

# City of London Corporation Committee Report

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| <b>Committee:</b><br>Community and Children's Services Committee  | <b>Dated:</b><br><b>19/06/2025</b>                                    |
| <b>Subject:</b><br><b>Childcare Policy</b>  | <b>Public report:</b><br><br>For Decision                             |
| <b>This proposal:</b> <ul style="list-style-type: none"><li>• <b>delivers Corporate Plan 2024-29 outcomes</b></li></ul> | Diverse engaged communities.<br>Providing excellent services.         |
| <b>Does this proposal require extra revenue and/or capital spending?</b>  | No  |
| <b>If so, how much?</b>   | £ N/A   |
| <b>What is the source of Funding?</b>   | Section 106 funding and City Fund                                     |
| <b>Has this Funding Source been agreed with the Chamberlain's Department?</b>   | Yes   |
| <b>Report of:</b>   | Judith Finlay Executive Director of Community and Children's Services |
| <b>Report author:</b>   | Dr Deborah Bell Strategic Director of Education and Skills            |

## Summary

On 16<sup>th</sup> January 2025, Community and Children's Services Committee approved an extension to the subsidy of 0-2 childcare delivered by The Aldgate School until 31<sup>st</sup> August 2026. The background to this decision is set out below.

Members have requested a Childcare Policy be brought to this committee, following engagement with families and stakeholders to seek their views on local arrangements. The proposed draft policy aligns with the key principles of City financial support which follows individual children and families and seeks equity for all City residents.

## Recommendations

Members are asked to:

- Note the findings of the 0-2 childcare consultation March – May 2025 in Appendix Two
- Approve the Childcare Policy in Appendix One
- Approve that the £174,000 funding of 0-2 childcare at The Aldgate School continues for a further year until August 2027.
- Note the commitment to work with The Aldgate School to secure a financially viable future model for childcare delivery.

## **Main Report**

### **Background**

1. The provision of and access to childcare - any form of care for a child, including education or any other supervised activity – is vital to the wellbeing and development of the child, and to supporting the wellbeing and economic prosperity of families.
2. The cost of childcare is a significant barrier to uptake – especially to low-income families. Many low-income parents struggle to meet childcare costs which make up an ever-increasing proportion of families' net income. High costs can lead parents (especially mothers) to reduce hours or exit the workforce - impacting both gender equality and household finances.
3. The provision of support to access childcare for families aligns with and supports the City Corporation's Early Help offer (services aimed at preventing the escalation of needs or risk). Additionally, Early Years (universal services aimed at improving outcomes for all children) and our support for those children and young people with special educational needs and disability (SEND).
4. The approach also delivers the commitments to the City Corporation's Corporate Plan to improve our public services and progress social inclusion and social mobility for all.
5. The City Corporation is subject to several statutory duties (set out in the Childcare Act 2006) in relation to Children's services and the provision of childcare. They include a duty to:
  - provide sufficient children's centres to meet local need;
  - Duty to secure sufficient childcare for working parents that are resident in its area;
  - Duty to provide prescribed early years provision free of charge;
  - Duty to consider whether early childhood services should be provided through a children's centre.
6. The Corporation also has the power to assist (including providing financial assistance) providers of childcare.
7. Most inner London local authorities do not fund subsidised 0-2 childcare for their universal 0-4 population. The exceptions to this are Islington Council (which

provides subsidised childcare for its resident population, on a graded scale based on household income) and the London Borough of Hackney (which had been seeking to withdraw this provision and close some children centre services, but has paused following legal challenge relating to its consultation).

