

# Under 5s childcare fee increase public consultation report, May 2023

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## Section 1: Executive Summary

1. The council helps with the cost of childcare by subsidising fees at council-run nurseries, children's centres, and some school and community nurseries for Islington-resident working and studying families. Fees are charged on a sliding scale according to income, so that families on the lowest incomes receive the most help with the costs of childcare. The subsidy supports low- and middle-income families with the costs of childcare helping parents to take up and sustain work, while also ensuring that the council fulfils its duty to secure sufficient childcare for working and studying parents. Islington Council supports families with the costs of childcare over and above national government support, unlike most other councils, and remains committed to this.
2. There are 11 charging bands in the nursery charging schedule, as well as a non-subsidised/marketed band, as part of [Islington's Early Years Charging Policy](#). Standard policy has been to increase charges at all bands by 2% each year recognising low levels of inflation in the past.
3. Due to increased inflationary pressures, it has been necessary to review the annual increase to charges. From January to March 2023, the council consulted on proposals to introduce a three-year graduated increase to charges as follows:
  - Fees for households with incomes less than £90,000 (charging bands 1-8) will have a 0% increase in 2023-23; with a 2% increase in 2024-25 and 2025-26
  - Fees for households with incomes more than £90,000 (charging bands 9, 10 and 11 and non-subsidised/marketed) will be increased by 8% in 2023-24, 2024-25 and 2025-26
4. The council received 192 responses from residents and nursery providers.
5. Most respondents agreed with the principle that low- and middle-income families should be protected from significant fee increases over the next 3 years, and that increases should be phased in over three years.
6. A narrow majority agreed that the council should prioritise protecting fee increases for households with income of less than £90K, although concerns were raised about the threshold for low- and middle-income families being set too low.
7. A significant majority (85%) disagreed that the proposed 8% increase of fees for households with incomes more than £90K is fair and affordable.
8. As a result of the responses received, the council has reviewed the proposals and the recommendation is to proceed with the broad outline of the proposals with the following adjustments:
  - Reduce the increase to fees for higher earning households from 8% down to 6% in year 1

- Raise the household income threshold for a 6% increase in year 1 from £90K to £100K (from Band 9 to Band 10, 11 and non-subsidised/marketted)
  - Review increases in year 2 and 3 for household incomes above £100K depending on inflation and occupancy at council subsidised nurseries
9. Since the consultation was launched and concluded, the government has announced new childcare initiatives, introducing free childcare hours for children from 9 months. At the time of drafting this report, the details of new national childcare funding have not yet been provided. Further analysis of the implications of these national initiatives will be required to see how they may impact on Islington's approach to local childcare subsidy. The uncertainty created by these announcements provides further rationale for reviewing Islington's childcare fee increases in year 2 and 3.
10. The council will continue to supply providers with information about the national and local support available to help parents with childcare costs, including tax-free childcare, childcare through Universal Credit and Islington's Childcare Bursary. Providers will be encouraged to share this information regularly with parents, along with information about the full range of support the council is providing to help with the cost of living.

## Section 2: Introduction

1. This report sets out responses to the consultation and the council's response to these.
2. The council ran online consultations from 19 January to 9 March 2023. There were 192 responses.
3. Responses to the proposed model were also gathered via an online information session for parents on 26 January, after which 'frequently asked questions' were added to the consultation web page.
4. As part of the consultation information provided online, parents and providers were reminded of the national childcare support available, such as funding through Universal Credit or Tax-Free Childcare. Tax-free childcare, for example, provides up to £500 every 3 months (up to £2,000 a year) for each child to help with the costs of childcare. These amounts are doubled if a child is disabled. This means that for every £10 a parent pays into their childcare account, the tax-free childcare scheme would provide up to £2. Islington's childcare subsidy scheme is designed to work in conjunction with the national schemes which support all parents with the costs of childcare.
5. The consultation process asked residents and providers to comment on the following:
  - Do you agree with the principle that low- and middle-income families should be protected from significant fee increases over the next 3 years?
  - Do you agree that the council should prioritise protecting fee increases for households with income of less than £90K?
  - Do you agree that any increases should be phased in for families?
  - Do you agree that an 8% increase of fees for households with incomes more than £90K is fair and affordable?

