

Corporate Services Scrutiny Panel

GST Sub Panel

THURSDAY, 7th SEPTEMBER 2006

Panel:

Deputy P.J.D. Ryan of St. Helier (Chairman)

Connétable J.L.S. Gallichan of Trinity

Connétable M.K. Jackson of St. Brelade

Mr. R. Teather (Advisor)

Witnesses:

Ms. F. Vacher (Executive Director of Jersey Childcare)

Mr. T. Brint (Leeward Nursery)

Deputy P.J.D. Ryan:

Good morning.

Ms. F. Vacher:

Hello.

Deputy P.J.D. Ryan:

The recording is now turned on so we are officially in session. I am required to read you a little bit of a formal notice on the terms of your appearance here because it is quite important that you fully understand the conditions under which you are appearing at this hearing. You will find a printed copy of the statement just in front of you there but I need to read it to you: "The proceedings of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey Law 2005 and the States of Jersey Powers, Privileges and Immunity Scrutiny Panels, PAC and PPC (Jersey) Regulations 2006 and witnesses are protected from being sued or prosecuted for anything said during hearings unless they say something that they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantiated statements about third parties who have no right of reply. The panel would like you to bear this in mind when answering questions." As I have already said, we are being recorded; transcriptions will be made available on the States' website and we will welcome any slight adjustments or detail clarification by all means afterwards once you have read the transcription of your evidence. Thank you. Good morning. So, Richard Teather here on my left; I am Deputy Patrick Ryan, Constable Gallichan and Mike Haden, our officer. You are Fiona Vacher and Tim Brint. Thank you. So, in very general terms, what impact do you expect of the current proposals for GST on provision of childcare? What implications are there in general terms before we get on to any detail?

Ms. F. Vacher (Executive Director of Jersey Childcare):

Okay. I think that the implications are that parents' fees will rise beyond the 3 per cent that we are looking at here. The majority of the cost for providing childcare is staff and I think that we are going to be anticipating perhaps staff rises based on, perhaps, an increased cost of living from the staff having to

pay out the 3 per cent extra on their own living expenses. I have given you a paper here and point 5 really looks at the staff costs for the sort of hourly rate that they are on. It starts at under £4 but they are started at £5.50 because the £4 is a self-employed family day carer, or childminder they used to be called. But if we take it from the official legal side of it in terms of the day nurseries, you start at £5.50 an hour and you go up to £10 an hour. £10 an hour is a fully qualified 2-year minimum qualification of the childcare staff so you are looking at quite a professional level on quite a low wage, working a very long week. In day nurseries they could be working, well, 40 plus hours but the nurseries are open from 7.30 a.m. to 6.30 p.m. at night in some cases. So, you have got quite difficult working conditions in some cases, especially with high numbers of children to try and keep staff at a quality level, but just keeping those staff on.

Deputy P.J.D. Ryan:

Okay. Anything to ...?

Mr. T. Brint (Leeward Nursery):

Yes. I fully agree with that. I had not thought about the staff costs going up because the cost of living is going to go up, but, yes, of course. I was thinking of other things that are going to go up, like our supplies to the nursery. Even if we did not have to charge GST but were exempt, we would have to put our fees up, I would guess at least 1 per cent, to cope with the extra GST that we were thereby paying to our suppliers. If GST goes on to our nursery costs, then we will have no other option other than to pass that directly on to parents. There is no way that could be absorbed within the profit margin, for want of a better word, of any establishment. Looking at 300,000 mark there even a nursery who was earning a turnover of £300,001 would be looking for £9,000 a year, is that right, at 3 per cent? Which would be equivalent to half a staff member of quite a professional level, which would be a substantial amount of money for a nursery to find. So the effect is going to be very serious to the extent, I think, it is going to make a number of parents who are already weighing up whether to go to work or not, whether it is worth their while to go to work, decide against it because those costs are going to go up even higher. Other people, it might well make them decide: "Is it worth staying in Jersey? I cannot afford to pay my mortgage without childcare. It is not worth me going to work just to pay childcare and my mortgage and have no other money. I may as well go back to England or where-have-you" and then we are talking about having to get more of a workforce over here to replace either those people who are going or choosing not to work and all the associated costs with that. These would all be things we envisage will happen with GST being added on.

Deputy P.J.D. Ryan:

Okay. What you are saying, I think, is that you would have no alternative other than to pass on any increase? There has been talk that businesses would be able to absorb, perhaps, some of the 3 per cent extra to their cost base and not pass it on - if they were even below the £300,000 - to their customers. But in your case you are saying that the financial state of most nurseries is such that there is no meat on the bones?

Ms. F. Vacher:

There is no leeway. The financial state of some nurseries and pre-schools is that the manager, perhaps the owner, is taking a minimum wage and under the minimum wage. They are doing it for the love of it and coming out with £3 an hour, but making sure their staff are paid, which to you and I might seem crazy but to these people it is something that they are doing because they love doing it. So, they are really holding up kind of the working parents.

Deputy P.J.D. Ryan:

It is not a high value business to be in?

Ms. F. Vacher:

Not at all, no.

The Connétable of Trinity:

What is the cost per hour you charge for the children? That is the thing, just to give us a rough idea if to add the 3 per cent on ... I know you are saying it will be too much. But do you know if it is at £ an hour or £10 an hour or what, for the children?

Ms. F. Vacher:

For a fulltime baby place the average is over £1,000 a month minimum. We have got parents looking at £20,000 a year on that childcare if they have got 2 children in fulltime childcare. We had a parent on Sunday, our Fun Day, write down his situation. He has got a 7 month-old and a 3 year-old in part-time nursery because the mum works 8.00 a.m. until 1.00 p.m. and he is paying £1,200 a month, which is equivalent to his £200,000 mortgage. So, it is a very substantial outgoing every month. I have got the hourly rates as well if you would need those. I did not put those into this paper.

