

STATES OF JERSEY



DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – FOURTH AMENDMENT (P.68/2016 Amd.) – COMMENTS

**Presented to the States on 26th September 2016
by the Council of Ministers**

STATES GREFFE

COMMENTS

Deputy J.A.N. Le Fondré of St. Lawrence proposes that –

- After the words “Summary Table B”, insert the words “save that, in relation to the Education Department’s provision for user pays in Appendix 1 and Appendix 2, the introduction of Nursery Education Fund means-testing shall apply in respect of all providers of such education”.

The Council of Ministers opposes this Amendment and urges States Members to reject it.

Summary of Council of Ministers’ Comments

- The Minister for Education believes that school nursery classes should be regarded as an essential part of the education system and should operate in the same way as all other school years.
- The principle of the option of free education for all is an important one.
- Although neither nursery nor sixth form are statutory services required by law, the Minister for Education firmly believes that they should be seen as an integral part of a child’s education.
- This means that the nursery year should be treated in the same way as all other school years; it is equally, if not more important to a child’s development.
- Parents should have the same options for nursery as they do for all other stages of education – the option of a free, States school place for their child, irrespective of income, if that is their choice.
- There is a possibility of additional income from the Amendment, but it relies entirely on the choices made by affected parents if means-testing were introduced in States nurseries.
- The Council of Ministers would recommend that the educational benefits of maintaining the current States’ Nursery Education Fund (“NEF”) proposals of the Minister for Education outweigh any possible additional income that might arise from the Amendment.

Detailed Comments

Background

All families currently receive a subsidy of up to £3,914 from the NEF if their child is aged 3 to 4 years and attends a private sector nursery in the year before they start in Reception class. This is currently irrespective of the family’s household income.

The payment is for up to 20 hours of nursery education per week in term time. It has been in place since September 2009.

When the NEF was introduced, it was designed expressly to improve education among the Island's youngest children and ensure they were well-prepared to start school and start learning. It was not intended to be a childcare benefit or a business support grant for commercial nursery providers. The importance of early education – as distinct from childcare – was the focus.

The Nursery Education Fund budget in 2015 was £1.8 million, but the actual cost to the States was just under £2 million. Since then, another private nursery from a fee-paying prep school has joined the scheme, and all the parents will be eligible for NEF funding. Other private schools are planning to join. Overall, the number of private nurseries in the scheme has increased from 22 to 29 since the NEF began.

This means the cost of the scheme will continue to increase beyond the available budget; The NEF has become unsustainable in its current form.

The Education Department looked at many options for tackling this problem and the fairest and most equitable solution, with the least impact on lower-income families, was to means-test the subsidy. This would be in line with most other States subsidies, which are targeted to those who are in genuine need.

In the planning phase it emerged that the median income for a Jersey family with at least one child under 5 years is £53,000. High living costs were acknowledged and the Department wished to affect as few families as possible, so the upper threshold for receiving the NEF money was set at £75,000. At this level, 70% of families would still receive the full grant. The change was scheduled to come into effect in September 2017, giving families time to plan.

The public debate that followed the announcement is well-documented. Having spoken to parents and nursery-owners, the Minister for Education decided to alter the upper threshold and introduce a sliding scale according to household income. This meant that families with income between £85,000 and £100,000 would still receive some of the grant. Households earning more than £100,000 would no longer be eligible. **The increase was designed to ensure that fewer of the Island's middle-ranking professionals such as nurses and police officers would be affected.**

Many factors affect families' decisions about childcare and education. After modelling the possibilities and the demographics, the Education Department has estimated that approximately 80 families a year who currently use a private sector nursery could be affected. This equates to 2 or 3 children per business.

The opening of 3, possibly 4 new nurseries at States schools would help lessen the impact on affected families, giving them the choice to use a free place in nursery education instead if they wish. At least 78 extra spaces will become available in the next few years to meet extra demand and expand the choice available to parents.

