

READING BOROUGH COUNCIL

REPORT BY HEAD OF HR AND ORGANISATIONAL DEVELOPMENT

TO:	PERSONNEL COMMITTEE		
DATE:	14 MARCH 2019		
TITLE:	KENNET DAY NURSERY FEE INCREASE 2019/20		
LEAD COUNCILLOR:	CLLR JASON BROCK	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	KENNET DAY NURSERY	WARDS:	BOROUGHWIDE
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1. EXECUTIVE SUMMARY

- 1.1 This report details the nursery's budget for 2019/20 and recommends the nursery fees from April 2019.
- 1.2 Under the arrangements for consultation set out by the former Equal Opportunities Sub-Committee when it set up the nursery in 1987, the Kennet Day Nursery Association is required to ratify any proposed fee increase. The voting system was used and was concluded on 20 February 2019.

2. RECOMMENDED ACTION

- 2.1 That the fee structure be increased by 2% to apply from April 2019 as follows:

£228.55 per week - £46.17 per day (RBC Users)
£250.75 per week - £50.65 per day (Non RBC Users)
- 2.2 The current discount of £2 a day for siblings will continue unchanged throughout the year. The current additional charge of £2 a day for children under 2 years will also continue unchanged.

3. POLICY CONTEXT

- 3.1 The service objective of the nursery is to provide high quality childcare for the children of employees, to allow these employees to work for the Council whilst meeting their childcare commitments as parents and/or primary carers.
- 3.2 The nursery is well regarded by childcare practitioners in Reading as being a high quality childcare service. This has been confirmed by the OFSTED grading of the nursery as 'outstanding' in its latest inspection carried out in July 2016. This has been achieved through:
- Predominantly using level 3 qualified staff to meet its child to staff ratios
 - Paying staff a competitive wage for childcare
 - Staff in house training opportunities are exceptional and worthy of sharing with others. Staff are also supported in-house to work towards professional qualifications (NVQs). This was highlighted by OFSTED as key to achieving its outstanding grading.
 - Providing an effective management structure undertaken through self-evaluation to ensure positive outcomes for children.
- 3.3 The last fee proposal was agreed in April 2018 and required the nursery to increase fees by 4%, in order to achieve a £30,000 surplus of income. To achieve this, a consistent 87+% occupancy level was required throughout the year.
- 3.4 In April 2018, Kennet Day Nursery was moved to the Directorate for Resources under the new Head of HR and Organisational Development. Prior to the move the budget was reviewed and the expected income target surplus was increased requiring the nursery to make a further surplus of £75,000 in the financial year 2018/19. This was a 150% increase on the original target. The income target for 2019/20 will remain at £75,000 surplus.
- 3.5 This income target arrived at a time where more parents are benefiting from the Government's 30 hours free childcare for working parents of 3 to 4 year olds in England. The nursery has seen an increase in the number of sessions children attend in that age group. Kennet as a work place day nursery operates this funding on a stretched basis, allowing parents to have up to 21.9 hours of funding a week all year round. This allows us to maximise on the occupancy in this age group which is currently 93%.
- 3.6 The 30 hours funding rate for this scheme equates to £4.80 an hour or £48.00 a day rate which in real terms allows the nursery to make a small surplus on the daily RBC parent payments rates. However this is not the case of Non RBC parent rates. Therefore with our existing make up of occupancy, this year has seen the balance of these rates allowing the nursery to still achieve a surplus income from this.
- 3.7 Going forward we will need to monitor this closely as funding rates have not changed since the introduction of the 30 hours scheme in 2017 and if the nursery RBC rates increase over this funding, it will cause a negative impact on the budget.