The Connétable of Trinity:

Basically, I am just thinking if you have got a child that goes 10 hours a week and it is £10 an hour it is £100 a week. That is what I wanted to know. So, that 3 per cent on top of that would be £103, you assume. But, as you say, because of anything else it could end up by being £106 or £110.

Ms. F. Vacher:

Yes, that is right.

The Connétable of Trinity:

There must be a break even point where: "Is it worth going to work?"

Ms. F. Vacher:

I think that break even point even now for parents is there, and sometimes the break even point means parents going down an illegal childminding route. We have got huge anecdotal evidence of parents - the majority in the Polish and the Portuguese communities - using people who are not registered child carers; they are not first aid trained; they are in no way registered; and they have got up to 10 babies - babies - in car seats throughout the day.

Deputy P.J.D. Ryan:

Right. So this is a black economy in childcare that is not apparent?

Ms. F. Vacher:

There is a huge black economy.

Deputy P.J.D. Ryan:

Which is interesting.

Ms. F. Vacher:

We are in the process, through the Community Relations Trust, of doing some research at the moment trying desperately to get into these communities to find out how huge the problem is. We have got a daycare registration department^[1] that if someone reports this sort of case they will go in and investigate with the police and they will break it up as such. But it is word of mouth and they will go on to the next one.

The Connétable of Trinity:

But is this the continental system where you use mum and dad, the grandparents ...

Ms. F. Vacher:

Well, mum and dad, it is legal. That is fine. If it is somebody who is not related to you or a close relative and it is in their own home - not the child's home - then that is illegal. Also, to keep the costs down, the majority of them are paying about £50 or £60 a week, like I have quoted to you £1,200 a month, where they do not come near that cost. They are choosing that because she has got 10 children she can afford to look after that many children at that sort of level, but it is not legal. That is where the parents are --

The Connétable of Trinity:

But I presume they are not giving the service either, you know, playing and all that. It is really being in a house looked after by ...

Ms. F. Vacher:

In a very unsafe situation, yes.

Deputy P.J.D. Ryan:

Let us try and get an idea of the average size of a private childcare provider for a minute. We will talk about the complications of the state-provided early years and what-have-you and how that impacts in a second. But just looking at the private sector for a moment, have you taken any surveys? How many of these private sector businesses will need to register for GST because they will be above £300,000?

Ms. F. Vacher:

I have not taken those figures. I have not taken those. I can tell you how many children they have got registered places for so you could kind of ...

Deputy P.J.D. Ryan:

Can we work it out approximately from that?

Ms. F. Vacher:

Possibly. The largest, largest nurseries are just under 100 children so about 92-96 children. Those are the largest.

Deputy P.J.D. Ryan:

They are going to be well over.

Ms. F. Vacher:

We have also got the school age care Centre Point take over 350, I think, 300 children and that is after school care, breakfast clubs and during the holidays. They are a registered charity but they will be well over.

Deputy P.J.D. Ryan:

They are a charity, yes. I do not know if you have looked at whether the charitable sector would have a distortionary effect. That is a very interesting one. Because we were having a charity meeting last night. So, average size, how many children?

Ms. F. Vacher:

Fifty, I would say. There is quite a number that are quite large. Yours is about 46-50, is it not?

Mr. T. Brint:

We are 54, yes.

Ms. F. Vacher:

So you are sort of moderate and there is probably a handful up to the 100 mark - 3 to 5 at the most - of 90 to 100 children and then there are about 14 that, when asked to talk about pre-schools on this paper, the 11 pre-schools, the majority of the numbers were about 24 up to 40 children. I do not think you get much bigger than that.

Deputy P.J.D. Ryan:

Could I ask you, without giving anything away commercially, does that mean that you would be above the £300,000 threshold?

Mr. T. Brint:

Yes.

Deputy P.J.D. Ryan:

Yes, it is. That is an average size?

Mr. T. Brint:

I am trying to think of a useful figure to give you. It is hard without doing the maths behind it, but I would guess if you reckoned on about £9,000 per place per annum then it would give you a rough estimate of how much the turnover of a nursery might be. So it is going to be (...overspeaking)

Deputy P.J.D. Ryan:

That is 35 children?

Mr. T. Brint:

Thirty five children is going to be just over that.

Deputy P.J.D. Ryan:

Let us ask the question another way. How many nurseries do we have with less than 35 children?

Ms. F. Vacher:

Estimated, probably about 15.

Deputy P.J.D. Ryan:

Out of a total ...?

Ms. F. Vacher:

Of 24.

Deputy P.J.D. Ryan:

More than, perhaps, 50 per cent of nurseries would be registering.

Mr. T. Brint:

That is why I think this £300,000 would cut right in and create an imbalance between the numbers.

Deputy P.J.D. Ryan:

Okay. Let me ask another question then. Let us try and analyse the sort of inputs that an average nursery would have other than staff costs. What other costs are there that might be subject to GST on

their inputs? What inputs do they have other than staff?

Mr. T. Brint:

The one where there is a great difference between all the nurseries is their premises as regards some nurseries will pay commercial rates; some nurseries pay no rent; and some nurseries will own their buildings. So that --

Ms. F. Vacher:

I think that is exempt, is it not, rent?

The Connétable of Trinity:

Rent, rates could be exempt. I do not know about commercial though. Definitely domestic rents are exempt. Are commercial rents exempt?

Deputy P.J.D. Ryan:

No. Domestic rent would be zero rated, but commercial rent is not.

