

Item No.	Classification Open	Date: January 28 2009	Meeting Name: Executive Member for Children's Services
Report title:		Children's Services Department – fees and charges 2009/2010 – 2011/12	
Ward(s) or groups affected:		All	
From:		Strategic Director of Children's Services	

RECOMMENDATION(S)

1. That the principle of core hours and extended hours in the Early Years Service as set out in paragraph 25 be implemented.
2. That a fees structure with phased introduction be introduced in the Early Years Service as laid out in paragraphs 28 and 29.
3. That in all other Children's Services the proposed non-statutory fees and charges for 2009/10 be agreed as set out in Appendix 1, with an implementation date of April 1 2009.
4. That the Executive Member agrees the indicative non-statutory fees and charges for 2010/11 and 2011/12 as set out in Appendix 1.

BACKGROUND INFORMATION

5. This report sets out proposals for the fees and charges to be set for Children's Services for 2009/10 and indicative charges for 2010/11 and 2011/12.
6. The Medium Term Resources Strategy (MTRS) and the corporate income policy require that:
 - Fees and Charges are increased by at least the current rate of inflation for the type of service being provided plus 2% for the budget process each year with the objective of ensuring LBS fees and charges are at a minimum at least equal to the most appropriate London average.
 - External income is maximised, mindful of the cost of collection and new income streams are sought in line with Council policies and procedures.
 - All fees and charges capped by statute are increased to the maximum level the cap allows.
7. Only where it can be demonstrated that adverse financial implications might arise or where increases are not considered realistic due to demand and local circumstances, can fees or charges increases be set at a lower level than that set by the MTRS.
8. The Council's constitution requires that all fees and charges increases are agreed by the relevant Executive Member through an IDM report. An IDM report is also required where no increase or a reduction in fees and charges is proposed.

KEY ISSUES FOR CONSIDERATION

9. Fees and charges are those charges where there is a schedule of rates for services provided. There are various types, namely mandatory and discretionary i.e. where the Authority must charge or where there is a choice of charging or not. Whether mandatory or discretionary, the charges will be either:
 - Fixed – where the level of charges is set by statute and the Authority has no discretion.
 - Capped - where a maximum level is set, generally by statute and so charges cannot be set above this level, or
 - Flexible – where there is full discretion on the level of charges to be set
10. Where the Authority has a choice about charging, any decision not to charge must be agreed by the relevant Executive Member. This will be reviewed annually and will be considered within the context of the overall budget position.
11. This report only seeks approval for fees and charges for which there is discretion. No Children's Services charges are fixed or capped.
12. In arriving at the proposed fees and charge levels, consideration has been given to a number of factors, including; volume assumptions, benchmarking data, market forces and sensitivity i.e. the impact that increases will have on its customers' ability to pay and the take-up of services. Another factor taken into account is that, whilst Southwark may have discretion over the level of fees set, in many cases, this is on a cost recovery basis or must have due regard to the cost of service and be reasonable. The cost of service provision has therefore, also been a consideration in arriving at the proposed fees.
13. Table 2 (see paragraph 38) details the total income expected to be generated from non-statutory fees and charges. A full list of the non-statutory fees and charges to be approved is included at Appendix 1.
14. Executive agreed on 25th November to the implementation of a major modernisation programme of the Early Years service. Alongside that programme, a significant restructuring of the fees structure for the Early Years is proposed. Details of these proposals are set out at paragraph 16 below.
15. In the majority of other service areas it is proposed that that all fees and charges be increased in accordance with the MTRS. The opportunity has, however, been taken to simplify the proposed charges within the Play Service. There are also a small number of areas, which are not significant in terms of the overall level of income generated, where no increase is proposed in 2009-10. Justification for these proposals is also provided below.