- 3.8 In January 2019, the Council launched its work place day nursery salary sacrifice scheme following approval by Personnel Committee on 8 November 2018. This is an arrangement between employees and the Council as their employer where they formally agree to a reduction in their salary and in return they receive a benefit; in this case the benefit is a workplace nursery. Families can save approximately 30% on their nursery fees payments through the scheme.
- 3.9 There are a number of other ways in which parents can receive support with their nursery fees depending on their personal circumstances:
- **Working tax family credits** - reimburse up to 70% of nursery fees.
 - **Childcare vouchers** - still available for families who are already signed up, although the scheme was withdrawn by Government for new applicants from October 2018. Working families in the UK with children under 16 (or under 17 if disabled) can save up to £933 a year in tax and National Insurance savings through the vouchers.
 - **Tax free childcare** - For working families, including the self-employed, in the UK with children under 12 (or under 17 if disabled). For every £8 paid in, the government will add an extra £2, up to a maximum of £2,000 per child per year (or £500 every three months).
 - **15 Hours free childcare entitlement (universal)** - to eligible families for their children applicable from the term following their child's 3rd birthday.
 - **Extended entitlement - 30 hours funding** - for families of 3 to 4 year-olds in England that are working over 16 hours a week earning over the national minimum wage. Parents who are eligible receive 30 hours of free childcare for 38 weeks of the year (i.e. term time).

4. THE PROPOSAL

- 4.1 It is proposed to increase the nursery fees by 2% with affect from April 2019, in line with the cost of living pay award which has been granted to employees of the Council.
- 4.2 At present the average occupancy level for the nursery is 94%. Occupancy fluctuates annually with a drop in levels in September as a direct result of children leaving to go to school; occupancy then steadily increases again in the following months. The Nursery also has a very healthy waiting list with over 30 families waiting for spaces or planning to take up spaces over the coming year.
- 4.3 Kennet Day Nursery still remains good value for money with other local nurseries charging rates ranging from £47.50 to £66.50 a day for children aged over two years old.
- 4.4 In looking at the setup of other day nurseries in the area, most are structured in a way that means children under 3 years old or children that attend part-time are

usually charged at a higher rate than children who attend full-time. The table below shows comparison daily fee rates:

<i>Setting</i>	<i>Under 3's</i>	<i>Over 3's</i>
Forbury Gardens	£59.00	£54.00
Caversham Day Nursery	£60.00	£56.00
Berkley Gardens	£57.00	£51.50
Little Dragons	£55.00	£54.00
Sure Start Whitley	£53.74	£47.90
Rainbow Day Nursery	£63.88	£58.56
Lodge	£54.57	£49.22
Chiltern	£69.50	£66.50
Bubbles (The Globe)	£50.50	£47.50
Greyfriars	£59.00	£53.50
<i><u>Average</u></i>	<i><u>£58.22</u></i>	<i><u>£53.87</u></i>
<i>KDN (RBC)</i>	<i>£48.34</i>	<i>£46.17</i>
<i>Difference</i>	<i>£9.88</i>	<i>£7.70</i>
<i>KDN (Non)</i>	<i>£52.83</i>	<i>£50.65</i>
<i>Difference</i>	<i>£5.39</i>	<i>£3.22</i>

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The nursery contributes to the strategic aims of promoting equality and social inclusion and to securing the most effective use of the Council's resources (staff) in the delivery of high quality, best value public services.

6. LEGAL IMPLICATIONS

- 6.1 The nursery is provided by the Council for its staff under Sections 111 and 112 of The Local Government Act 1972. It operates under the provisions of the Child Care Act 2006. The day nursery is registered with OFSTED to provide full day-care for children under eight.
- 6.2 Under the arrangements for consultation set out by the former Equal Opportunities Sub-Committee when it set up the nursery in 1987, and set out in a long-standing partnership agreement, the Council is required to consult with the Day Nursery Association before it makes any changes to fees or charges for the day nursery. The consultation proposal for this fee increase was circulated to the full Kennet Day Nursery Association prior to the position being ratified via an electronic voting system due to poor attendance. The system received 25 votes to support the increase and 1 to reject the increase. This concluded on 20 February 2019.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 There are no significant equalities implications arising from this proposal.

8. FINANCIAL IMPLICATIONS

- 8.1 The current year 2018/19 has existing pressures on staffing costs, due to the use of temporary staff as the existing establishment caters only for 56 children, but the nursery currently has increased occupancy levels of 64 children. This is in order to meet a local demand, and to maximise the potential generating income.
- 8.2 Assuming demand remains constant, an increase of 2% in fees will only slightly offset an existing pressure in running the service, as running costs would have also increased by 2%. Consequently, any increase in fees for future years will need to take this into account.