Mr. T. Brint:

So that is going to hit some people and not others and there is some variation there. The consistent cost for all nurseries is consumables and that is the big expenditure. That will just be things like wipes, paper towels, food, paint, paper, toys, everything.

Deputy P.J.D. Ryan:

Is that a significant part of the cost of running a nursery or not?

Mr. T. Brint:

Yes. I would say at least 10 per cent, thinking of our own figures, if not 15. Yes, a significant part. There are a few areas. If a nursery were to be told to absorb 3 per cent, then really the thing that would happen is that it would come out of quality. If a nursery could not put money on to its fees that it was charging, then money can only really be saved by the quality of provision, which will either come through less excess staffing which somebody may have excess staffing to cover lunch breaks or something like that, or holidays. So, they would be really cutting their staffing to the bone or having less equipment, less consumables, so to be lowering the quality of care in that way. But then it is all counterproductive because then, if they lower the care, then they do not get so many people wanting to put their children there and they are starting on a downward spiral.

The Connétable of Trinity:

I will just ask is there a good flow of youngsters wanting to go into this line of learning?

Ms. F. Vacher:

There is a good flow but, I am sure Tim would agree as a provider, you would not be taking all of your staff out at 18 years old, just qualified. You would want your mature, experienced staff and they obviously cost more. But the training aspect of it, we are highly regulated. I think we are probably the second most regulated business really in the Island, short of construction, I think, in what we have to do and in terms of an industry, in terms of ratios of children to adults.

Deputy P.J.D. Ryan:

I was going to say is that fixed?

Ms. F. Vacher:

That is fixed, yes.

Deputy P.J.D. Ryan:

So you would not be able to reduce your staff costs then?

Ms. F. Vacher:

Only to the bare minimum.

Mr. T. Brint:

Only if you had a little bit of luxury staffing to ...

Deputy P.J.D. Ryan:

Okay, but you are regulated so there is not too much you can do there?

Ms. F. Vacher:

Yes. The training aspects, once you get up to supervisory level you have to have a management qualification and at the moment in Jersey the cheapest one is £1,500 and if you are a manager that goes up to about £2,500 per manager; and by law you need to have your manager and your supervisor qualified at at least level 3 and 4 qualifications. Now, that is a substantial amount that they have to pay out for the staff and their wages do not consider affording that.

The Connétable of Trinity:

I would say the salaries do not virtually warrant it, do they?

Ms. F. Vacher:

It just does not match and this is a real flaw I would say in registration of daycare at the moment. It just does not match up.

The Connétable of Trinity:

Then, on the other hand, you cannot afford to pay the staff any more either, so you cannot win, can you, really?

Ms. F. Vacher:

That is it. No.

Deputy P.J.D. Ryan:

Yes. It seems strange that you are highly regulated and yet at the same time there is a very large black economy in the same ...

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

The 2 do not really gel, do they, together somehow?

The Connétable of Trinity:

Your wages are not comparable to a person who is just say, like, Trinity youth club who has got a youth leader there --

Ms. F. Vacher:

Certainly not.

The Connétable of Trinity:

-- who is on quite a salary and yet does not work through the summer. It annoys me that the youth club is closed in the summer holidays.

Ms. F. Vacher:

I know, just when you need it.

The Connétable of Trinity:

The youth service seems to work exactly the same as a teacher. So as soon as the holidays come the youth clubs close down and all the parents are out and they need somewhere for their children to go, you know, it has been dead quiet round the parish hall for the last 11 weeks and it is quite surprising and I just cannot believe it.

Ms. F. Vacher:

I know. It is crazy.

The Connétable of Trinity:

When you need them, like yourselves here, I presume this is running every day of the year apart from Sundays and weekends.

Ms. F. Vacher:

All year round. In terms of a black economy though, I think it is all about parents' choice. As a parent you are not going to choose the black economy if you are an informed parent who really is looking for the best for your child. Some parents have to stay at home and have no choice. Other parents feel that, you know, that is the way for them. Also it is cultural as well.

The Connétable of Trinity:

Some parents need to go to work just for their mental state anyway, so they do not mind having the children and paying for it even though there may be nothing in it. They just feel they would prefer to go to work.

Deputy P.J.D. Ryan:

In the United Kingdom childcare is exempt. I do not mean to be in any way insulting, but you understand the difference between exemption and zero rating presumably?

Ms. F. Vacher:

No. Please do explain.

Deputy P.J.D. Ryan:

Well, I will explain and then I will ask you the question. By being exempt it means that you do not have to charge GST. But often it means that you cannot reclaim GST that is charged to you either. Senator Syvret is proposing that that situation should apply in Jersey; that childcare provision is exempt. Do you agree with that or do you think that the costs of the GST charged to you on the inputs to your business would be so much that exemption is not really the answer.

Ms. F. Vacher:

It is definitely not the answer. I think it would have to be a zero rated. Yes, based on the figures that I have provided I do not think it is workable the other way.

Deputy P.J.D. Ryan:

I mean to contrast you with what is being proposed from the charitable sector - this was last night's meeting - it is effectively the best of both worlds as far as charities are concerned.

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

Because the problem with being registered for GST is the administrative cost involved. Let me ask you how, because with charities the administrative cost is very significant because they are in the voluntary sector, so they have to rely on voluntary accounting expertise and all that kind of thing. They are finding that more and more difficult. From your perspective how much administration do you already have in your businesses, in your childcare businesses? Do you have administrators? Would the administration be a problem? Do you run computer systems which would, generally speaking, take care of the administration for you or not?