Early Years Service

16. In preparing the recent report on modernising the Council run Early Years Centres officers carried out an analysis of the cost of maintaining the provision. This work concluded that the cost base for council run centres is generally higher than for similar types of provision within the PVI sector. More significantly, the cost of providing the service is much higher than the fee that is charged. It is notable that those private providers that structure their service in much the same way as we have structured our centres charge fees that are in the range of £250-

£300 per week. The Council currently charges a fee of £205 for a full time place.

17. There are a number of reasons for the high costs of our maintained provision. The most significant of these are high unit costs associated with relatively small centres and high overheads and high staffing costs associated with structures that do not reflect current needs. The Council has taken the first step towards addressing these through consolidation of provision. A further step will involve updating staffing structures so that the needs of the service, including its sustainability, are met.
18. In recent years the Council has made a very clear commitment to reducing child poverty. All the evidence now shows that the most effective way of addressing issues of poverty is to tackle worklessness by supporting people back into work. The provision of high quality early learning and care facilities is an essential component of this support for parents in getting back into work.
19. Historically, the Council has been able to use its General Fund to subsidise places within its own settings and as a result fees have been set below the full market rate thereby enabling low paid workers to access affordable childcare. Central Government policy now is to subsidise such childcare costs across all sectors not by providing resources to local authorities but through application of the tax credit system. Consequently, the Council is no longer in a position where it can easily offer subsidies for places in its own maintained settings and any Council subsidy will serve only to duplicate that available through Tax Credits making this a poor use of limited local expenditure.
20. The tax credit system will cover up to 80% of childcare costs, up to a limit of £175 for one child and £300 for two or more children. In London, parents can also access schemes run by the London Development Agency which top up the tax credits to take account of the higher costs of childcare experienced in London. The upper limit for tax credit is set at a family income of £58,175 or, if there is a child under 12 months, £66,350. In addition to these generous allowances, children aged 3 and 4 are entitled to 12.5 hours per week of free early learning for 38 weeks a year and this is due to increase to 15 hours a week for 38 weeks as from 2010. All of these benefits are available through suitably registered and qualified providers whether in the private, voluntary or state sectors including childminders.
21. The Council has agreed a series of fee increases for the Early Years Service over the past two years that go beyond the minimum requirements of the MTRS such that we now charge a standard fee that is in line with the London average. However, we estimate that this is still approximately £50 per week per child below the cost of service delivery. Further the Council policy of offering a lower fee for 3-5 year olds (in recognition of the minimum free entitlement) and a second child discount means that the payments received fall even further below the cost of delivery. This means that the council provides a significant "hidden" subsidy for every paying place it offers in the Early Years Centres.
22. In light of the above, the Council needs to consider carefully the arrangements for charging fees. Priority consideration needs to be given to the contract that is being agreed with parents in respect of the number of hours requested, the type of service being provided and the ability of parents to pay for the services taking account of the tax concessions and other funding available to them.

