

Childcare Act 2006: Future Approach to Fees and Subsidies

Consultation Response Form

The closing date for this consultation is: 20
February 2008

Your comments must reach us by that date.

department for
children, schools and families

THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online or offline response facility available on the Department for children, schools and families website (<http://www.dcsf.gov.uk/consultations>).

The information you provide in your response will be subject to the Freedom of Information Act 2000 and Environmental Information Regulations, which allow public access to information held by the Department. This does not necessarily mean that your response can be made available to the public as there are exemptions relating to information provided in confidence and information to which the Data Protection Act 1998 applies. You may request confidentiality by ticking the box provided, but you should note that neither this, nor an automatically-generated e-mail confidentiality statement, will necessarily exclude the public right of access.

Please tick if you want us to keep your response confidential.

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If your enquiry is related to the policy content of the consultation you can contact Andy Davey on:

Telephone: 0207 273 5704

e-mail: andy.davey@dcfs.gsi.gov.uk

If you have a query relating to the consultation process you can contact the Consultation Unit on:

Telephone: 01928 794888

Fax: 01928 794 311

e-mail: consultation.unit@dfes.gsi.gov.uk

Please tick the box below which best describes you as a respondent:

| | | |
|---|--|---|
| <input type="checkbox"/> Full day care provider | <input type="checkbox"/> Sessional day care provider | <input type="checkbox"/> Pre / after school provider |
| <input type="checkbox"/> Holiday Club | <input type="checkbox"/> Childminder | <input type="checkbox"/> Other childcare worker (please give details below) |
| <input checked="" type="checkbox"/> Union / Professional body | <input type="checkbox"/> Parent | <input type="checkbox"/> Local Authority |
| <input type="checkbox"/> Other (please give details below) | | |

Please Specify:

The National Childminding Association (NCMA) is the only national charity and membership organisation that represents home-based childcare in England and Wales, delivered by registered childminders and nannies, with approximately 50,000 members. We promote quality home-based childcare so that children, families and communities can benefit from the best in childcare and education.

Working in partnership with Government, Ofsted, local authorities, children's centres, extended schools and other childcare organisations, we aim to ensure that every registered childminder has access to services, training, information and support to enable them to provide a professional service. NCMA offers to work with all local authorities across England (and Wales).

We also aim to ensure that everyone who works with registered childminders has access to the information, training and support they need.

In the consultation documents and impact assessment we have set out proposals for a new simplified fees structure for the Early Years Register and Ofsted Childcare Register including new fees bands,

1 Do you agree that our proposed approach will achieve a better and fairer balance between the fees that providers pay to Ofsted and subsidies from the tax payer?

Yes

No

Not sure

Comments:

The consultation proposes a shift of subsidies from a blanket subsidy given to all childcare providers through reduced registration fees to one where subsidies are distributed at the discretion of local authorities. There is no net effect to the taxpayer. Consequently, the “balance between the fees that providers pay to Ofsted and subsidies from the tax payer” remain unchanged.

What these changes will do is make the situation less satisfactory for both providers and taxpayers. Both parties benefit from making the distribution of subsidies as efficient as possible. However, as outlined in answer 2 below, the proposed system will result in a less equitable and less efficient system that currently exists. Furthermore, substantial costs will have to be incurred in the distribution of subsidies: at present, there is no cost to the subsidies, which merely reduce registration fees for all providers. If local authorities are to assess the distribution of subsidies, this will require officer time and council resources. This will either have to be funded from the amount made available (thus reducing the amount left available for subsidy), from money made available to local authorities under other central government grants or from Council Tax (transferring the costs from central to local taxation, which is of no financial benefit to taxpayers and – because the requirements are statutory – do not even give local taxpayers more control over the raising and spending of revenue).

The actual sums made available to local authorities will be minimal. If one assumes that the money is only provided to top-tier local authorities, it represents approximately £130,000 per authority. This is a small sum set against the budgets that are available to local authorities. Much of this will be consumed by costs (as outlined above); the remainder will not be ring-fenced for childminders, or even for the private and voluntary sector in general, and may be used to finance maintained care or diverted to other childcare tasks. It is extremely unlikely that such a small

and discretionary amount of funding will benefit childminders. This was demonstrated in the distribution of the Transformation Fund: though NCMA argued strongly for level 3 training for childminders, despite local authorities spending much of the Transformation Fund on level 3 very few childminders benefited. Instead, resources were largely allocated to support staff in maintained settings.