Mr. T. Brint:

Administration is huge because you are dealing with so many staff and staffing administration is huge anyway. So we are already doing the social security and the ITIS and all the other administration that comes with staff through the regulation because the staff are so regulated as to what qualifications they have to have. So to do more administration is probably going to be expected but it is big already. It is very --

Deputy P.J.D. Ryan:

Generally speaking, do you run computer systems to run your accounting and that kind of thing?

Mr. T. Brint:

Personally, we do; other smaller places, it is not people's area of expertise and they just muddle along as best they can.

Deputy P.J.D. Ryan:

Right. It sounds to me as if the extra administration costs of running GST, bearing in mind that you are not retailing, so most of your accounting is probably monthly, is it, or that kind of thing?

Mr. T. Brint:

Yes.

Deputy P.J.D. Ryan:

So it sounds to me, without wishing to put words in your mouth, that the administration cost of the GST may not be that significant to you if you run computer systems.

Mr. T. Brint:

If we were charging our customers GST?

Deputy P.J.D. Ryan:

Yes.

Mr. T. Brint:

Yes, I would say administration was not one of the main issues to not put GST on to childcare taxes because you are not putting an awful lot of invoices out. You are invoicing people monthly.

Deputy P.J.D. Ryan:

From that situation would flow the scenario where someone under £300,000 turnover, but maybe at £200,000 turnover not being forced to register for GST and charge, how likely would that be that they

would voluntarily register for GST so that they could reclaim the input VAT to them on their cost base? How likely is that, do you feel?

Mr. T. Brint:

I would think very unlikely.

Deputy P.J.D. Ryan:

You would think they would rather not charge or try to seek a competitive advantage? I mean it depends on the amount of GST that they are paying out, you see.

Ms. F. Vacher:

That is it.

Deputy P.J.D. Ryan:

And who the customer base was. If the customer base was largely consumers, then the absence of having to charge out GST might be more advantageous than if they were charging out to a business that could then reclaim the GST in turn as it goes down the line.

Ms. F. Vacher:

I think that the smaller providers we are talking about are more likely to be the pre-schools and I do not think that they would have the same overheads that, perhaps, a day nursery would have. I think it is slightly different. A pre-school is open in term time only, 2-4 year-olds only and it is usually only open 5 hours a day, whereas a day nursery is what we are looking at with the long hours, working parents, open from 7.30 a.m. to 6.30 p.m. at night all year round. I do think that the pre-schools have got that sort of limited; I do not think that they would be as likely to.

Deputy P.J.D. Ryan:

Well, let us understand this. The pre-schools take care of age groups ...?

Ms. F. Vacher:

Two to 5.

Deputy P.J.D. Ryan:

Two to 5?

Ms. F. Vacher:

Yes, no babies.

Deputy P.J.D. Ryan:

Right, and they are open term times only?

Ms. F. Vacher:

Yes, generally speaking, and only 5 hours a day by law.

Deputy P.J.D. Ryan:

By law 5 hours a day? Are they the sector which is competing directly with the State provision?

Ms. F. Vacher:

Yes. In terms of what they are offering, it could be viewed as quite similar service in terms of the hours that they are open.

Mr. T. Brint:

Really, anybody who looks after children aged 3 to 5 is competing with the States because parents who require fulltime care will still send their children for the free States place and then pillar to post their children in the holidays, after school, before school, lunch times, whichever.

Ms. F. Vacher:

Yes, having an impact in the whole sector.

Deputy P.J.D. Ryan:

Whereas the nursery provision is from what age?

Ms. F. Vacher:

Three to 5.

Deputy P.J.D. Ryan:

No, not the pre-school now, the nursery provision, yes.

Ms. F. Vacher:

The day nurseries, they are from 0 up to 5.

Deputy P.J.D. Ryan:

They are from 0 to 5?

Mr. T. Brint:

Some are 2 to 5 but many are 0 to 5. But what many are experiencing is that when the children get to 3 then they are leaving to go to the nurseries where they do not pay.

Deputy P.J.D. Ryan:

The States one?

Mr. T. Brint:

That is right, the States nurseries.

Deputy P.J.D. Ryan:

States nurseries?

The Connétable of Trinity:

There are also some playschools or --

Ms. F. Vacher:

Pre-schools.

The Connétable of Trinity:

No, in the holidays, there are some, I do not know. I think my neighbours go to -- their children go to play schemes and that. Is that ...?

Mr. T. Brint:

Play schemes and after school clubs.

Ms. F. Vacher:

It comes under the school age care here.

Mr. T. Brint:

They will be affected as well by the charge of GST if it is put on to them. Then I have had a comment here from Centre Point, who look after the most after school children and they say that, without a doubt, it will increase the amount of latch door children, because parents are again weighing up that situation: "Do I send my child to an after school club or do I just let them go home on their own and watch telly for an hour and a half until I come home from work?" They are going to be making that decision as well.

Ms. F. Vacher:

In terms of my paper and what I am saying, I am really looking at the whole 0 to 12 childcare sector because the similarities are there. It is just as highly regulated in the after schools and in the holidays. The ratios are very set as well. The staff costs are very, very difficult to match up with qualifications that all fits within all the ages.

Deputy P.J.D. Ryan:

I think the issue - correct me if I am wrong though - on the nursery provision, right, the 0 to 5 is that the State provision of free - is it 2 to 5 or 3 to 5?

Ms. F. Vacher:

Three to 5, yes.

Deputy P.J.D. Ryan:

Three to 5 cherry picks what the nursery sector are providing and, therefore, erodes their market. Is that the issue? Do you want to just expand on that?

Mr. T. Brint:

That is undoubtedly a factor, that because they are taking away so many children of the age group where you can have the ratio of 1 to 8. Now, because of the multiples, it is easier to --

Deputy P.J.D. Ryan:

It is a more profitable sector?

