

MAYOR AND CABINET		
Report Title	Early Years – Charging of Fees	
Key Decision	Yes	Item No.19
Ward	All	
Contributors	Executive Director for Children and Young People	
Class	Part 1	Date: 14 July 2010

1. Summary

1.1 This report considers the case for a charging policy for maintained schools where extra hours are provided over and above the free entitlement for Early Years.

2. Purpose

2.1 This report sets out the issues that the Schools Forum and the task group it set up considered, in relation to introducing the free flexible entitlement for three and four year olds. Within the scheme there is discretion for schools to charge fees to those parents wanting full-time provision.

3. Recommendation

3.1 That the Mayor agrees that a standard charging policy be adopted set at £4.50 to link with the basic rate of funding received by each school.

4. Policy Context

4.1 One of the Council's corporate priorities is for young people's achievement and involvement; raising educational attainment and improving facilities for young people through partnership working.

4.2 Involvement in high quality early years education can lead to better education and social outcomes for all children. Early education is of particular benefit to children from disadvantaged backgrounds. Its benefits can last through primary education and beyond. Extending the flexibility of the offer to 3 and 4 year olds, therefore, supports the priorities of Lewisham's Children and Young People's Plan.

4.3 The policy of extending the offer of free education to 3 and 4 year olds can act as an enabler for parents allowing them to return to work, enter training or education. It therefore supports the priorities in Lewisham's

Sustainable Community Strategy particularly in economic and social development.

- 4.4 In June 2007, the previous Government announced that Local Authorities will be required to use a single local formula for funding Early Years provision in the maintained and private, voluntary and independent (PVI) sectors from April 2010. The Early Years Single Funding Formula (EYSFF) is intended to support the extension of the free entitlement for 3 and 4 year olds from 12.5 hours to 15 hours per week, as well as to address inconsistencies in how the offer is currently funded across the maintained and PVI sectors. This will help to ensure that decisions about funding for maintained and PVI providers are transparent, and based on the same factors. While funding levels and funding methodologies do not have to be exactly the same for all providers, any differences must be justifiable and demonstrable. It has been common practice in PVI settings to charge parents if hours above the free entitlement are provided. Each PVI sets its own level of charging.

5. Background

- 5.1 The Schools Forum set up a task group to consider the detail of the proposals for implementing the single funding formula and asked them to consider the possibility of charging for hours provided by maintained settings over and above the free entitlement. The group had representatives from the private, voluntary and independent sectors as well as primary and nursery schools. Officers supported them in their work.
- 5.2 Under the new proposals it is possible for maintained schools to charge parents if they wish to take up extra provision over and above the 15 free hours providing there is capacity. The Department for Education advise that the power to charge for extended services applies to this provision too. This is a change for maintained schools as statutory provision is free at the point of delivery and this has applied to all aspects of education activity. So while the free entitlement is statutory, provision beyond the 15 hours is not and therefore can be charged for. The number of places that are surplus in maintained schools totals 300. A school by school analysis is shown in Appendix A.
- 5.3 The charging for additional hours is common practice by private providers where open competition and market forces operate. They have charged for the additional hours in response to families' requirements.
- 5.5 The debate in the working group has been around what rate schools should charge and whether there should be a common charging policy across the maintained sector in the authority or that schools should make individual decisions. There are three basic options in setting a charge:-
- at a rate that would contribute to costs,
 - a rate set to cover costs
 - allow a free market and allow schools to set their own policy.

These are discussed below

5.6 Charging Fees set at a rate that would contribute to costs (The basic rate provided by the formula - £4.41 per hour)

5.61 The calculation of the charge is simple.

5.62 It provides a standard charge across Lewisham. It would seem inherently logical for a Local Authority to be charging the same fee for the same service across the Borough.

5.63 The main disadvantage to this is that it appears that a subsidy is being provided, as the charge by the school may be lower than the cost. However it is actually selling surplus places that would not have otherwise have been used, so is in essence a contribution to costs that would have already been incurred. Indeed any level of fee would be beneficial to the alternative of not having the place filled. The only financial disadvantage is if the paying places led to extra staff being required, resulting in extra costs.

5.7 Charging fees set at the level of funding provided to the school (Currently £4.41 to £6.15 per hour)

5.71 The disadvantage is that each school receives within their formula allocation top-up funding which varies depending on the school circumstances such as the local level of deprivation and the outcome of the Ofsted inspection. This will result in every school having a different level of funding. The current range of funding is from £4.41 to £6.15 per hour. It could lead to a circumstance whereby a parent may perceive that they were receiving the same service but having to pay more for it in some schools. This goes against standard charging policy across borough.

5.72 The advantage with charging at a rate that is the same as the funding level provided is that it will be near or at the level of costs. In setting the charging rate at the funding received by the school it would avoid being accused of either making a profit or providing a subsidy.

5.8 No policy

5.81 The schools would have complete freedom to set their own charge and this would bring them more into line with the way PVI's and Academies can operate.