The situation being proposed is detrimental to taxpayers because their taxes are used less efficiently and less effectively; it is detrimental to childcare providers because it is less fair; and it is detrimental to childcare users (i.e. parents and guardians) (whom this consultation largely ignores) because it will result in a childcare market that is less responsive to their needs and desires and may even result in childcare being less affordable (as costs may be passed onto consumers) or available (as some marginal providers are driven out of business altogether).

From 2010 we are proposing a significant reduction in the current fees subsidy, with additional funding being transferred to local authorities to administer support at a local level, further supporting them in meeting their new duty under the Childcare Act 2006, to secure sufficient childcare to meet the needs of parents in their area.

2 Do you agree this is a fairer system, making the most effective use of local authority knowledge and mechanisms to provide targeted local support?

Yes

No

Not sure

Comments:

Far from being fair, this system will significantly undermine the equity that is currently embedded within the system. At present, all providers pay the same registration fee, whether they are childminders, other full-time providers or sessional care providers. The proposed changes will create two imbalances in the system that will make the system less fair.

Firstly, all providers of any type receive the same subsidy, which is perfectly equitable. By allowing local authorities to vary the amount of subsidy that individual providers receive, the system can only become less fair as subsidies are taken away from one provider to benefit another. The suggestion that local authorities will be able to target subsidies to where they are most needed is flawed. The result will be that the preferences of local authority officers, rather than of childcare

users, determine which provision is sustainable. The distribution of these subsidies will also become politicised, as groups seek to influence local authorities to prioritise their form of childcare. In addition, local authorities may subsidise providers that are unsustainable on the grounds that to do so would maintain provision in an area, when the reasons for the provider's lack of sustainability are in fact a result of the preferences of users or the fact that the business is not viable.

Secondly, providers of all types currently pay the same registration fee. Thus, decisions as to which type of childcare to provide are shaped by local demand and the aptitude, skills and preferences of providers rather than by regulatory or financial constraints. By varying the system so that some types of childcare are more expensive to register than others, this new fee structure will imbalance the market.

Overall, the proposals represent an enormous increase in the costs facing childcare providers. Childminders face a 400 per cent rise in fees for registering on the Early Years Register between 2007 and 2010; the rise in cost for registering only for the Ofsted Childcare Register is 686 per cent. This is an enormous rise in costs. While government may argue that the actual sums involved are small (c.£80 for a childminder) this ignores the low levels of revenue and even lower profits that pertain in the childcare market. Half of childminders have a turnover of less than £7,000 a year (NCMA, Membership Survey 2007); two fifths make no profit and most of these are already running at a loss (DfES, 2005 Childcare and Early Years Providers Survey - Childminders). These two fifths, most at risk of seeing this fee increase as a reason to resign their registration, represent some 28,000 settings. NCMA estimates that childminders provide care for an average of 4.5 children each: this equates to the loss of 126,000 childcare places.

Furthermore, registration fees are just one of the costs that childminders face at the point of registration. In addition, they must pay for paediatric First Aid courses, which are proving increasingly hard to find and can cost around £75; a health declaration from a general practitioner, which can amount to £80; public liability insurance of £22.50; fire safety; registration as a food business if they provide meals; register as a private hire vehicle in some local authority areas if they transport children in their car (which can cost c.£400); as well as other set-up and ongoing costs. Many of these are new costs resulting from recent regulation (e.g. food and vehicle registration) and add to the new burdens that are being placed on childminders. These new costs and regulations go a long way to explaining the decline in childminder registrations about which the DCSF has expressed concerns. There are also additional start-up costs that were formally assisted through locally-administered Start Up Grants

that are no longer available.

An additional burden of £80 cannot be considered in isolation and divided across the year. Rather, it will need to be paid at one time along with a host of other costs. In addition, it applies to all providers, regardless of whether they operate on a full or part time basis.