23. The Council particularly needs to consider the implications of providing services over a 10 hour day from 8am to 6pm. From a management perspective, the early and late provision (i.e. before 9am and after 5pm) is by far the most expensive to offer because it can only be achieved through moving to a shift arrangement. This in itself is difficult to manage as Ofsted staff/children ratios apply for every minute that children are in the care of the centre. Bearing in mind that parents with children at school are required to pay for the wrap-around care for their child(ren) there is a strong argument for adopting a similar policy in EYCs.
24. The EYCs offer a service for parents that runs from 8am through to 6pm five days a week. Parents pay a standard rate for each day that their child is in provision irrespective of the number of hours the child stays. This means that it is not unusual for a parent dropping their child off at 8am and picking up at 6pm to pay the same fee as a parent who drops off at 9.00am and picks up at 3.30pm. Fewer than 50% of children are in placements for the full 10 hours and about a third of children attend for the shorter hours that mirror those of mainstream schools.
25. In effect this means those in receipt of the 'school day' provision are subsidising those parents whose children are in the centres for longer. This is not equitable. It is proposed that this differential arrangement for parents should be reflected in the fees structure. Consequently, we will offer core hours which will be set as a slot of up to 8 hours taken flexibly between 8.45am and 5.15pm. In order to meet the requirement of all working parents, particularly those who need childcare from 8am and/or up to 6pm, the Council will introduce the concept of extended hours which run between 8am and 9am and between 5pm and 6pm.
26. In keeping with the policy that our fees and charges should assist in tackling child poverty through supporting parents back into work, it is proposed that we also introduce an element of means testing so that those more able to afford full cost fees are charged accordingly. Initially, it is suggested that there be three bands set in line with the eligibility criteria for Working Tax Credit. The lower band would apply for parents whose earnings are below the initial threshold for WTC. The upper band would apply for parents whose earnings are above the threshold for claiming WTC. This approach would have the benefit not only of fitting charges more closely to the ability to pay but would also act as an encouragement for families to claim their tax credit entitlement.
27. The Council should set the base fee for the core in line with London average fees and families' entitlements to tax credits (£205 at 2008/9 rates). This will mean that for those parents choosing to place their child for 8 hours per day the fee will be frozen at this year's rate. A charge of £5 per hour (or part thereof) per day should be levied for these extended periods for all families other than those whose entitlement to tax credit falls below the WTC lower level. Parents who are not eligible for WTC should have their fees for the core hours set at a rate which reflects the council's current policy of 2008/9 rates inflated by inflation plus 2% (i.e. a charge in 2009/10 of £215). The fee for the additional hours will be set as for all other parents. These fee rates will be set irrespective of the age of the relevant child. In particular, children aged 4 and 5 will only have their fees rebated in respect of their accessing the free entitlement to early education (currently 12.5 hours per week increasing to 15 hours per week from 2010) to a new net charge of £170 per week. If parents continue to use the service in line with current patterns, we estimate that this change in fee structure would increase income by up to £186,500 in a full year.

28. However, given that many parents currently using the service may well have selected the setting and set their work hours on the basis of the current fees policy, it is proposed that the changes should only apply to new applicants for places so that the old arrangements are phased out over time. The exception to this will be for those parents where family income exceeds the upper limit for WTC for whom the £215 charge should apply from April 2009.
29. If this proposal is accepted then, based on the current turnover of places within the Early Years centres and on current usage patterns then the increased income generated in 2009-10 would be reduced to some £78,400 with the full increase in income not being achieved until 2011-12.

Youth Service

30. Fees and charges within the Youth service consist of entrance fees and subscriptions at Youth Centres, plus gym hire and minibus hire.
31. The Youth Service delivers to a Council priority group of users. There is a high sensitivity to prices amongst young people in Southwark. Fees are therefore set considering the ability of the user to pay rather than with reference to the market or the cost of service. Charges are therefore nominal and contributory and due to the high sensitivity of the client group some clubs do not charge fees where there is discretion to do so.
32. Given the above, it is not proposed to increase the nominal admission fees levied for admission to Youth Clubs in 2009-10. An indicative increase is proposed for future years but this will be subject to consideration of the impact that this might have on attendance levels.
33. It is proposed that charges in other areas of the service be increased in line with the MTRS. The financial effect of not raising the fees in 2009-10 will be contained within the Youth Service budget.

After School and Holiday Club Service

34. Fees and charges are made for holiday play schemes and for daily after school child care. The service operates a policy of charging affordable, flexible and sustainable fees to working parents, many of whom may be entitled to child tax credits. The service nevertheless operates with a significant subsidy from the Council, totalling £1.53M in 2008-9.
35. Benchmarking for this service is undertaken by the Childcare Trust. Fees currently lag behind the inner London average as shown below.

Table 1

	CURRENT LBS CHARGES	INNER LONDON AVERAGE 2008-9
After School Club	£23	£27
Holiday Club – Normal Day	£36	£57.60

Holiday Club – Extended Day	£41	£68.25
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36. Given the financial position now facing the authority in 2009-10 and future years, it will be important for urgent steps to be taken to reduce the net cost to the authority of providing this service by raising charges levels.

