

## Little Owls Fee increase 2024/25

Date: 03/07/2024

Report of: Children's Centre & Early Start Lead

Report to: Director of Children & Families

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

Leeds provides early learning and childcare to up to 2500 under 5's a week in 24 Little Owls settings. This provision supports the priorities of the Children and Young People's Plan, the Best Start Strategy and ensures that young children and parents living in more disadvantaged areas of the city have access to high quality early learning and childcare opportunities.

The centres provide childcare to support parents into training and employment and also provides employment to around 650, mainly female workers in Leeds. Of the children attending the centres around 9% of families pay the childcare fee daily rate. Of these fee payers, 59% are able to claim up to 30 hours funded entitlement per week. Any families claiming universal credit can get help with childcare costs for up to 85% of costs. Tax free childcare has been rolled out to all full day care Little Owls settings enabling working parents to access additional 20% discount on day care fees.

Children's Centre early learning and childcare provision fees have increased on an almost annual basis since 2011, to incrementally aim to keep in line with inflation and bring fees in line with the rest of the childcare market. However, in 2022 and 2023 CPI inflation rates were significantly higher, 10% and 7% respectively, than the 5% annual price increase of fees. In addition to this, the Leeds commitment to fair pay and a real living wage for all staff, particularly the lowest paid has resulted in an above inflation salary increase for those lowest paid workers. These factors combined, have resulted in a greater gap between actual costs and potential fee income. To reflect the higher rates of inflation in recent years and address the unsustainable budget deficit of the Little Owls daycare provision, there is now a need to increase fees by a higher % rate than previously.

### Recommendations

- a) That the Director of Children & Families notes the content of this report and approves the proposed 7% fee increase.
- b) Notes an increase of 7%, is higher than the prevailing rate of inflation for 2024 so far and equates to the rate of inflation for 2023. This will make the new fee (rounded up to the

nearest 10p) £58.10. The current day rate is £54.30. This equates to an increase of £3.80 per day.

## **What is this report about?**

- 1 This report provides background information and a business case for the need to increase the daily fees for the Little Owls daycare provision by 7%.
- 2 It is crucial that annual price increases are set appropriately to ensure the Little Owls service moves to a financially sustainable footing and operates within budget over the course of the medium term financial strategy. In 2024/25 budget the service has a full year savings target of £900k. To meet the savings target there is a proposal to close 3 settings and enter a market sounding exercise for a further 12 settings. The Little Owls consultation has generated significant public interest and questions from parents and carers of children attending the settings. One of the questions that has been raised is whether alternative measures are being considered, such as increasing childcare fees, to improve the financial position of the service.
- 3 Due to the continued public interest in Little Owls, and Leeds City Council's wider financial challenge, it is important that the price increase introduced from September 2024 is justifiable and takes into consideration the key drivers impacting the service's costs and income.
- 4 Children's Centre early learning and childcare provision fees have increased on an almost annual basis since 2011, to incrementally aim to keep in line with inflation and bring fees in line with the rest of the childcare market. However, in 2022 and 2023 CPI inflation rates were significantly higher, 10% and 7% respectively, than the 5% annual price increase of fees. In addition to this, the Leeds commitment to fair pay and a real living wage for all staff, particularly the lowest paid has resulted in an above inflation salary increase for those lowest paid workers. These factors combined have resulted in a greater gap between actual costs and potential fee income.
- 5 To reflect the higher rates of inflation in recent years and address the unsustainable budget deficit of the Little Owls daycare provision, there is now a need to increase fees by a higher % rate than previously.
- 6 If approved and implemented this increase will aim to close the gap between actual costs incurred and potential income. This would reduce the overall deficit and improve the financial sustainability of the Little Owls provision.
- 7 However, it is vital that the social value of LCC continuing to deliver high quality, accessible child care to families in the more deprived areas of Leeds is considered alongside financial benefits/costs of any proposed price increases.
- 8 An analysis of the economic factors influencing pricing for 2024/25 has been conducted. Within this analysis it has been determined that for the current daily rate to be in-line with annual inflation rate rises since 2021 the daily rate should be £59.90. This would be a 10% increase on the current rate of £54.30.
- 9 For a full-time daycare place this would increase weekly fees by £27.15. It is felt that this significant amount would not be affordable for parents working full-time in lower paid jobs. Therefore, it is likely a number of families would choose not to use Little Owls daycare and the projected additional income would not be achieved.
- 10 More importantly there is a risk that more of our vulnerable children will miss out on the high-quality learning and development opportunities Little Owls provide.
- 11 Most families using the service are in receipt of some element of funded or discounted provision. This is through:

- 15 hours Funded Early Education Entitlement for eligible 2 year olds.
- 15 hours Funded Early Education Entitlement for all 3 and 4 year olds.
- 30 hours Funded Early Education Entitlement for working families with 3 and 4 year olds.
- Universal credit claimants up to 85% of childcare costs, dependant on means testing.
- Child tax credit dependant on income.
- Tax free childcare when claimed can give up to a 20% discount off childcare fees.
- From September 2024 parents with babies under 2 years old, (from the term after they are 9mths) may be eligible for 15 hrs.

12 A comparison across several providers regarding childcare fees in Leeds (who were willing to share their pricing) has indicated that the Little Owls daily rate is currently one of the lowest in the city and a 7% increase would place Little Owls in line with the average/median daily fee;

- Average daily fee £58.00
- Median daily fee £58.80
- Highest daily fee £89.50
- Lowest daily fee £45.00

13 However, it should be noted that this comparison may not provide a fully accurate picture of pricing. Childcare is a competitive market and therefore many providers do not publicize their fees and will only share them when a prospective family visit the provision &/or apply for a place. There may also be additional charges such as for meals, nappies etc.

14 Taking into account many families will be eligible for some element of funded or discounted provision it is felt that the proposed 7% increase balances the need to generate additional income whilst still supporting the social value of the Little Owls provision and ensuring families in more disadvantaged areas of the city have access to high quality early learning and childcare opportunities.

### **What impact will this proposal have?**

15 If approved and implemented this increase will aim to close the gap between actual costs incurred and potential income. This would reduce the overall deficit and improve the financial sustainability of the Little Owls provision.

16 Maintaining the Leeds City Council Childrens Centre Little Owls provision ensures that vulnerable children and their families' can access free nursery provision to support their child's development and secure their safety. This provision frequently forms part of a family support package for families experiencing complexities in their lives and works to directly support the Best Start Strategy, ensuring every child has the best start in life.

### **How does this proposal impact the three pillars of the Best City Ambition?**

- Health and Wellbeing       Inclusive Growth       Zero Carbon

17 The Children's Centre early learning and childcare offer is a key cornerstone for ensuring delivery of the Leeds Health and Wellbeing Strategy, the Leeds Children and Young People's Plan and the Leeds Best Council Plan.

18 By maintaining high quality local community support and early learning services we empower over 2,500 parents to engage in training and work opportunities. The quality of the provision,

recognised by Ofsted as good or outstanding, ensures the best educational experience for Leeds children living in areas of greater disadvantage.

19 The centres make a significant contribution to community networks and partnerships, developing strong relationships with families and communities.

20 The centres also provide appx 650 stable, supportive employment for Leeds citizens

### **What consultation and engagement has taken place?**

Wards affected: All

Have ward members been consulted?

Yes

No

21 An analysis of the economic factors influencing pricing 2024/25 has been carried out by the Head of Commercial, Strategy & Resources. The data presented within the report has been taken into account when considering the appropriate level of %increase of fees. The full report can be found at Appendix 1.

22 Consultation around the quality of services and childcare is undertaken on a regular basis. A Scrutiny Board review in 2018 undertook a robust review of all services in this area.

23 Consultation regarding an increase in fees has been undertaken with Centre Managers as part of sustainability work.

24 Any feedback from parents around fee increase is responded to individually and collated for informing future planning. LCC Little Owls has implemented a robust city-wide attainment report identifying progress in learning. This is shared with parents through on-line access to 'Tapestry'.