5.82 It is difficult to assess the risks this will have on the long term sustainability of free entitlement.

5.9 The issues above raise a number of points :

- The charging policy of one provider may make its provision sustainable, but the impact of these charges may destabilise the provision of another provider by drawing away customers.

- To make sure within the Borough there is always sufficient capacity to deliver the free entitlement. The risk is that a school would sell full time places and leave insufficient places for those children entitled to the free hours
- it would seem from a parent's perspective difficult to understand why two schools in the same locality should charge two different rates for the same service. All schools are funded on the same principles commonly so should charge commonly.

- 5.10 To help minimise the above risk it is suggested that a standard charge be introduced and this be linked to the basic rate of funding for 3 and 4 year olds in primary schools. (The two maintained nursery schools have a different basic rate as their costs are higher). This should allow schools to raise extra funding to contribute to their sustainability but not to be at full cost to avoid impact on the free entitlement, as the free entitlement places are financially more advantageous. The charges based on current figures would be £4.50 per hour and £6.50 per hour for nursery schools.
- 5.11 The actual impact in practice cannot be forecast accurately and the Schools Forum wish to review the policy of the first two years of implementation to ensure that no detrimental effects are emerging.
- 5.12 It would seem appropriate for the Borough to have a standard charging policy which would be in line with other service provision sold to the general public across Lewisham, e.g. leisure centres. However schools should be free to set charges as they wish for services over and above the provision of early education e.g. if a school or group of schools wished to be entrepreneurial and offer additional services such as parent drop-ins etc, they should be able to do so.
- 5.13 The impact of the charges on a parent is variable when paying for childcare. Help is currently available through the Working Family Tax Credit which allows relief of up to 80% or up to £175 per week. This is determined on the level of family income and can then vary between parents and indeed these limits will decline over the coming years. The Government is reviewing its benefits regime so there may be changes in the future.
- 5.14 The coalition government has proposed greater freedoms to set up Academies, and they would be able to set charges at the level they thought was appropriate. Any policy that standardises arrangements across all schools may mean that some schools may be more likely to consider Academy status. We would work with any school becoming an Academy in relation to the policy set.

6. Legal Implications

- 6.1 The Childcare Act 2006 places a duty on local authorities to secure free early years provision for all eligible children. From September 2010 the entitlement to free early years provision for every eligible child is 570 hours per year (at least 15 hours per week over 38 weeks of the year). In discharging the Council's duty under section 7(2) of the Childcare Act, the Council must have regard to the Secretary of State's Guidance, The Code of Practice 2010.
- 6.2 Although the Code commences in September 2010, Local Authorities who have been invited to join the pathfinder scheme (LBL is a pathfinder authority) must follow section 5.6 to 5.10 of the Code from April 2010. Sections 5.6 to 5.10 relate to Early Years Single Funding Formula (EYSFF) which requires authorities to fund providers from all sectors on the basis of single, transparent, locally defined, participation-led funding formulae.
- 6.3 As stated above, local authorities must ensure that free provision is available to all children and therefore that no fees or conditions of access are levied against parents' entitlement. However, the Code is clear that parents may choose to purchase additional hours with the same provider where they access their free entitlement.
- 6.4 The Code of Practice 2010 states that the rates which the Private, Voluntary and Independent (PVI) providers charge for additional hours are a matter for them to decide and should not be dictated by local authority. However in relation to maintained schools,, it would not be unreasonable to seek a standard rate for additional hours to give parents and children consistency as to cost and therefore greater flexibility of choice. This would be by working in partnership with the schools as there are no powers to compel the maintained schools to apply a standard charging policy.
- 6.5 The Code also provides that local authorities should ensure that parents who choose to purchase additional hours can be clear from the bills what the charges are in relation to the additions hours and can easily identify their free provision.

7. Financial Implications

- 7.1 No costs fall upon the Council or the Dedicated Schools Grant as a consequence of introducing charges for provision in mainstream schools beyond the free entitlement for three and four year olds.

8. Crime and Disorder Implications

There are no direct or indirect Crime and Disorder implications arising from this report. However, there is evidence that providing high quality education in the early years improves outcomes for the children. In particular, there is a link between positive behaviour and early education.

9. Equalities Implications

The provision of quality nursery places for 3 and 4 year olds will help parents to return to work, education and training. This will support families in reducing the impact of poverty..

10. Environmental Implications

There are none arising from this report.

11 Conclusion

- 11.1 Currently early intervention for young children and their families is provided through Children Centres who are able to signpost families to appropriate childcare. The Coalition Government have signalled that they intend to change the Sure Start Children Centre programme but the full extent of the changes are unlikely to be known until the Comprehensive Spending review has been concluded. It is likely that the programme will no longer be a universal offer. If this is the case the free entitlement will be the major universal offer for young children and we will need to encourage increased uptake.

12 Background documents and originators

There are no background documents to this report.

If there are any queries arising from this report, please contact Dave Richards, CYP Finance Manager, 3rd floor, Laurence House, telephone 0208 314 6300.