Holiday Clubs

37. During 2008-9 the Council run holiday clubs at Easter and during the long Summer holiday. A total of 244 children accessed the service at 2 clubs during the Easter holiday and 882 children at 5 clubs during the Summer. Charges in the current year have generated total income of £90,000 .but the service would not be viable without a significant contribution from the Council's General Fund resources.
38. If the Council were to move, in accordance with the MTRS, to charging at the Inner London Average then charges in 2009-10 would need to be increased by over 60%. An increase of this order might reduce the subsidy the Council provides to this service by £57,000 per annum, assuming no drop in attendance levels.
39. The view of the manager for this service is, however, that charges at this level could cause a drop in usage. If usage were to drop, say by 30%, then the level of total additional income generated would fall back to £22,300.
40. Alternatively, if it were agreed to proceed to charging at the Inner London average over 2 years, then the fees proposed for 2009-10 and 2010-11 would be as set out below:

	Current Charge	2009-10	% INCREASE	2010-11 (Inner London Average)	% INCREASE
Holiday Club – Normal Day	£36	£47	30%	£58	23%
Holiday Club – Extended Day	£41	£55	34%	£68	24%

41. At this level, any drop in attendances might be expected to be reduced. Assuming, therefore, an overall drop in attendances of 20% over the 2 years to 2010-11, charges at the level proposed above would be expected to generate total additional income in 2009/10 of £23,800 in 2009-10 and a further £14,080 in 2010-11 (i.e. a total in a full year of £37,880)
42. It is proposed this option be adopted for 2009-10 and that the charges for 2010-11 and 2011-12 be agreed in principle pending further benchmarking comparisons with other authorities during the coming year.

43. It is also proposed to introduce a new daily charge with effect from 1st April 2009 to better meet the needs of some working parents. Details of these charges are set out in Appendix 1.

After – Schools Clubs

44. A total of approximately 1000 children access the Council's After-Schools Clubs. Whilst current charges generate a significant level of income, the provision of this service nevertheless currently requires a substantial subsidy from the Council's General Fund. It is considered that there is no compelling reason, given the Council's financial position, for not reducing the level of subsidy provided to service users by increasing charges to the Inner London average in 2009-10 as set out below:

	2008-09	2009-10 (Inner London Average)	% INCREASE
After School Club	£23	£27	17.5%

45. The proposed charges, which incorporate provision for an increase to reflect the impact of inflation as well as the Council's MTRS commitment, would generate additional income of £99,750 per annum assuming no fall off in the take-up of the service. The likelihood of reduced attendances at After-Schools Clubs is considered less likely than for Holiday Clubs but if attendances were to drop by say 10% then the level of increased income generated would be reduced to £33,000.
46. As set out above, users of the After Schools Service can access Working Families Tax Credits and no charges are currently levied in respect of parents in receipt of Income Support.

Play Service

47. Fees and charges are made for the following services:
- Hire of the Mobile Play Unit
 - Use of the Kart Track at Burgess Park
 - Membership and loan charges at Toy Libraries
 - Hire of facilities (super inflatables, badge making equipment, music equipment)
 - Hire of specialist workers (eg face painters, sports coach)
48. It is proposed that fees and charges within the Play Service in 2009-10 are, in general, raised in accordance with the MTRS (see Appendix 1). However, where appropriate (e.g. in respect of charges for inflatables), it is proposed that the opportunity be taken to rationalise the number of charging bands.

Toy Library

49. The Toy Library Service only generates a very low level of income per year. Nevertheless proposals are included at Appendix A in line with the MTRS. It is proposed, however, that increases are concentrated on charges to organisations rather than individuals.