8. The delivery of Children's Centre and universal services had been supported by a Service Level Agreement (SLA) with The Aldgate School of £456k per annum. To fulfil its statutory duty the City of London Corporation (City Corporation) must, so far as is reasonably practicable, include arrangements for sufficient provision of Children's Centres to meet local need. 'Local need' is defined as the need of parents and prospective parents and young children in the local authority's area – the Square Mile<sup>1</sup>.
9. A 'Children's Centre' is a place, or a group of places which is managed by or on behalf of, or under arrangements made with, an English local authority, with a view to securing that early childhood services in their area are made available in an integrated manner, through which each of the early childhood services is made available, and at which activities for young children are provided, whether by way of early years provision or otherwise<sup>2</sup>.
10. 'Early childhood services' are defined as early years provision; the social services functions of the local authority, so far as relating to young children, parents or prospective parents; health services relating to young children, parents or prospective parents; the provision, under arrangements made under section 2 of the Employment and Training Act 1973 (relates to assisting persons to select, train for and retain employment) of assistance to parents or prospective parents and the provision of information to parents and prospective parents in relation to the provision of childcare, services and facilities in the area<sup>3</sup>.
11. In considering reform to the delivery to the City Corporation's Children's Centre model it is identified that £165k per annum of the funding made available under the SLA supports the delivery of 0-2 childcare at The Aldgate School.

## **Current Position**

12. The City Corporation supports access to childcare through two approaches.
13. The Childcare Accessibility Scheme provides funded hours of childcare to eligible households. Eligibility is limited to families who live in the City of London and is based on either household income, or (regardless of income) the assessment of relevant professionals that a child (or household member) has additional needs that would benefit from accessing childcare.

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<sup>1</sup>Section 5A Childcare Act 2006.

<sup>2</sup> Section 5A Childcare Act 2006

<sup>3</sup> Section 2 Childcare Act 200.

14. The Scheme is provided through funds gained from Section 106 (planning obligation) monies generated from a development in Bishopsgate which rendered one childcare provider being displaced from their location. The funding of just over £400,000 is non-recurrent – and its use since 2016 has reduced it to £224,000.
15. The City Corporation also provides direct funding to The Aldgate School – as set out - of which £165k per annum has supported and subsidises the cost of childcare delivered at this setting. The funding has provided access to childcare at a rate below a full cost recovery price. It has supported the delivery of a highly valued and high-quality provider.
16. Through the use of this funding for the setting, the beneficiaries of The Aldgate School childcare offer include households living in the London Borough of Tower Hamlets, those who work in the City and live elsewhere, and those who live in the City whose household income level would exclude them from the Childcare Accessibility Scheme.
17. The financial support to The Aldgate School has been subject to a Service Level Agreement for the Children's Centre services that comes to an end on 31st August 2025.
18. Members of this Committee approved in March 2024 a new model for Children's Centre service delivery. The new model will expand the venues from which such services will be delivered to increase accessibility and opportunity across the Square Mile. A consequence of this change sees the removal of the element of the overall funding that supports 0-2 childcare provision at The Aldgate School from September 2025. The implications of such a funding withdrawal would increase fees to those accessing childcare and possible changes to delivery.
19. In recognition that the provision at The Aldgate School is a valued resource and relied upon by parents in the City and Tower Hamlets, that the loss of funding in the timescale proposed would lead to disruption to the School and families using the provision, Members decided to continue funding for the delivery of 0-2 childcare for a further year (ending August 2026). This would allow consultation on the City Corporation's future strategic and policy direction – including alternative models – for the provision of childcare.
20. An agreement by Members was reached in January 2025 to provide The Aldgate School with City Corporation funding subsidy of £174,000 for the year 2025-26 to continue its 0-2 childcare delivery.
21. The City Corporation does not provide direct funding to other childcare settings in the Square Mile. Childcare providers across the City (five plus a workplace nursery) and beyond (including a provider 0.3 miles to the east of The Aldgate School) have access to revenue streams of DfE funding and parents' fees from which to deliver their childcare services.

22. The consideration of future policy direction comes at a time when the government is increasing access to funded childcare for children aged at least nine months from September 2025. While very welcome, the impact of this change will take some time to assess. Beyond just measuring demand, there is a significant chance that the funding the City Corporation receives to implement this policy, will fall short of the full cost of securing the provision.

### **Consultation and engagement with stakeholders**

23. Stakeholder consultation activity was undertaken in the period 24 March - 2 May 2025. Stakeholder views were gained through a survey and two in-person drop-in events held at The Aldgate School and Golden Lane Community Centre. A summary of the findings is provided in Appendix 2.