It is important to recognise the considerable policy change affecting the early years sector presently and the impact the proposed realignment of fee and subsidy will have on decisions childminders take as to whether or not to continue. The Early Years Foundation Stage and a new inspection regime involving a large degree of self evaluation are significant changes. Signalling a proposed increase of 400 per cent in registration fees, when combined with these other factors, will lead to many childminders questioning whether or not to maintain their registration after September 2008. NCMA has already heard from a significant number of childminders who have stated that the new burdens and costs are unmanageable and have said that they will not continue in the profession. NCMA is concerned that the policy may prove entirely counter-productive, as local authorities spend their sufficiency grants funding the replacement of provision that has diminished as a result of increased regulation – in particular the increased burden of fees.

The Safeguarding Vulnerable Groups Act will make it illegal for anyone to engage in regulated activity unless they have applied to the Independent Safeguarding Authority Scheme. A consultation on the details supporting the new Scheme and the role of the Independent Safeguarding Authority was launched on 14th November 2007.

Our intention is to retain the current subsidy of Criminal Records Bureau checks, but to review the position when the details underpinning the Independent Safeguarding Authority Scheme are settled.

3 Do you agree that we should support providers through the introduction of the Independent Safeguarding Authority Scheme and afterwards provide a fairer administration of support at a local level?

Yes

No

Not sure

Comments:

NCMA supports the regulation of the childcare market and agrees on the need to ensure the safety of children. NCMA therefore welcomes the requirement that all childcare workers be required to undergo an enhanced Criminal Records Bureau (CRB) check. However, NCMA also recognises that this is expensive and believes that as this cost is due to legislation it is right that the state should bear a significant proportion of this cost. Not to do so would raise the cost of registering to care for children which would reduce the number of registered carers, undermining the government's policy of improving the availability, affordability and variety of childcare.

NCMA will respond separately to the consultation on the Independent Safeguarding Authority. Support for the new proposals will depend on the extent to which they reflect the above considerations. NCMA is extremely concerned that the creation of the new Independent Safeguarding Authority will create additional financial costs, and is further concerned by rumours that existing subsidies for Criminal Records Bureau checks may be withdrawn.

As outlined in answer 2, above, NCMA does not believe that the "administration of support at a local level" will be fairer. Rather, it will result in unequal distribution of subsidies and will depend on the discretion of local authority officers rather than broad criteria applied equally across the sector.

There is an additional safeguarding concern. NCMA strongly supports the regulation of childminding as a means of ensuring child protection and improving quality. However, many childminders work at the margin, providing just a few hours a week care to one or two children. These are not necessarily focused on running a business but people in private arrangements with family, friends and neighbours. If government drives up costs and over-regulates childminding, these providers will cease to register. To characterise this as a "childcare black market" and talk about illegal practice is inappropriate and disproportionate. Nonetheless, it is these practitioners that may become unregulated. NCMA is concerned that the results will be that these providers will no longer be inspected by Ofsted; nor will they move in the circles that lead to their being offered places on networks, encouraged to deliver the Early Years Foundation Stage, undergo quality improvement schemes, professional training etc. There is a significant danger that these proposals will undermine the broader Government policy of ensuring better, safer and higher quality childcare.

The Impact Assessment attached to this consultation provides details of the proposals including their benefits and costs, and how they will impact on childcare providers and local authorities.

4 Does the Regulatory Impact Assessment contain sufficient information to accurately inform you about the proposed changes?

Yes

No

Not sure

Comments:

While the RIA provides useful and detailed information about the overall effect of the proposals, it does not (and cannot) provide a detailed picture of the resulting subsidies because these will be subject to the discretion of local authorities and efforts by local providers to influence spending decisions through local advocacy and lobbying.

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply

Here at the Department for Children Schools and Families we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

All UK national public consultations are required to conform to the following standards:

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

Further information on the Code of Practice can be accessed through the Cabinet Office Website: <http://www.cabinetoffice.gov.uk/regulation/consultation-guidance/content/introduction/index.asp>

Thank you for taking time to respond to this consultation.

Completed questionnaires and other responses should be sent to the address shown below by 20 February 2008

Send by post to:

Consultation Unit, Department for Children, Schools and Families, Area 1A,
Castle View House, East Lane, Runcorn, Cheshire, WA7 2GJ

or by e-mail to: Fees.CONULTATION@dcsh.gov.uk