Importance of nursery education

The best interests of children must be at the centre of any decision. The Minister for Education believes that school nursery classes should be regarded as an essential part of the education system, and should operate in the same way as all other school years.

The principle of free education for all is an important one. Although neither nursery nor sixth form are statutory services required by law, the Minister for Education firmly believes that they should be seen as an integral part of a child's education. This means that the nursery year should be treated in the same way as all other school years; it is equally, if not more important to a child's development. Parents should have the same options for nursery as they do for all other stages of education – the option of a free, States school place for their child, irrespective of income, if that is their choice.

Previous attempts to adjust school nursery classes to bring parity with private businesses have ultimately been to the detriment of the youngest children who need nursery education the most. Free school nursery hours were reduced from 30 to 20 a week in line with the NEF. The result was that many families, particularly from lower incomes, did not pay for the extra 10 hours and their children missed out as a result.

Introducing means-testing for States school nurseries appears logical from a purely financial standpoint, but it would further unbalance Jersey's education system. School nurseries are fundamentally different in many respects – hours of opening, admissions policies, whether they employ trained teachers, how they are regulated and assessed, how they are funded. If equality with the private sector is the aim, then changing just one narrow aspect – the financial model – is not the answer.

The Minister for Education believes there is a powerful argument that the 2 types of nursery complement one another and perform different functions. They should remain separate and different but, as this amendment shows, the current NEF model needs to be reviewed and updated. In the meantime, no action should be taken that creates an anomaly in one year of the education system and completely removes one option that should be available to all parents – a free education in States schools.

The Minister for Education strongly opposes this amendment.

Detailed financial implications

The impact of means-testing in States nurseries would not result in direct savings in the same way as means-testing NEF users, because schools and private nurseries operate in fundamentally different ways.

- The NEF is funded on a per pupil basis. This means that if household income is above the threshold in a NEF nursery, then the saving is straightforward and automatic. The £3,914 subsidy is no longer paid.
- States nursery classes are fixed funded with a set sum allocated for staff and running costs. If a parent is above the threshold in a States nursery, a saving will only be made if they choose to purchase the hours at the school. i.e. create income. These funds would not be available to the school they would be given up as a States saving. There would be no benefit to the school.
- Therefore, if one child leaves a school nursery, the costs remain the same to provide the service. This is unlike the NEF scheme, where if one child leaves a NEF nursery (and doesn't take up a place in another NEF nursery), then a saving is made to the States.

- If parents are charged in States nurseries it is more likely they will decide not to attend, either opting to continue to send their child to the private sector nursery which the child may have been in since birth, or to use a private sector nursery where they may have more flexibility around choice of hours and wrap-around care. They might also decide to keep their child at home. The Education Department has modelled that half of the families earning more than £85,000 who currently do, no longer place their child in a States nursery.
- There may be an additional cost to the States if a parent with an income between £85k and £100k who was intending to use a States nursery class (who would receive some hours – 15, 10 or 5 hours) chooses to take their place in a NEF nursery. In this case, the States will then have to pay for these hours in the private sector, whereas these costs would be met in the school through the fixed costs of the nursery.
- The cost of administering the scheme will increase. The Education Department anticipates that means-testing in the private sector can be accommodated by the existing Student Finance team. However, if there is a requirement to means-test all pupils, plus to set up an invoicing system to charge parents who decide to purchase the 20 hours, an additional member of staff will be required.

Summary of Financial implications

The Deputy's proposal could generate a small level of additional income, depending on the proportion of parents currently using the States' school nursery provision who continue to use the provision following the introduction of the means-testing criteria now proposed.

The Council of Ministers would not advocate any change to the level of savings proposed, due to the number of assumptions and uncertainties regarding parental choice of States or private provision following the Deputy's proposal.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

These comments were received by the States Greffe after the deadline set out in Standing Order 37A because the Council of Ministers wanted to ascertain the views of members and to ensure proper consideration was given to the Amendments and the later Amendments to Amendments, to provide the latest information ahead of the debate.