City of London Corporation Committee Report

Committee: Community and Children's Services Committee	**Dated:** 30/06/2026
Subject: 0–2 childcare provision at The Aldgate School	**Public report:** For Decision
This proposal: • **delivers Corporate Plan 2024-29 outcomes**	Diverse engaged communities. Providing excellent services.
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£ 60,000 p.a. and £66,070.02 one-off cost
What is the source of Funding?	City Fund
Has this Funding Source been agreed with the Chamberlain's Department?	Yes
Report of:	Judith Finlay, Executive Director of Community and Children's Services
Report author:	Deborah Bell, Strategic Director of Education and Skills

Summary

This report sets out two options for Members to consider and decide on a preferred approach. One proposes that the City of London Corporation continues to provide financial support of £60,000 p.a. to deliver 0–2 childcare provision at The Aldgate School. This is beyond the current commitment of £174,000 p.a. until the close of the academic year ending August 2027. The other option proposes that no further financial subsidy is given beyond that date. This is in line with the intention of this committee's decision in June 2025 that a financially sustainable model is developed to sustain delivery from September 2027 without additional financial support from the City Corporation.

To clarify how 0-2 childcare is defined in this context, children from 3 months old until rising 3 years old (up to their third birthdays) are in the relevant cohort being considered today. Their provision is childcare, registered under different Department

for Education (DfE) and Ofsted regulations to The Aldgate School nursery (for children from their third birthdays) and primary school.

Financial modelling by The Aldgate School indicates an ongoing funding gap of around £60,000 per year to sustain the 0-2 childcare. In addition to this need (should Members decide to fund continued delivery), the school requires financial support to fund pay protection, which it is proposed could be met by underspend.

The report notes that the financial support given by the City Corporation to The Aldgate School for this delivery is discretionary.

The report also notes the progress in implementing the Best Start in Life approach.

Recommendations

Members are asked to:

- Decide on and approve their preferred option to either provide ongoing financial support of up to £60,000 p.a., plus a one-off amount of £66,070.02 for pay protection, to sustain 0–2 childcare or maintain the decision made in June 2025 to support financially sustainable modelling for when the subsidy ends in August 2027.
- Note the progress in implementing the Best Start in Life approach.

Main Report

Background

1. In September 2025, in response to recent government policy changes through the Department for Education (DfE) Best Start in Life and Family Hub reforms, the City of London Corporation transferred the leadership and management of Children's Centre services from The Aldgate School to the City Corporation. Responding to government policy changes is one of the City of London Corporation's responsibilities acting in its capacity as Local Authority. A legacy of the decommissioning of the former Children's Centre at The Aldgate School in preparation for the government reforms, is the remaining 0-2 childcare provision delivered by the school.

2. An update on the delivery of Children's Services uptake is given in Appendix 2.

3. While these changes strengthen service delivery and support the development of a Family Hub approach, they also had implications for the viability of The Aldgate School's 0-2 childcare provision, which had been partly sustained through Children's Centre funding.

4. This Committee decided in June 2025 to provide discretionary funding of up to £174,000 from the City Fund local risk budget to The Aldgate School to support 0–2 childcare for a further (academic) year until August 2027. The continuation

provided a period where the school would be supported by the City Corporation to explore options for childcare delivery from September 2027 – which would include operating without further financial support from the City Corporation. The Aldgate School advised officers that, without subsidy, the provision of affordable childcare would not be possible from 1 September 2027. An update on this work was given to the March 2026 Committee.

Current position: 0–2 childcare

5. On 27 February 2026, officers of the City Corporation were informed of a confidential decision by the Governing Body of The Aldgate School not to continue delivery of 0–2 childcare provision from September 2027. The Governing Body had taken this decision having been informed in January 2026 that no further funding would be available. The Corporation offered a meeting in April 2026 to plan how to manage the closure of the affordable childcare. At that April meeting, it was suggested by Executive Director of Community and Children's Services and Strategic Director of Education and Skills, that reduced funding may be available subject to this Committee's approval. This funding would be on the proviso that the school undertake the financial modelling required to identify the extent of an anticipated future deficit. The Governing Body agreed to review its decision in light of this, with a paper planned for this Committee on 30 June 2026.

