

Childcare costs consultation

Tell us what you think

Consultation on changes to council subsidy for childcare in Islington

Why are we doing this consultation?

Islington Council is committed to supporting working families with low incomes to access high quality affordable childcare. Although an annual increase in parental charges of 2 per cent was agreed in 2014 in council-run and some community nurseries, the costs of delivering childcare have increased significantly, above and beyond the annual increase. Furthermore, the Council has suffered massive cuts in its grants from central government and now needs to target its resources even more sharply to those who most need help. The council is therefore proposing to increase childcare charges at its nurseries at a greater rate for families with higher incomes, whilst protecting those with lower incomes in order that childcare remains affordable for them.

The proposals are to:

- increase the number of income bands so that charges are more sensitive to family income,
- reduce the amount of subsidy to parents on higher incomes;
- better reflect the actual cost of providing places;
- introduce a new rate for families on very high incomes or who do not live in the borough;
- reduce the current sibling subsidy as more tax-free and free childcare is made available to working parents through government schemes;
- give parents who are already in the system more time to plan for the impact on family budgets by phasing in the changes.

Why are we asking about this?

Good quality childcare is very important to children's development. It also means that parents are able to take up training or go to work. This helps the whole family to be independent and have a better standard of living.

The cost of providing childcare has risen sharply in recent years. At the same time, the overall Government funding available to Islington Council has been reduced by £100 million since 2010. The government is also reducing the amount of early education funding it is giving to Islington by 10 per cent by 2018, so overall there is less money for us to provide local services, including childcare for under-fives.

The council wants to continue to ensure childcare is affordable and that children can receive high quality care and support, whatever their family circumstances. We do this by contributing to the cost of childcare for low to middle income families by subsidising places. With less money available we will need to be more specific about who is eligible for childcare places at a reduced cost and to ask some higher earning parents to pay a larger share of the costs.

The proposed changes to income banding and age groups will affect how the amount you pay for childcare is calculated.

This is your chance to tell us what you think about these proposals.

Part 1 Childcare in Islington

Entitlement to free early education and childcare

Nationally, all three and four year olds, from the term after they are three, are entitled to 15 hours per week free childcare/ early education during term time. From September 2017 some working families with three and four year olds will be entitled to an additional 15 hours – a total of 30 hours of free childcare per week. You can read more about the eligibility criteria and how to apply on Islington website: www.islington.gov.uk/30hours

Some two year olds are entitled to 15 hours free childcare / early education during term time. You can read more about the eligibility criteria and how to apply on Islington website: www.islington.gov.uk/free2

There are several other sources of financial support available to parents including Tax Free Childcare, childcare element of working tax credit, childcare vouchers and bursaries for parents in training.

For further information about all of the national schemes available to help with the costs of childcare, including childcare vouchers, and support while parents study, see the [Childcare Choices website](#).

Islington has a local scheme to support parents who are taking part in training or moving towards employment. The childcare bursary scheme offers a limited number of bursaries to help parents with the cost of childcare while they take part in short-term vocational courses, a work placement, or to help them in the first few weeks of employment.

You can discuss all your childcare options by contacting Family Information Service (FIS) on 020 7527 5959.

The Council provides part-time and full-time places for Islington-resident children in children's and early years centres, nursery schools and primary schools and voluntary sector nurseries with childcare subsidy. Childcare over and above the free entitlements is subject to the council's charging scheme.

What other help is there for parents?

Bright Start Islington services at children's centres and other venues, such as family support, child and family health services and stay and plays, will be available free of charge to all Islington resident families with children under five. While services are available to all families, regardless of employment status or income level, the council particularly encourages disadvantaged families to access these services.

Bright Start Islington services will provide help for parents to get ready for employment, such as through training or volunteering.

How are childcare charges currently calculated?

Charges for childcare are calculated based on family income and the age of the child. Family income is currently split into seven bands and there are three age groups of children.

The table below shows charges for a full week of childcare (50 hours per week) from September 2017. These charges represent a 2 per cent inflation increase from the current charges and have already been agreed.

These charges take into account 15 hours per week of free early education that all children can access from the term after their third birthday. However, most parents would pay less than this as some three and four year olds can access 30 hours free per week and some families may not need as much as 50 hours of childcare per week.

The weekly cost of childcare during school holidays is higher than during term time because free childcare entitlements are taken during term time.

Weekly charges for 8am - 6pm provision	Term Time and Holidays		Term Time		Holidays
	Under 2s	2 - 3s	3&4s entitled to 15 hrs free	3&4s entitled to 30 hrs free	3s or 4s
Band 1 (Up to £24,999)	£180.92	£177.16	£124.15	£70.95	£141.89
Band 2 (£25,000 - £30,999)	£191.44	£187.69	£131.39	£75.08	£150.15
Band 3 (£31,000 - £39,999)	£208.34	£204.26	£142.97	£81.70	£163.40
Band 4 (£40,000 - £49,999)	£230.87	£226.34	£158.44	£90.54	£181.07
Band 5 (£50,000 - £59,999)	£259.02	£253.94	£177.76	£101.57	£203.15
Band 6 (£60,000 - £79,999)	£292.80	£287.06	£200.94	£114.82	£229.65
Band 7 (£80k and above) & Non Subsidised	£331.38	£301.25	£210.87	£120.50	£241.00

What about parents with more than one child or a child with a disability?