24. There were 151 responses to the online consultation survey within the consultation period:

- 85 respondents were City of London residents
- 38 respondents access 0-2 childcare in the City of London
- 4 respondents access 0-2 childcare outside of the City of London
- 53 responders said that they may access childcare in the City of London in the next five years, 2025-2030
- 56 respondents currently do not access 0-2 childcare

25. Of those respondents accessing childcare in the City of London, 34 of the 38 access childcare at The Aldgate School.

26. Location, quality and cost are the most important features for families selecting childcare. In considering quality, staffing and outdoor space were key factors. There was also strong support for continued funding to be given to The Aldgate School to deliver childcare from that setting.

27. In considering options the City Corporation proposed for future childcare delivery respondents ranked the following and the three most important:

- i. keep the subsidy for 0-2 childcare provision at The Aldgate School as it is, for City of London residents and non-residents. 75% of respondents ranked this first
- ii. change the subsidy to The Aldgate School for childcare provision so that there are different levels of subsidy for City residents and non-City residents. 50% of respondents ranked this second
- iii. change the subsidy to The Aldgate School for childcare provision so that it is only for City of London residents 36% of respondents ranked this third

## Options

### *Provider subsidy*

28. Commercial providers of childcare derive income through access to revenue streams of DfE funding and fees from parents. Local authority funding to a provider may ensure provision where there is no viable market, or where it reduces the fees payable to those accessing the childcare.
29. The City Corporation's funding of The Aldgate School is a provider subsidy model. The funding secures lower cost childcare for all those accessing the provision. It helps sustain a highly valued and popular provision that delivers in an area in which there are higher rates of deprivation. This model is administratively straightforward and therefore without additional delivery cost.
30. However, this model provides some policy challenges. The funding provided by the City Corporation provides subsidy to households who may live in Tower Hamlets, or who may be high earning (or both). This could potentially be mitigated by limiting access to families resident in the City, but to do so would break a connection with the community that is not defined by local authority boundaries.
31. Officers could engage the London Borough of Tower Hamlets to seek funding for their resident households to fund the gap between the subsidised cost and actual cost. However, this would have wide implications for that authority if it were to set a precedent for all settings accessed by its households.
32. The City Corporation only directly funds this childcare setting. It does not fund settings that may be closer to other concentrations of residents. To secure greater equality a provider subsidy led policy would need to consider whether similar funding should be given to other settings – whether public or private. There would need to be a consistency in the use and benefits of such subsidy across settings – whether restricted to City resident families or providing a benefit to all accessing the provision. Given the significant pressures on City Fund budgets, such an approach is unlikely to be financially sustainable or sufficiently targeted to meet greatest needs.
33. The removal of funding from The Aldgate School would inevitably lead to increased fee costs and could see the potential closure of the school's provision.
34. The current agreement of continued delivery until August 2026 costs £174,000 per annum. It is funded from departmental resources that have delivered wider Children's Centre services. The retention of this budget to fund delivery at The Aldgate School prevents its use to fund enhanced and additional children centre services throughout the City (the Family Hub offer).

### *Family subsidy*

35. Subsidy to access childcare can be targeted directly at eligible families to provide reduced cost or free childcare. This can be seen as more effective use of scarce resources by delivering a range of social policy benefits for more socially and economically disadvantaged households.
36. The City Childcare Accessibility Scheme provides funded childcare that compensates for the limitations of government funded schemes. It is allocated based on individual household eligibility – primarily household income, but also additional disadvantage – ensuring it is targeted at higher levels of need or disadvantage.
37. The Scheme is not limited to settings in the Square Mile – providing greater choice and flexibility.
38. The current maximum household income for recipients of the Childcare Accessibility Scheme is £55,000 per annum. There is no tapering of offer once this income is exceeded, which may act as a disincentive to increase household income.
39. Means testing benefits – if made too complex or subject to frequent reassessment - can be challenging. Eligible claimants may be deterred by complex eligibility criteria, by lack of awareness or because the benefits of such a scheme are unclear. As such as family focussed subsidy should be kept simple to understand and administer.
40. The funding supporting the Childcare Accessibility Scheme is a finite (see below) and limited resource. As such any changes should be set for a period – suggest to conclude at the end of the 2028/29 financial year – so that future funding can be reviewed. Should increased demand exhaust the available funding in that period, the department would have to meet that amount from local budget resources.