25 If this decision is agreed, parents/carers will be notified of the increase through a letter circulated by the Children's Centre Little Owls sites. The letter will inform them of the decision to increase childcare fees by the agreed amount.

26 The nurseries also provide information to parents/carers about how to pay for childcare and how to access help and support. This information includes the eligibility criteria for free care, how to access advice on universal credit, employer childcare voucher schemes and support for learners.

27 As part of the Little Owls review, 15 engagement sessions have recently been undertaken during which some parents/carers stated that they would be accepting of a fee increase as a preference to outsourcing the provision to an alternative provider. The general consensus was that Little Owls nursery fees remain considerably lower than many private providers.

28 The Leader of the Council, Executive Member for children & families and the Council's Chief Executive have been consulted and are supportive of the recommendations detailed in this report.

### **What are the resource implications?**

29 To facilitate half day charging and avoid complex calculations the fees will be rounded up to the nearest ten pence.

30 The recommendation is to implement a 7% increase to current 2023/24 daily fees from 1<sup>st</sup> September 2024.

31 7%, is higher than the prevailing rate of inflation for 2024 so far and equates to the rate of inflation for 2023. This will make the new fee (rounded up to the nearest 10p) £58.10. The current day rate is £54.30. This equates to an increase of £3.80 per day.

32 Expected additional income from a nursery fee price increase of £3.80 (7.0%) in September 2024 would be;

	2024 - 25 £'000s	2025-26 £'000s	2026-27 £'000s
Sept'24 (7 months 24-25)	128		
Full Year effect (Apr – March)		228	
<b>Additional FEE Income by Financial Year</b>	<b>128</b>	<b>228</b>	<b>228</b>

33 It should be noted that this is based on the nursery fee income received in 23/24, and therefore assumes that the volumes of fee payers will remain the same. There will be a proportion of this income that is coming from working parents of 9-month-olds who will be entitled to 15 free hours from September and numbers of fee payers just fluctuates in general.

### **What are the key risks and how are they being managed?**

34 Risks have been considered through the equality impact assessment and will be managed using the Leeds City Council managing change process.

35 As part of the Little Owls Review, there is a proposal to close three settings at the end of August 2024. Places at other Little Owls nurseries will be offered as an alternative and it is hoped that the majority of parents will take them up, but it should be noted that the total nursery fee income across the three sites this year was £533,527. Therefore, the projections for a 7% increase includes £22k in-year and £38k full year associated with places at these settings. Therefore, if fee payers from these sites choose to move to an external provision, the additional income for those places would be lost.

### **What are the legal implications?**

36 Legal implications have been considered and advice sought. There is no legislative provision which precludes the council from increasing fee levels; the current terms and conditions mention a yearly review but also allows for 4 weeks' notice for any changes to be made.

## **Options, timescales and measuring success**

### **What other options were considered?**

37 One option would be to retain current level of fees or to increase at a lower % rate. However, given the council's critical financial challenge and the expectation that the Little Owls achieve a reduction of in-year and future budget pressures this is not a viable option.

38 A further option would be to increase fees at a higher rate than the proposed 7%. This may result in additional projected income but is also likely to make Little Owls provision unaffordable/undesirable for parents working full-time in lower paid jobs. Therefore, it is likely a number of families would choose not to use Little Owls daycare and the projected additional income would not be achieved.

### **How will success be measured?**

- 39 The number of families that accept the increased charges and continue to use Little Owls for their childcare.
- 40 An overall reduction in the budget deficit.

### **What is the timetable and who will be responsible for implementation?**

- 41 Parents to be notified of the increase in fees, in writing, no later than 1<sup>st</sup> August 2024.
- 42 Fee increase to take effect from 1<sup>st</sup> September 2024.
- 43 The Children's Centre and Early Start Lead will be responsible officer for implementation.

### **Appendices**

- EDCI Assessment

### **Background papers**

- None