Mr. T. Brint:

-- yes, to make a profit when you have more multiples than it is with a baby, for example, when you can only have a ratio of 1 to 3, which is absolutely ...

Deputy P.J.D. Ryan:

Right. So, one staff member to 3 between the ages of 0 to 2?

Mr. T. Brint:

Three babies. To 2 years, yes.

Deputy P.J.D. Ryan:

Then from 2 upwards - well, you have got a little bit in the middle there between the age of 2.

Mr. T. Brint:

Yes, where it is 1 to 4.

Deputy P.J.D. Ryan:

1 to 4, and then 3 to 5, 1 to 8?

Mr. T. Brint:

That is right, where the States come in. Yet again, the States playing the cards their way, they run theirs on a ratio of 1 to 10 but, of course, their competitors are not allowed to run with 1 to 10.

Deputy P.J.D. Ryan:

Do they now?

Mr. T. Brint:

They have to run them 1 to 8.

Deputy P.J.D. Ryan:

That is interesting.

Ms. F. Vacher:

Yes.

Mr. T. Brint:

But we are still here and so they are looking at how else they can cut us down with GST et cetera.

The Connétable of Trinity:

Is there a problem also that you have people who maybe could afford to pay for private school and then they are suddenly finding they can get into the free school at St. Johns and they suddenly say: "Right, I'm going to get mine in there".

Ms. F. Vacher:

Cannot blame them for getting it free.

The Connétable of Trinity

Then somebody who is desperately in need of help has to pay but the person who can afford it can get into the primary school or junior school for nothing.

Mr. T. Brint:

Absolutely correct. It is often those parents who are better educated who know how to play the system and can make sure that they get their children into a school nursery, where there is - I am sure you would concur, Fiona - a lot of less empowered parents who are probably the more needy parents who do not know how to play the system. By the time they have got their children's name down for a school nursery they have missed the bus.

Ms. F. Vacher:

Yes. We have a project running at the Trust, which is stopped at the moment because we have not got any money, but it is called Support of Places and it is basically a sticking plaster to try and support this States-run scheme. We have got lots of children who start school ... In fact in Rouge Bouillon 2 years ago of the 90-children intake, 33 of them have not accessed any nursery and the majority of them were non-English speaking or had poor social skills and those were the children that desperately needed that input first. So, our support of places was a sticking plaster really to get in there in the final year before a child starts reception and give them at least a term to 3 terms private nursery where we would pay for the children to go into a private nursery and at least have the social skills and then the language coming through, rather than in the position where they were at home. That is on a referral basis through the health visitors and people that are dealing with the hard to reach type of people.

Deputy P.J.D. Ryan:

I am assuming it is Education, Sport and Culture that are the regulators for your sector?

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

Okay. So, you have a situation with the regulator. We have we have poacher/gamekeeper here?

Ms. F. Vacher:

I think yes. From a more strategic look at it, if the States were thinking about this sensibly, you have got a pot of money really should you be building another nursery attached to a school or should you now be look at we have got a great amount of nursery classes and no one is doubting the quality. They provide a really good service for parents, perhaps, that want between 9.00 a.m. and 3.00 p.m., but I think we need to stop giving working parents the non choice of a free nursery place between that 9.00 a.m. and 3.00 p.m. and trying to sort their day out with breakfast and after school --

The Connétable of Trinity:

It makes a vast difference if you were earning £250 a week and you could suddenly put your child into a free school compared to your paying a £1,000 on fees.

Deputy P.J.D. Ryan:

Having highlighted all these problems, what is the demand side like on nursery and childcare provision, say, 0 to 2 - the age of 2 - or 3 to 5? What is the demand like? Is this demand still there for fee paying?

Ms. F. Vacher:

There is a huge demand, 0 to 2s especially. The market really needs to wake up and open more and we have got some more coming into the pipeline but it is a very difficult - I mean you must know - the financial balance is hugely --

Deputy P.J.D. Ryan:

The demand is there but at a price, presumably. So, therefore ...

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

But if you are not a high value business, then ...

Mr. T. Brint:

The demand really is what keeps it going. In my experience the demand is still there but it has come down in the last 4 or 5 years. It is probably a combination of there are some more nurseries opening, but there is a fluctuation in the birth rate. But it is the demand that keeps it going. One cannot cut costs really much further because other things are so regulated and I think most of the sector would agree that the regulation is good because it protects quality and there is nobody who would disagree that quality of care is key.

Deputy P.J.D. Ryan:

Who is policing the black economy?

Ms. F. Vacher:

No one. Unless it is reported to the Daycare Registration Department, and they will go in and police but, to be fair, it is almost like a can of worms.

Deputy P.J.D. Ryan:

Well, of course, if they were to police it then it would create even more demand, which cannot be supplied anyway.

Ms. F. Vacher:

Yes, and I do not think could be afforded by, perhaps, the people that are using the black market.

Deputy P.J.D. Ryan:

Yes.

Mr. T. Brint:

Part of the problem is there is not the financial protection for low income families to afford childcare if they want it. There is something called the Childcare Allowance, which is administered by the Social Security Department, but it really does not touch the problem. When it started off, I think, 7 or 8 years ago it was just about coping with the problem but the figures that they have used to pay people subsidies they have not touched in line with the cost of living.

Ms. F. Vacher:

They have not moved.

Mr. T. Brint:

So those allowances that they pay people have become so out of touch that there is really hardly anybody who earns so little that they can get an allowance anyway and if they do get an allowance, then it is not going to pay much of their fees because it has not been touched in so many years. So there is no protection for low income families.