Resource implications

50. The proposals set out in this report will produce reduction in the projected net expenditure on the Children's Services budget of £145,700 in 2009/10 and £260,770 in a Full Year.
51. In line with the MTRS all Children's Services 2009-10 budgets for fees and charges income have generally been increased by a minimum of 4.5%. Where it is proposed that charges levels are increased by a lower figure (e.g. for the Youth Service), management efforts will be concentrated on increasing the volume of business. If this is not successful, steps will be taken to reduce costs to ensure that the net budget remains in balance.
52. The proposals for the Early Years Service will generate additional income beyond the requirements of the MTRS. The additional savings generated will contribute to the achievement of the modernisation programme for the service as agreed by Executive.

Community Impact Statement

53. The changes outlined in this report will affect those users currently paying for services (principally parents and carers), and the users of the service (young people within Southwark). The possibility that usage of services could decline as a result of the proposed increases has been considered by managers when setting the level of fees and charges.
54. The major changes proposed for Early Years charges will clearly have an impact on parents but have been developed in accordance with Government policy. . Parents in receipt of WTC who are seeking a new place for their child and who choose to use facilities from 8am to 6pm will find their fees increase by £50 per week. Although scheduled for review in the New Year, the Government's working tax credit system is currently capped at £175 per week and the London Development Agency offer further support up to £30 per week. Consequently this increase will adversely impact on all new service users who seek to use the centres for their full day throughout the week.
55. As working tax credit only benefits those in work, non-working parents will feel the effects of the changes more acutely. However, such groups are probably better positioned to receive maximum benefit from the Government's proposals to increase the minimum free learning entitlement to 15 hours per week.
56. As set out above, users of the After Schools Service are also able to access the Working Families Tax Credit and officers have undertaken to work proactively with parents to ensure maximum take-up of this entitlement. Parents in receipt of Income Support are not charged for the service.

Consultation / Notification of fee increases

57. Notice of 1 month is generally given in respect of proposed increases in Children's Services department fees and charges.
58. Consultation on the proposals for the Early Years Services will be incorporated in to the overall consultation with parents and other stakeholders on the

modernisation of the service.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Concurrent report from the Finance Director

59. It should be noted that any additional income achieved beyond the requirements of the MTRS within the early years service will contribute to the existing savings commitment that formed part of the policy and resources strategy agreed by the Executive in February 2008.

Strategic Director of Legal and Democratic services

60. The report recommends that the Executive Member for Children's Services approve the proposed increase in the 2009/10 discretionary fees and charges in respect of the Early Years Service and all other Children's Services as set out in this report and that the increases take effect from 1 April 2009, and approve the provision of extended hours and core hours in Early Years.
61. Section 93(1) of The Local Government Act 2003 and The Children Act 2004 enables the Council to charge for providing discretionary services. The power in the acts are subject to the requirement that the authority are not prevented from charging for the service elsewhere in legislation. The Strategic Director of Legal and Democratic Services is not aware of any specific legislative provision which would prevent the council relying on these powers to charge.
62. The power to charge for the service under the Acts is also subject to the duty to make sure that taking one financial year with another, the income from charges made from the service does not exceed the cost of the provision of the service.
63. The council is, therefore allowed to set the level of the charge for each discretionary service that it thinks fit, subject to those charges not exceeding the costs of the provision.
64. The report recommends introducing a new scheme of charging for extended day care provision in Early Years and proposes a differential charging scheme based on the provision of core and extended hours. The use of such a scheme is permissible, providing that the reasons for implementing the scheme are fair and reasonable notice is given to service users of the introduction of the new scheme and the service charges.
65. The approval sought under this report is a matter reserved to the Executive Member for individual decision making under paragraph 3, Part 3D of the Constitution and is therefore within the remit of the Executive Member for Children's Services.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Budget Documents	John Smith House	0207-525-5059

APPENDICES

No.	Title
Appendix 1	Proposed Charges 2009-10 to 2011-12

AUDIT TRAIL

Lead Officer	Romi Bowen, Director of Children's Services	
Report Author	Cliff Robinson, Children's Services Finance Manager	
Version	Final	
Dated	January 28 2009	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director for Legal and Democratic Services	Yes	Yes
Finance Director	Yes	Yes
Executive Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team	January 28 2009	