### **Proposals**

41. In setting a proposed policy, the views of stakeholders (summarised above) must also be carefully weighed against statutory duties on, and wider corporate and social objectives of, the City Corporation.
42. In addition to statutory requirements relating to childcare, the City Corporation is also subject to the Public Sector Equality Duty and regulatory expectations in relation to the rational and fair use of public money. The City Corporation's Equality Objectives 2024-2029 set an objective for 'Accessible and Excellent services', noting that consideration of equity, equality, diversity, and inclusion is integral in the design, development, implementation, and evaluation of our

services. The City Corporation also committed through its Corporate Plan and other strategies to progressing social mobility and social inclusion.

43. Those accessing childcare at The Aldgate School – or those who may wish to in the future – strongly support continued funding by the City Corporation to reduce the fees that it charges and to ensure this valued and quality provision continues.
44. The proposed policy, however, signals a changed emphasis whereby funding is targeted to support greatest needs to access a choice of settings – moving from an approach that funds one setting to benefit all families able to access that provision.
45. A draft childcare policy is appended. The approach focusses delivery on the Childcare Accessibility Scheme. Its development and delivery is underpinned by the principles of fairness, equality of opportunity, reducing health inequalities and enhancing choice – recognising the constraints of the public purse, in targeting those families on lower incomes. We have also considered the consultation responses during the process of policy development.
46. It is proposed that the upper household income threshold of eligible households is increased to £60,000 per annum, with the maximum savings cap being £16,000. These thresholds reflect government thresholds for income to receive universal untaxed Child Benefit and Universal Credit savings threshold.
47. The targeting of subsidy to households will continue through the provision of funded childcare hours. This remains administratively consistent and allows for a review of the impact in changes in government funded childcare provision to be assessed.
48. It is also proposed that City Corporation extend funding to The Aldgate School until 31<sup>st</sup> August 2027 in order to:
  - i. For officers to continue to work with the school to explore the viability of The Aldgate School continuing to provide subsidised 0 to 2 childcare from September 2027
  - ii. Where The Aldgate School is unwilling or unable to continue delivery, it provides greater time for parents to consider alternative provision
  - iii. Allow for a realistic review period of the impact of Department for Education's Free Early Education Entitlement
49. Funding for the City Childcare Accessibility Scheme is from Section 106 funds. Section 106 is a planning obligation between a Local Authority and a property owner to mitigate the impact of a development on the local community and infrastructure. From 2011 to 2016 funding secured commissioned places from three City located nurseries and Children's Centres at Golden Lane Children's Centre (in London Borough of Islington) and The Aldgate School. From 2016 the funding has delivered the City Childcare Accessibility Scheme.



50. In 2016, the total amount of Section 106 money available for subsidised childcare through the City Childcare Accessibility Scheme was £401,158.80. At current spend and including interest generated from the original amount, the balance of the Sec. 106 monies used for the City Childcare Accessibility Scheme is £258,876.69. Once drawdown for 24/25 is enacted, the balance will be £223,773.45.
51. The proposed eligibility changes for the Childcare Accessibility Scheme will increase demand. However, it is thought likely by officers that the Scheme's funding will last for approximately four years, even with increased uptake. Members will be invited to decide whether to sustain the local benefit from City local risk budgets, or alternative sources to be determined.
52. The enhanced City Childcare Accessibility Scheme intends to promote the benefits of early years learning as well as childcare for all children in the City, regardless of where they live and economic disadvantage. The policy has a positive impact on those with 'protected characteristics' (see appended Equalities Impact Assessment).
53. It is proposed that the revised scheme is in place for three educational years – commencing in September 2025 until August 2028. However, the changed eligibility criteria can be applied immediately on approval while the Scheme's materials are amended and a communication and promotion plan put in place.

