

TITLE	Property Charges to Early Years Providers
FOR CONSIDERATION BY	The Executive on 28 September 2017
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services Judith Ramsden, Director of People Services
LEAD MEMBER	Mark Ashwell, Executive Member for Children's Services Stuart Munro, Executive Member for Business and Economic Development and Regeneration

OUTCOME / BENEFITS TO THE COMMUNITY

The Local Authority has a statutory duty to ensure

- There is sufficient childcare to meet the needs of resident families
- Universal free child care for all children from the term after their third birthday up until the point they start school for 15 hours per week for 38 weeks (570 hours per year that can be used flexibly) is available.
- The most disadvantaged 2 year olds can receive 15 hours per week free child care from the term after their second birthday (otherwise as set out above)
- For the children of working families an additional 15 hours per week free child care, is available (doubling the universal free childcare offer).

Wokingham Borough has a vibrant and diverse supplier market which responds quickly to changing patterns of demand and meets the needs of local communities.

RECOMMENDATION

That Executive approve the reduced charges for two Early Years providers for use of Wokingham Borough Council owned premises set out in Part 2 of the report.

SUMMARY OF REPORT

The report follows a request from two Early Years providers that their assessed land and premises use and charges be abated to ensure that their activities are sustainable. They both provide a service that helps Wokingham Borough fulfil a statutory duty (to ensure there are sufficient childcare places under the Childcare Act 2006) and both operate within financial circumstances that are restricted by national funding levels. There is a need for both settings to be able to sign leases that enable them to remain open and viable.

Background

The statutory duty to provide childcare comes from the Childcare Act 2006, as amended by subsequent legislation. The Council is required to ensure that sufficient childcare is available by working with private, voluntary and independent childcare providers and where necessary providing childcare directly. This long established duty includes duties to provide 15 hours of free childcare to 3 year olds and to 2 year olds from

disadvantaged families. Wokingham Borough has a new duty to ensure 30 hours free childcare for the children of working parents is available from this September. The duty is limited to working parents earning over £6,000 (rounded) per year and less than £100,000.

It is therefore essential that current provision is sustained to ensure that sufficient places for working parents and vulnerable young children.

One of the providers is on the site of a local authority maintained school. The other provider intends to take over the provision of childcare from a preschool which is closing. The current preschool operates from a youth and community centre and has been paying a reduced charge for the lease.

In the case of the youth and community centre provision, the proposal is that Wokingham Borough Council forgoes some of the income that it might otherwise expect to garner from alternative uses on the basis that (a) the alternative uses (e.g. community leisure activities such as Zumba classes) are less important to the Council than its statutory duty to provide sufficient childcare places and (b) without foregoing the income the childcare will not be sustainable and will not be provided.

Both the value to the community of the proposed provision and the reduced income stream are material considerations. The council has a fiduciary duty to seek the best return on its assets and any foregone income has a material effect on service delivery. These providers are an important part of local provision and operate in a part of the childcare market that is important for meeting the free childcare entitlement (funded at £4.32 per hour) but does not generate the £5.20+ per hour that day nurseries can charge for additional childcare (which in turn enables them to secure premises at a commercial rate). Providers like these typically operate as pack away provision from community and church run halls or from premises on school sites and have lower premises costs than day nurseries (but less flexibility in the service they can offer).

Analysis of Issues

The value of this provision versus alternatives.

The Council provides community facilities (school sites and youth and community centres) to enable activities that it has a statutory duty to promote or are otherwise seen as being beneficial to the Wokingham Borough community and which would otherwise not be provided. It is therefore implicit that these are activities that are supported because of their wider benefit to the community and not primarily to provide an income stream for the council.

The income stream is though a material consideration. The council has a fiduciary duty to seek the best return on its assets and under current financial circumstances any income foregone has a material effect on service provision. The Council therefore has to be assured that the benefit of supporting these organisations through property charge reductions is greater than the benefit that would accrue from activities otherwise funded by the forgone income.

The Council must also have a view on the relative importance of the activities that take place in community centre activities – pitching the community benefits of commercial lettings (e.g. Zumba classes) against statutory Early Years provision.

Here the important point is that Wokingham Borough has a statutory duty under the Childcare Act 2006 to ensure there are sufficient childcare places to meet the needs of Wokingham Borough residents. Not enabling these providers to operate in a sustainable manner would mean that the town centre provision would be lost (without any obvious prospect of alternative provision opening) and the school based nursery would be more vulnerable in terms of viability and sustainability. Conversely, although hall hirers may provide services that are supported by Council policy (e.g. private dance classes helping deliver health and fitness) there is no identified specific statutory service loss as a result of continuing to let this space for early years childcare.

The following section establishes how the childcare market operates and in particular the constraints on service providers that are highly dependent on the free entitlement funding.

The childcare provider market is segmented, reflecting the variety of potential providers and the varying needs of the local community. Fully free provision is found in Wokingham Borough state funded school nursery classes. These do not (in the main) provide paid for services (so they are entirely funded at national free entitlement rates) but have no lease charges for premises (just for the running costs). At the other end of the continuum largely commercial services are provided by full day nurseries. These provide extended services (outside of term time, for longer hours and for younger children) and charge a commercial rate (£5.20+ per hour) that is markedly higher than the free entitlement payment rate (£4.32 average per hour) as well as receiving payment for the free entitlement. They operate as commercial enterprises and pay market rates for premises.

In between there are private and voluntary sector providers (badged as pre-schools and nursery schools) that have historically focused on providing term time childcare. Both providers fall into this category, providing term time only childcare. They are therefore highly dependent on the funding from the Free Entitlement and their average hourly

income is markedly less than that of a Day Nursery. These settings typically operate as pack away provision from community and church run halls or from premises on school sites and have lower premises costs than many day nurseries (but less flexibility in the service they can offer). This sector can be useful to parents working full time, when combined with other childcare (such as childminders or by other family members). Historically many have been run as local charities (so volunteers provide management services) but this model has proven to be more difficult to sustain in recent years due to difficulties in recruiting committee members. If the pre-school sector is to be maintained it is important that some commercial operators can thrive.

The commercial rate that child care providers can charge is constrained by the need to be affordable to families and the costs of provision, given that this is a very competitive market. Although other providers do operate from premises let at a commercial rent these are not necessarily as commercially valuable as a room in a well-used community centre. A number of nurseries occupying other Wokingham Borough Council (WBC) owned properties currently pay less than £7K PA for larger premises (but have to pay maintenance, utility and other costs themselves). These include day nurseries, with a much higher proportion of income at a commercial rate rather than at the (lower) Free Entitlement rate and a greater capacity than is available at the two provisions that are the subject of this report.

The lease will have a renewal or review date to ensure that if the business does generate a higher than anticipated profit, the benefits can be shared with WBC through a rent level that is at or closer to the commercial rate at that point.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£6,700	Yes	Revenue
Next Financial Year (Year 2)	£11,500	Yes	Revenue
Following Financial Year (Year 3)	£11,500	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

Note that as this is a loss of potential (not actual) income, the proposed concessions will have no impact on current WBC service budgets.

Cross-Council Implications

The action is consistent with the Council Plan update priority to: “Improve educational attainment and focus on every child achieving their potential”.
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Reasons for considering the report in Part 2

Contains sensitive financial information
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List of Background Papers

N/A

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