Ms. F. Vacher:

There are 43 families accessing the childcare allowance at the moment and there were 158, I think, when it started and it has just been slashed each year because people are coming out of the earning bracket so quickly. The maximum earnings is £18,000 a year and that has not moved since the scheme was introduced and obviously parents' wages are going up and it is just not touching anyone. In contrast, the school age discount scheme for people who use school age care is working. The maximum earnings for that is £25,000 joint income. It takes into allowance your outgoings in terms of you have got a cap on it for rent and also your general household outgoings. It gives you a percentage of that as well. We have got over 300 families accessing that and receiving up to 60 per cent discount on their childcare fees for the school age children and that works and that is currently another matter but currently being talked about being absorbed into the income support system where most of those families will lose any access to any financial support so we are seriously concerned about that at the moment as well.

The Connétable of Trinity:

Yes, because the low income support is going to be a completely new basket of goods now.

Ms. F. Vacher:

Yes, it would be.

The Connétable of Trinity:

It is not going to be like going to the individual one off for this and one off for that. It is going to be all. Your family will be assessed: rent and everything and you will come up to what they say the £300 a

week you need. After that you do not get any help. We have, it will be interesting to see, got Senator Routier coming tomorrow. So, if there are any questions you want us to fire at him let us know today and we could do that. That really would be helpful.

Deputy P.J.D. Ryan:

Yes. I mean that is worth making a note on that really. So, what has happened is that the threshold - the effect means test for childcare allowance - has been static since it was introduced.

Ms. F. Vacher:

Static since it was introduced. Yes.

Deputy P.J.D. Ryan:

Do you know when it was introduced?

Ms. F. Vacher:

I think you were about right by about 2000 or 1999, is it?

Mr. T. Brint:

Yes, 1999 or 2000.

The Connétable of Trinity:

But would that go also with the income tax because basically all you the income tax allowances have been frozen as well for the last 5 years?

Ms. F. Vacher:

Yes, but I have got the figures for that as well. You have got here 1,327 parents access some kind of childcare tax relief. Now, that was Malcolm Campbell's figures. He said they are a couple of years out of date but I think it is --

Deputy P.J.D. Ryan:

1,327?

Ms. F. Vacher:

Yes. Now, the people who got the full benefit, claiming some £2.8 million, were 974 parents. So, in comparison, the tax relief was obviously giving some benefit there.

The Connétable of Trinity:

You see, all that money, that £2.8 million simply goes in the basket now. That will be all reassessed. I am sure you will find that everything, as I say, all rent rebate is going into the low income support so you might find this might go all in --

Ms. F. Vacher:

What, tax relief?

The Connétable of Trinity:

Well, no, the rent rebate, which is something in the region of £24 million, is going to be given to social security to sort out next year and I presume this £2.8 million may also go into the pot and then all be reassessed again. Everything is going to be reassessed on --

Ms. F. Vacher:

Tax relief as well? Because that is £2.8 million of tax relief?

The Connétable of Trinity:

Well, I would assume this is going to go through. It will still be there. You will get tax relief but the figures could change next year when they change the basket. You know, you are saying some will certainly be out of that. They may not change the tax relief - do not get me wrong - they may not change that. But what might happen is all the rent rebate is going in and different things and you might find that when they have come to what they think a family needs to live could have changed, whereas you could go now for this, you may not be able to go just for this alone. It might be part of the basket.

Deputy P.J.D. Ryan:

Have you been to see the GST consultation team and had any discussions with them about exactly how GST is going to affect you?

Ms. F. Vacher:

No.

Deputy P.J.D. Ryan:

Okay. I just wondered if you were intending to do that. There is, effectively, a free technical advice system there in place.

Ms. F. Vacher:

I think it would probably be a very good idea.

The Connétable of Trinity:

The other thing I think you should look into really on Senator Syvret's proposal; make sure you get all the States Members knowing what you want, because it is quite easy for someone to get on the States and say: "Oh, we want this to be exempt" or whatever and it may not be the right thing for you, whereas some people might be swayed that to exempt this now is right and it not be what you want and, obviously, once the decisions is taken in the House it is taken.

Ms. F. Vacher:

How would be the best way to let the States Members know our position?

The Connétable of Trinity:

Well, I think we all know your position now, but I say that the problem is it is just a matter that when it comes to the proposal it has to get to Senator Syvret that childcare should be exempt. Now, you are saying it should not be exempt; there may be other benefits. So, it is really to really to let us know how exactly you think you would benefit and be helpful, which way we should go when it comes to the debate and it think --

Mr. T. Brint:

What were the options to exemption again, sorry? Exemption was where we would pay tax on our services received but not charge --

The Connétable of Trinity:

Yes. Exempt is not exempt. That is the problem. It should be something else. It should be zero rated.

Mr. T. Brint:

The other one would be zero rated?

The Connétable of Trinity:

That is right.

Ms. F. Vacher:

Who would I contact for ...?

Deputy P.J.D. Ryan:

The GST consultation team at the Treasury.

Ms. F. Vacher:

Right, okay.

Deputy P.J.D. Ryan:

They will put you in touch with the necessary people. Gary Conlon is the Director of GST, the new director.

Ms. F. Vacher:

Gary ...?

Deputy P.J.D. Ryan:

Conolan.

Ms. F. Vacher:

Conlon, okay.

Deputy P.J.D. Ryan:

You might need to have a discussion.

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

I am just reading about a very recent development. Where the Council of Ministers have formed some kind of office group which I believe, Fiona, you are going to join. Is that correct?

