	3,645	69.70
7,500	1,245	23.80	2,745	52.50
10,000	320	6.10	1,820	34.80
12,500	0	0.00	895	17.10
15,000	0	0.00	0	0.00