## Section 3: Analysis of responses

### Responses to the proposals

<b>Do you agree with the principle that low- and middle-income families should be protected from significant fee increases over the next 3 years?</b>	<b>Number of responses</b>	<b>% of responses</b>
Yes	150	78%
No	42	22%

<b>Do you agree that the council should prioritise protecting fee increases for households with income of less than £90K?</b>	<b>Number of responses</b>	<b>% of responses</b>
Yes	109	57%
No	83	43%

<b>Do you agree that any increases should be phased in for families?</b>	<b>Number of responses</b>	<b>% of responses</b>
Yes	166	86%
No	26	14%

<b>Do you agree that an 8% increase of fees for households with incomes more than £90K is fair and affordable?</b>	<b>Number of responses</b>	<b>% of responses</b>
Yes	29	15%
No	163	85%

## Make up of respondents

Are you an Islington parent/carer of a child under 5?	Number of responses	% of responses
Yes	185	96%
No	7	4%

Are you currently using childcare in Islington?	Number of responses	% of responses
Yes	181	94%
No	11	6%

Are you an early years provider currently offering Islington childcare subsidy??	Number of responses	% of responses
Yes	13	7%
No	179	93%

If yes, what sector do you represent?	Number of responses	% of responses
School-based children's centre	3	2%
Voluntary sector children's centre	1	0.5%
Voluntary sector nursery	2	1%
Islington maintained nursery	14	7%
Maintained nursery school	1	0.5%
Not applicable	171	89%

Your ethnicity	Number of responses	% of responses
Black Caribbean	4	2%
Black Somali	1	0.5%
Other Black African	3	2%
Black - Other	0	0%
Bangladeshi	1	0.5%
Other Asian	10	5%
White - British	47	25%%
Turkish	0	0%
Kurdish	0	0%
White - Other	63	34%%
Mixed White and Black Caribbean	4	2%%
Mixed ethnicity	18	10%%
Prefer not to say	25	14%%
Other – please specify	9	5%

Responses to other	
Mixed white and Asian	Algerian
Irish	Hispanic
Chinese	

Do you consider yourself to have a disability	Number of responses	% of responses
Yes	9	5%
No	159	86%
Prefer not to say	17	9%

What is your household income?	Number of responses	% of responses
Up to £24,999	6	3%
£25,000 to £30,999	5	3%
£31,000 to £39,999	4	2%
£40,000 to £49,999	5	3%
£50,000 to £59,999	8	4%
£60,000 to £69,999	8	4%
£70,000 to £79,999	11	6%
£80,000 to £89,999	13	7%
£90,000 to £99,999	23	13%
£100,000 to £120,000	24	13%
Above £120,000	41	22%
Prefer not to say	37	20%



## Further comments

Respondents were asked for comments after each question.

### Summary concerns from respondents

- Too big a jump from 2% increase to 8% increase between income bands
- Women will be disproportionately affected, as they are most likely to leave work to care for children if childcare is not affordable
- Protection for lower earners should not be at the expense of higher earners
- Proposals disproportionately affect families with more than one child, even with the discount for subsequent children
- £90K household families are struggling and are not 'high' earners in London, particularly Islington
- Risk of losing higher earners to private nurseries if fees are increased too steeply
- Inflation is not going to increase by 24% in three years; wages will not increase by this amount either
- The council is 'setting the rich against the poor'
- Fee structure is already graduated to benefit low- and middle-income earners, but the proposed increases are disproportionate
- Burden of the increase falls on just one cohort of families; all families should see some increase in year 1

### Summary suggestions from respondents

- Don't increase fees at all (some low-income respondents said even 2% would be hard for them)
- Protect all families by introducing a more graduated increase across all bands
- Introduce a more graduated increase in bands above £90K
- Phase in increases over more years
- 3% increase for band 9; 6% increase band 10; 9% increase band 11; 12% increase marketed
- Suggestions for reasonable increase for higher earners included: 3% or 4% or 5%
- Increase fees for £120K plus
- Increase by 8% in year 1 only
- Re-evaluate all income bands and increases based on inflation
- Increases should be related to income tax bands per household job
- Review increases each year
- The government needs to fund childcare properly

## Section 4: Response of Islington Council

The council is grateful to all the parents/carers and providers who took the time to respond to the online survey. We appreciate how considered the comments were and have aimed to acknowledge and address these in our responses. The council's responses set out what aspects of the proposed model will be introduced as well as those that require clarification and modification in the light of responses received.

### **Response to: Do you agree with the principle that low- and middle-income families should be protected from significant fee increases over the next 3 years?**

With 78% of respondents agreeing with the principle, we will proceed with the implementation of a model which protects low- and middle-income families from significant fee increases over the next 3 years.

Several respondents commented:

- Protect all families
- Everyone dealing with price increases, but lower earners already get more financial support
- Protection for lower earners should not be at the expense of higher earners
- Share increases more fairly across all bands
- Middle-income families will be most affected

**Council response:** The increases in fees are designed to ensure the council can continue to subsidise childcare while protecting those on the lowest incomes who are more significantly affected by cost-of-living pressures. To ensure that the families on the lowest incomes continue to receive the most support towards childcare costs, we are increasing the charges for higher earning families by a higher rate.