## **Key risks**

54. The following risks should be noted.
55. The withdrawal of City Corporation funding to The Aldgate School beyond September 2027 may result in the school opting to close this childcare provision. The timescale ahead of that allows for The Aldgate School to review its business model to identify income and efficiency opportunities. The City Corporation is committed to working with the school to help ensure lower income families living in the City continue to have access to this quality provision.
56. The Section 106 resources that fund the City Childcare Accessibility Scheme may be exhausted sooner than estimated. The department will underwrite this risk for the duration of the agreed policy. At a future point, alternative funding would need to be sought, and there remains a risk that City budgets (predicted to be under very significant pressure in future years) will be unable to provide for the scheme.

## **Corporate & Strategic Implications**

### *Strategic implications*

57. This aligns with the Corporate Plan 2024-9 and the Community and Children's Services business plan 2025.

58. Providing Excellent Services: Supporting people to live healthy, independent lives, and achieve their ambitions, is dependent on excellent services. Vital to that continued pursuit is enabling access to effective adult and children's social care, outstanding education, lifelong learning, quality housing, and combatting homelessness.

59. Diverse Engaged Communities: Across our residents, workers, businesses, and visitors, everyone should feel that they belong. Connecting people of all ages and backgrounds will help build diverse, engaged communities that are involved in co-creating great services and outcomes.

#### *Financial implications*

60. Services are delivered in the context of limited public funding and significant pressures on budgets. The City Corporation is required to seek best value in the use of its local authority resources and target them at those most in need.

#### *Resource implications*

61. The revised scheme is aimed at increasing demand and take up by lower income families. The administration of this will be absorbed within existing officer resources.

#### *Legal implications*

62. There is no statutory duty on the Corporation to provide subsidised childcare. The policy under consideration by Members is discretionary and has been prepared following consultation and stakeholder engagement and aims to ensure equity of support for individual children and families in the City through greater availability of subsidised childcare. Meaningful consultation, detailed policy analysis (including due consideration of the consultation outcome/responses) and a reasonable and justifiable policy position all reduce the likelihood of a successful public law challenge (judicial review) before the Courts.

63. The terms of the Exit Agreement to formally close down the current SLA, and a new SLA for the 0-2 Childcare provision are currently being agreed with the Governing Body of The Aldgate School. Any VAT implications for the new SLA have been considered in consultation with the City's VAT Officer.

#### *Risk implications*

64. Covered in the report.

### *Equalities implications*

65. All children and young people, regardless of their special educational needs or disabilities, will be part of a community where they can learn, achieve and participate in activities with other children and young people, and will be prepared to have a fulfilled adult life. An Equality Impact Assessment of the policy has been prepared. Mitigations are not required as the Equality Impact Assessment does not show any negative impact of the proposed Childcare Policy. Members are asked to consider the Equalities Impact Assessment at Appendix 3. The requirements of the Equalities Act 2010 have been adhered to.

### *Climate implications*

66. None.

### *Security implications*

67. None.

## **Conclusion**

68. Members are invited to approve the City of London Corporation Childcare Policy in Appendix 1 which reflects Members wishes and aspirations to support individual children and families resident in the City when accessing their choice of childcare at more affordable rates, informed by residents and stakeholders (through the consultation exercise), whilst being equitable and affordable in the medium term (3-5 years). It also reflects the value that Members place in the childcare provision delivered by The Aldgate School in sustaining financial support for a further 26 months until 31<sup>st</sup> August 2027, to allow for further work to be delivered in managing their running costs.

## **Appendices**

|                       |  |
|-----------------------|--|
| <b>Appendix One</b>   | City of London Corporation Childcare Policy 2025   |
| <b>Appendix Two</b>   | Results of 0-2 childcare in the City arrangements stakeholder consultation March-May 2025. |
| <b>Appendix Three</b> | Equalities Impact Assessment   |
| <b>Appendix Four</b>  | City demographic data  |

## **Background Papers**

- 11 March 2024 - Community and Children's Services: City of London Children's Centre Services – Review
- 11 November 2024 - Community and Children's Services: City of London Children's Centre Services – Update Report

- 16 January 2025 – Community and Children's Services: Children's Centre Services and 0-2 childcare arrangements

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