Currently further discounts are available to families with more than one child in the nursery and/or with a child with a disability.

The current discounts as shown below:

- 25% reduction for the second child only
- 35% reduction for the third child only
- 45% reduction for the fourth child and each child thereafter
- There is also a 25% reduction for a child with a disability

Part 2 Proposed changes

1. To ensure that the subsidy the council provides is targeted better at those who need more help with childcare costs, the council is proposing a progressive increase in parental charges over the next 4 years. This means that families with lower incomes will have a lower rate of increase, while those with higher incomes will have a higher rate of increase. At the moment, the rate of increase is a flat 2% per year, regardless of income.
2. To ensure the charging policy is more sensitive to family income and therefore fairer, the council is also proposing to introduce more family income bands. This will lessen the impact of increased costs on families who move from one income band to another, particularly in middle-income families where previously there has been a big jump in charges between bands.
3. The council is proposing to introduce a new rate for Islington families with an income of over £120,000 who do not wish to apply for a community place, or for families from out of the borough. Over time, the cost of a marketed place will bring Islington council nurseries in line with fees charged by private sector nurseries. The number of marketed places that a nursery can offer is agreed with the council.

Over time, families with the highest incomes will be expected to pay the full cost of a childcare place while families on low and medium incomes are protected through a more generous subsidy. All income from parental charges in council-run nurseries is re-invested into the system to sustain high quality early childhood services.

4. The council is proposing to reduce the sibling discount which is currently available, as more tax-free and funded childcare is available from the government, which will reduce the cost of childcare for families. The sibling discount will reduce to 15% for a child under three; and 20% for each subsequent child under three. There will be no discounts for families with more than one child aged 3 or 4, as they can receive double the amount of free childcare for both children from September 2017 and more a more generous tax free childcare allowance.
- 5) The council recognises the impact of changes on families who already have children within the system. Therefore, the new charges will be phased in for those families. Families with children under 3 will not pay the enhanced increase until their child moves from toddlers to nursery, when their child becomes eligible for 15 or 30 hours free childcare, so their costs will decrease at this point. Families with children already in the nursery class will not be charged the enhanced fees.

What would these proposals mean for the cost of childcare?

Table 1 shows the weekly charges which have already been agreed from September 2017 (i.e. a 2% increase in charges in all bands):

Weekly charges for 8am - 6pm provision	Term Time and Holidays		Term Time		Holidays
Bands	Under 2s	2 - 3s	3&4s entitled to 15 hrs free	3&4s entitled to 30 hrs free	3s or 4s
Band 1 (Up to £24,999)	£180.92	£177.16	£124.15	£70.95	£141.89
Band 2 (£25,000 - £30,999)	£191.44	£187.69	£131.39	£75.08	£150.15
Band 3 (£31,000 - £39,999)	£208.34	£204.26	£142.97	£81.70	£163.40
Band 4 (£40,000 - £49,999)	£230.87	£226.34	£158.44	£90.54	£181.07
Band 5 (£50,000 - £59,999)	£259.02	£253.94	£177.76	£101.57	£203.15
Band 6 (£60,000 - £79,999)	£292.80	£287.06	£200.94	£114.82	£229.65
Band 7 (£80k and above) & Non Subsidised	£331.38	£301.25	£210.87	£120.50	£241.00

Table 2 shows how the additional income bands and progressive increases would affect the charges for a full week of childcare under the new proposed changes:

Weekly charges for 8am - 6pm provision		Term Time and Holidays		Term Time		Holidays
Bands	Progressive increase including 2% inflation	Under 2s	2 - 3s	3&4s entitled to 15 hrs free	3&4s entitled to 30 hrs free	3 and 4s
Band 1 (Up to £24,999)	3%	£182.69	£178.90	£125.37	£71.65	£143.28
Band 2 (£25,000 - £30,999)	3%	£193.32	£189.53	£132.67	£75.82	£151.63
Band 3 (£31,000 - £39,999)	3%	£210.38	£206.26	£144.38	£82.50	£165.01
Band 4 (£40,000 - £49,999)	3%	£233.13	£228.56	£159.99	£91.42	£182.85
Band 5 (£50,000 - £59,999)	4%	£264.10	£258.92	£181.24	£103.56	£207.14
New Band 6 (£60,000 - £69,999)	4%	£298.54	£292.69	£204.88	£117.07	£234.16
New Band 7 (£70,000 - £79,999)	6%	£304.28	£298.32	£208.82	£119.32	£238.66
New Band 8 (£80,000 - £89,999)	7%	£347.62	£316.01	£221.21	£126.41	£252.81
New Band 9 (£90,000 - £99,999)	9%	£354.12	£321.92	£225.35	£128.77	£257.53
New Band 10 (£100,000 - £120,000)	10%	£357.37	£324.87	£227.41	£129.95	£259.90
New Band 11 (above £120,000)	12%	£363.87	£330.78	£231.55	£132.32	£264.62
Out of Borough/Marketed	16%	£376.86	£342.59	£239.82	£137.04	£274.07

Charges for three year olds are higher during holidays, because children receive their free entitlements during term time.