### **Response to: Do you agree that the council should prioritise protecting fee increases for households with income of less than £90K?**

A narrow majority (57%) agreed that the council should prioritise protecting fee increases for households with income of less than £90K, however concerns were raised about the threshold for low- and middle-income families being set too low.

Several respondents commented:

- Why £90K?
- £90K household income doesn't mean the family isn't struggling
- High wage inflation will bring many middle earning families to just above that level
- £100K household income would be more appropriate

**Council response:** The council recognises that the low- and middle-income household threshold set out in the proposals needs adjustment. We, therefore, recommend that the income threshold for protecting fee increases should be raised to £100K (Band 10 and above of Islington's charging structure).

## **Response to: Do you agree that any increases should be phased in for families?**

With 86% agreeing that increases should be phased in, we will proceed with the implementation of a model which phases increases across three academic years from September 2023 to 2026. However, respondents commented that the phasing of increases was applied to low- and middle-income earners, but for household incomes above £90K, there was a steep, unphased rise from year 1.

- All bands need phasing
- Phase in over a longer period, 5-10 years
- Review regularly, depending on economic climate

**Council response:** Recognising that the current economic climate is extremely volatile and rates of inflation hard to predict, the council will review the fee increases at the start of the second year to determine any impact on occupancy at council-funded nurseries and whether the council's charges at the highest bands continue to be competitive for families, particularly in the light of government funding of free childcare from 9 months.

## **Response to: Do you agree that an 8% increase of fees for households with incomes more than £90K is fair and affordable?**

A significant majority (85%) disagreed that the proposed increase is fair and affordable, with many commenting that the proposal would see an increase of 24% over three years.

"It is clearly unfair to increase fees for these households by 8% for three years in a row in a context where (i) they are already paying significantly higher fees in a system that has already been banded progressively, (ii) the proposal for other households is to increase by only 0-2%, and (iii) inflation is not expected to remain anywhere near as high as 8% for the next three years. Increasing already-higher fees by a much higher percentage puts undue pressure on these households who are also vulnerable to cost-of-living pressures. The effect of this proposal is that a household with income of £90,000 would see baby nursery costs increase from 29.8% of gross household income, to 37.5% (a ca. 8% rise), whereas a household with income of £85,000 would see an increase of 24.6% to 25.6% (a 1% increase). This is clearly unfair and renders the fees much less affordable for these households.

Respondents also commented that the consequences of raising fees to this extent could lead to:

- The loss of higher band parents to private nurseries, resulting in loss of income for Islington subsidised nurseries
- Women leaving the workforce, or creating disincentives for career progression
- Adversely affecting single parents who have less scope for increasing earnings to cover increased costs
- Parents reducing nursery hours, resulting in reduced fee income to nurseries
- Parents moving out of Islington
- Disproportionately affecting parents with more than one child, even leading to parents deciding not to have more children

**Council response:** the council conducts an annual price comparison exercise to ensure that our prices at the top end remain competitive with private sector nurseries in the borough. In the last two years our top rate fees have been at or below the median, and comparable with childminders. Islington charges are currently 7% below the median average for both under 2s and 2-3s.

Furthermore, a recent [Early Years Alliance survey of private nurseries in England](#) reported that providers had already increased or were intending to increase charges by on average 8%.

However, the council recognises that many families are experiencing significant financial challenges with the rising cost of living, increasing energy bills and wage stagnation. The recommendation is, therefore, to reduce the proposed fee increase for higher income households (£100K and above) from 8% to 6% in year 1, with a review of increases at the start of year 2, considering inflation and occupancy at Islington subsidised nurseries and recent budget announcements regarding the introduction of free childcare hours for children from 9 months.

### **Council responses to specific comments and queries raised**

“Families with more than one child of nursery age are affected more significantly by fee increases”

**Council response:** we offer sibling discounts in recognition that where families have multiple children under 5, the cost of childcare can be particularly challenging. We will continue to provide a 25% discount for the 2nd child, 35% for the 3rd child and 45% for the 4th child.

“There should be a more graduated increase across all bands”

**Council response:** The proposed fee increases are designed to ensure that Islington’s subsidised nurseries remain sustainable while supporting the lowest earning families with the costs of childcare. The increases in fees are to ensure the Council can continue to subsidise childcare, over and above the support provided nationally, while protecting those on the lowest incomes, rather than mirror increases in inflation.