Ms. F. Vacher:

That is a bit tricky at the moment. I am not sure. I received a call from the Director of Education saying that he proposed that, he feels it would be a good idea, and the discussions that that group are going to have, I think, it is quite fundamental that the Trust has some kind of role in it. But I then had a call from Mario Lundy, the Assistant Director, who said: "I am not sure where you would sit on this. It might be a better idea that you were a consultation body within that, as JL(?), would be and other bodies because it is a States group and we are obviously a separate charity and really it would be for the States officers to look at the budget of the States and to really look at the best practise for the Island. While I would love to be in there and represent childcare, working parents, flexible, that kind of thing, the maternity and paternity, I would rather be a consultation arm of that rather than a member of that group, I think.

Deputy P.J.D. Ryan:

Okay. So, I was just going to ask you what the status is and you have largely said that. According to my note here it is supposed to report to the Council of Ministers no later than December 2006.

Ms. F. Vacher:

Yes. Great!

Deputy P.J.D. Ryan:

You say you cannot give us any more information on that.

Ms. F. Vacher:

I just know that they are planning to meet for 10 full days before Christmas, which is a huge amount of anyone's time at that kind of level, which demonstrates the commitment to it. But it is a massive, massive task and I am not sure it is a 10 day job. I think, unfortunately, it has been quite a lengthy process to even get to this stage, but I think it should be done properly.

Deputy P.J.D. Ryan:

Okay. I do not think there is much more. I think I, certainly, have a better understanding of --

The Connétable of Trinity:

Because you are a charity, are you not?

Ms. F. Vacher:

We are, yes.

The Connétable of Trinity:

You have all these other people under you which you also look after which are not charities. They are businesses, are they not?

Ms. F. Vacher:

Yes. We support and advise some businesses, some charities.

The Connétable of Trinity:

So, you have really come to us today just for yourself. You are really concerned about all --

Ms. F. Vacher:

No, we have come to represent the childcare sector as a whole.

The Connétable of Trinity:

Because what I am trying to say the way we had the meeting last night with the charities it looked as if there would be a lot of help for that; your charities.

Ms. F. Vacher:

That is right, yes.

The Connétable of Trinity:

But all the other people that are running these little daycare places, that will not be looked on the same way as a charity.

Ms. F. Vacher:

No, no. I am not here representing a charity.

The Connétable of Trinity:

No, but you are a charity?

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

Let me just examine for a second in a little bit more detail the nature of the business that we are talking about. First of all, how many businesses out there pay for childcare for their staff as a staff benefit, for example? Are you familiar with that scenario and how prevalent is it?

Ms. F. Vacher:

I know one bank uses one day nursery. I am not sure whether they pay for their staff. I can find these things out for you because I know of one. I know that De Gruchy's pay 50 per cent of their childcare costs to some of their staff - I am not sure if all of their staff, but I know some of them. I know that the States offer a 10 per cent discount with the petit école - 2 nurseries: one at Port Regent, one at St. Mark's Road - and that is as much as I know. Do you know of any more?

Mr. T. Brint:

No, only that there are some voucher schemes that are run by one bank for their staff.

Ms. F. Vacher:

Is that the one with --

Mr. T. Brint:

Royal Bank.

Deputy P.J.D. Ryan:

Why I ask is if it is a GST registered business that is paying for childcare costs as a staff benefit as part of a paid salary, I do not think that is benefit in kind. I do not think that is benefit in kind as far as taxation is concerned and, of course, they will be GST registered likely as not and so if you then charge them GST on a fee, they do not mind because they are going to be claiming it back anyway. That is why I was trying to get an understanding of where you were there. An analysis of that would be useful if you could provide us with that.

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

If you could provide us with that, that would be really useful.

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

But the second point is do you see an inequity situation between, maybe, charitable organisations - charities - and private sector non-charities providing the same service provision? I think this is what John was referring to before, in that if you are a charity and accepted as a charity by the comptroller, you are going to be effectively exempt but get the best of both worlds - exempt and be able to reclaim any costs by how it sounded from last night's - by how it sounded from last night. Do you have any comments on that? It is going to be a little bit difficult for non-charitable ...

Mr. T. Brint:

It will cut right into the industry. It will create a big inequity between all sectors as if it is not uneven enough between us and the States already, and a charity will be doing exactly the same thing as us - speaking personally now with our nursery - in that they would be providing childcare for children from

0 to 5. But, because they have a different set up, they would get the relief that we would not.

Deputy P.J.D. Ryan:

Yes. I mean they are not for profit, generally speaking, as a charity but you are competing with them presumably as a private sector. As a profit organisation you have to make a profit, so there is an anomaly there.

Mr. T. Brint:

There is a whole question about what profit means and is, and can I reposition myself as a charity.

The Connétable of Trinity:

Well, this is the thing. The temptation will be to say: “Well, I think we may as well be a charity instead of a business”.

Mr. T. Brint:

It is not a big profit margin. I think, perhaps, it varies (...overspeaking)

Deputy P.J.D. Ryan:

By the time you have paid yourself a salary there would not be any profit and probably there would be a loss if it was a sensible salary.

Mr. T. Brint:

That is right, yes.

Deputy P.J.D. Ryan:

That is what it sounds like to me.

Mr. T. Brint:

It is not a big profit margin business like one would expect other businesses to be and I think that if there is that belief then maybe in a more confidential methodology somebody could go and start looking at the books of these companies. Certainly under methodology and confidentiality I would be open to that for the people to come and see.

Deputy P.J.D. Ryan:

Okay. Thank you.

Ms. F. Vacher:

I think also just with the pre-schools though in some of these, in the majority of them at the moment, I do not think there is much profit anyway. So, although they are businesses that are not registered charities, these people are not making any money at all and in many cases losing money.

The Connétable of Trinity:

No. I think the one at Trinity was struggling.