Some examples of the changes during term time

50 hours of weekly childcare charges are used for the scenarios, so most families would have a smaller weekly charge than those in the examples.

Increase differences represent the difference between the already agreed 2% inflation increase charge and the proposed progressive charge.

Under two year old scenarios:

- A Band 1 parent from September 2017 will pay £180.92 per week during term time. Under the proposed changes the weekly charge would be £182.69 per week, representing a 1% increase difference.
- A Band 5 parent from September 2017 will pay £259.02 per week during term time. Under the proposed changes the weekly charge would be £264.10 per week, representing a 2% increase difference.
- A Band 10 parent from September 2017 will pay £331.38 during term time. Under the proposed changes the weekly charge would be £357.37 per week, representing an 8% increase difference.

Two to three year old scenarios:

- A Band 1 parent from September 2017 will pay £177.16 per week during term time. Under the proposed changes the weekly charge would be £178.90 per week, representing a 1% increase difference.
- A Band 5 parent from September 2017 will pay £253.94 per week during term time. Under the proposed changes the weekly charge would be £258.92 per week, representing 2% increase difference.
- A Band 10 parent from September 2017 will pay £301.25 during term time. Under the proposed changes the weekly charge would be £324.87 per week, representing an 8% increase difference.

Three and four year old scenarios:

All families will see a reduction in their childcare cost a term after their child's third birthday when accessing free entitlements for the first time.

- A Band 1 parent from September 2017 will pay £124.15 per week during term time, if they are entitled to 15 hours free childcare. If they are entitled to 30 free hours, they will pay £70.95. Under the proposed changes the weekly charges would be £125.37 (instead of £124.15) for families entitled to 15 hours free childcare per week and £71.65 (instead of £70.95) for families entitled to 30 hours free childcare per week. This represents a 1% increase difference.
- A Band 5 parent from September 2017 will pay £177.76 per week during term time, if they are entitled to 15 hours free childcare. If they are entitled to 30 free hours, they will

pay £101.57. Under the proposed changes the weekly charges would be £181.24 (instead of £177.76) for families entitled to 15 free hours per week and £103.56 (instead of £101.57) for families entitled to 30 hours free childcare per week. This represents a 2% increase difference.

- A Band 10 parent from September 2017 will pay £210.87 per week during term time, if they are entitled to 15 hours free childcare. If they are entitled to 30 free hours, they will pay £120.50. Under the proposed changes the weekly charges would be £227.41 (instead of £210.87) for families entitled to 15 hours free childcare per week and £129.95 (instead of £120.50) for families entitled to 30 hours free childcare per week. This represents an 8% increase difference.

Families entitled to Tax Free Childcare will see a further reduction in their childcare costs.

Some examples of the changes during holidays

50 hours of weekly childcare charges are used for the scenarios, so most families would have a smaller weekly charge than those in the examples.

Increase differences represent the difference between the already agreed 2% inflation increase charge and the proposed progressive charge.

All parents with under two and majority of two to three children will be charged the same for holidays as during term-time.

Three and four year old scenarios (no free entitlement to any hours):

- A Band 1 parent from September 2017 will pay £141.89 per week during holidays. Under the proposed changes the weekly charge would be £143.28, representing a 1% increase difference.
- A Band 5 parent from September 2017 will pay £203.15 per week during holidays. Under the proposed changes the weekly charge would be £207.14, representing a 2% increase difference.
- A Band 10 parent from September 2017 will pay £241.00 per week during holidays. Under the proposed changes the weekly charge would be £259.90, representing an 8% increase difference.

When would the new charging proposals take effect?

From September 2017, parents of newly registered children would pay according to the new proposed policy.

Parents of children under three in nursery before September 2017 will continue to be charged in line with the agreed 2% flat rate increase until their child is eligible for the free entitlement in the term after they are three. They will then transfer to the new charging policy.

Questions we are asking

1. Do you agree with the principle that families with lower incomes should receive higher levels of subsidies whereas families with high incomes should pay more towards the real cost of childcare?
2. Do you agree that the introduction of more charging bands will mean the system is fairer as what parents pay is more closely linked to their income?
3. Do you agree that increases for parents already in the system should be phased over a longer period of time so families have time to adjust their family budgets?
4. Do you agree that with the introduction of tax free childcare for each child that sibling discounts should be reduced?
5. Do you agree that with the additional 15 hours of free childcare, meaning most working families would receive 30 hours of free childcare for their 3 or 4 year old, that sibling discounts will no longer apply to a 3 or 4 year old child?
6. Do you have any other comments?