Ms. F. Vacher:

Yes.

The Connétable of Trinity:

But it is all right now.

Deputy P.J.D. Ryan:

Okay. Is there anything else, John, that you want to ask or are we done? Anything that we have missed, anything that you would like to ask us about that we have missed or make a point on?

Ms. F. Vacher:

How is the process going for you?

Deputy P.J.D. Ryan:

Long and convoluted is the answer.

The Connétable of Trinity:

It is getting longer. [Laughter]

Deputy P.J.D. Ryan:

By the day. But we are reaching the places that other parts cannot reach in certain areas and I certainly think - it is a personal view at this stage and I would have to run it past the rest of my members - but I feel that you have some significant issues here that we need to focus the edges around so that everybody in the public can understand what these issues are.

Ms. F. Vacher:

Okay.

The Connétable of Trinity:

Just before you do go, how many do you reckon there is out in the Island that would really like to come to this sort of school if they could afford it?

Ms. F. Vacher:

Into the day nurseries?

The Connétable of Trinity:

Yes, any of them, if it is an affordable price, you know? I find some of the prices are quite pricey.

Ms. F. Vacher:

I think if there were some kind of scheme that would make childcare cheaper, then I think there would be a proportion of some parents that would decide to perhaps access work part time rather than the fulltime. I think that would be the choice.

The Connétable of Trinity:

A morning instead of all day?

Ms. F. Vacher:

Yes. That is a difficult one to answer really, is it not?

The Connétable of Trinity:

Yes, but I have had some people come to see me saying: "Well, I paying more than I am earning". But, I think at the end of the day, I took the view well, it is better for the child to go somewhere to start integrating into the community than being with mum when she goes cleaning. You know, I am sure there are a lot out there would do that. It seems very hard when you have got to say you pay out more than you earn to do it, mentally.

Deputy P.J.D. Ryan:

Can we just try and get a view from you on the sort of cultural aspects surrounding this area of both

nursery provision - zero upwards - and also the pre-school period of time and that little bit in the middle there for a year? To what extent are your customers obliged to use the services of childcare because they have to go out and work, want to go out and work because they want to increase or better their lifestyle and perhaps then, in time, pay for private education as opposed to State education, this kind of thing? How many of them just want to go off and have coffee mornings and play tennis?

Mr. T. Brint:

Very few.

Ms. F. Vacher:

Yes.

Deputy P.J.D. Ryan:

The latter is very few?

Ms. F. Vacher:

Very few.

Mr. T. Brint:

I would think that the larger part, in my experience, are people who have to work because financially they have got bills that they have to pay.

Deputy P.J.D. Ryan:

The latter would have a private nanny, live in nanny?

Ms. F. Vacher:

Yes, or perhaps use a pre-school, the shorter hours.

Deputy P.J.D. Ryan:

Yes, but generally?

Ms. F. Vacher:

You know, you have your after school clubs - as I said, there are 1,337 places there - I would expect the majority of those to be working parents with school age children.

Deputy P.J.D. Ryan:

Right.

Ms. F. Vacher:

That is a dead cert and I would also say that for the day nurseries as well, the majority.

Deputy P.J.D. Ryan:

So we are talking about the first 3 or 4 quintiles in the income spectrum are your customers. The fifth one ...

Ms. F. Vacher:

I think if you spoke to Le Petit École at Port Regent which is, I think, the most expensive nursery on the Island, they have got a certain aspect of parents who are your ladies who lunch. I know that anecdotally; I could not tell you the proportion. I know they have been asked to open on Christmas Day by a parent and that was for social reasons rather than love. We also have parents that go on holiday, leave their children with the nanny; the nanny drops the children up to the nursery and picks them up at the end of

the day and that child never gets a break from that nursery. Those are just anecdotes from one nursery.

Deputy P.J.D. Ryan:

Little bit of that, but that is not the major ...?

Ms. F. Vacher:

It is not major but these are just small anecdotes.

Mr. T. Brint:

I think a large part do have --

Deputy P.J.D. Ryan:

Those people can pay GST. They are fine.

Ms. F. Vacher:

Yes, that is fine [Laughter] but that is a very tiny minority.

Mr. T. Brint:

You have parents as well who are predominantly female, I suggest, that have pressure from their employers to come back to work and that a career break would be damaging to their career; and they want to stay in the workplace even if it is only part time for a number of years. I think the States almost has to take a view on the workforce between this age and is their view that they want to encourage parents to stay at home with their children or is their view that they want to try and harness that part of the workforce; and what are they going to do to try and back up their view with policy. At the moment I do not know if there is a clear view. The feeling is that the States want to use that chunk of the workforce, but I do not know if it has ever been properly articulated or thought out as to how do we do this in the best way for families.

Ms. F. Vacher:

Yes. I think that is what that working group are looking at, but also achieving that balance so that parents, perhaps, have that choice. If they want to remain out for a year, say, that it is possible.

The Connétable of Trinity:

Is it more professional women as well having children later in life because they have been into business and all of a sudden, at 30 or something, they want to have families now but they are also very highly paid? They say then that they are wanted back at work and so you have basically got this also 6 months of maternity leave. That is all that they been given and the child after 6 months has to go somewhere.

Deputy P.J.D. Ryan:

Okay. Thank you very much. I think we have got all of the points out and we have got a very clear understanding now. So thank you for your time this morning. It has been very useful, thank you, to us and hopefully we can reflect your views adequately in our report. Many thanks and good morning.

Mr. T. Brint:

Thank you very much.

Ms. F. Vacher:

Okay. Thanks.

[1] For clarification it should be noted that the daycare registration department is a function of the Education, Sport and Culture department not of the Jersey Childcare Trust.