6. Revised costings shared with the City Corporation in April 2026 indicate a funding shortfall of £60,000 to sustain delivery of 0–2 childcare at the school. The Head Teacher and Co-Chairs of the Governing Body have indicated a willingness to continue delivery if the shortfall in funding is met by the City Corporation. This would facilitate continued delivery of locally valued and affordable childcare offering preferential fees for City residents. It should be noted that The Aldgate School operates within the Portsoken Ward – which experiences the highest proportion of low-income households in the Square Mile. Of ten families accessing the DfE's Extended childcare funding at The Aldgate School, five are resident in Portsoken Ward.

7. The school has indicated that additional financial support would be required to fund three years' pay protection for four members of childcare staff. This would allow The Aldgate School to move these employees from City Corporation pay scales to National Joint Council pay scales – in line with other non-teaching support staff at the school. This element is costed by the school to be £66,070.02 for the three years (£22,023.34 per year). There will be no increase in London weighting during that time. It should be noted that the school is the employer of the potentially impacted staff and would ultimately be responsible for funding pay protection. The need for pay protection to be funded by the City Corporation is part of the package of financial support being sought by the school.

8. Based on average spend, it is anticipated that the current funding support of up to £174,000 p.a. given to the school is likely to have an underspend of £34,000 in 2026–27. There would also be a pro rata element for the period April–August 2027. Unused funding is usually retained by the Department of Community and

Children's Services' budget. It is proposed that this underspend is drawn down by the school to the amount of £66,070.02 to fund the pay protection proposed.

9. In proposing continued delivery of 0–2 childcare, The Aldgate School has requested that Members consider a tapered withdrawal of the current £174,000 funding provision. Members should note that the current decision of the Committee will see all funding cease from September 2027.

10. The option of providing £60,000 p.a. and the retention of £66,070.02 of underspent resources to fund pay protection (if both approved) provide a step down, alongside increased DfE Extended Childcare funding (see Table 1). Therefore, further tapering of funding support is not considered.

11. There is an outstanding matter of a potential lease cost required by the Portal Trust that is yet to be clarified. The Aldgate School Governors met with the Portal Trust in the week commencing 4 May 2026 seeking to clarify the position. The Trust intends to undertake a further site survey before determining its position. The City Corporation has no responsibilities regarding decisions that are for the Portal Trust to make.

12. The proposal to continue subsidised delivery of 0–2 childcare at The Aldgate School are made in the context of the DfE's Extended Childcare funding, introduced in September 2025. The reforms have seen increased take-up and funding allocated for Early Years settings in the City of London for eligible City resident children aged 9 months to 2 years. The funding allocated went up from £40,245.75 (14 children across five Early Years settings) in Autumn 2024 to £133,083.00 (23 children) in Autumn 2025, an increase of £92,837.25 or around 70%.

13. Overall, the comparison shows that, while such funding (for working families) was used by a modest and widely distributed group of families in 2024, the entitlement expanded sharply in 2025 (when the funding went from 15 hours to 30 hours). This reflects demand increases from families living in the City of London, Tower Hamlets, and Hackney.

14. The Aldgate School experience of these changes is set out below, demonstrating a positive impact on income for the 0-2 childcare provision:

Table 1 DfE-funded childcare

The Aldgate School

Funding Type	Autumn 2024 Total	Autumn 2025 Total	Change
2-year-olds (families in receipt of government funding. Max. 15 hrs)	£4,845.75	£0.00	-£4,845.75
2-year-olds (working families. Max. 30 hrs)	£8,745.75	£8,911.50	£165.75
9 months to 2-year-olds (working families. Max. 30 hrs)	£6,015.75	£23,731.50	£17,715.75

15. The current City Corporation approach of providing financial support to a specific setting (The Aldgate School) to deliver childcare is a discretionary approach and in line with government policy to see nurseries based in primary school settings to deliver childcare. It is provided in addition to the Childcare Accessibility Scheme (which provides a subsidy direct to the family).

16. Officers have undertaken a survey of London local authorities to understand the extent of discretionary arrangements for subsiding childcare in addition to the DfE's Extended Childcare funding.

17. At the time of writing, 22 authorities had responded. One (Islington) provides a subsidy to settings to deliver affordable childcare to low-income households. A further six have schemes to support families similar to the City Childcare Accessibility Scheme, with a further two providing such support in exceptional circumstances. Thirteen local authorities offer no support, and nine have yet to respond. The City of London is unique in its scale of worker population when compared with other local authorities in London and beyond.

18. The number of children enrolled in 0–2 childcare at The Aldgate School (including the baby room and toddler room) is shown below in Table 2. The City Corporation's financial subsidy supports a maximum capacity of 16 places in 0–2 childcare. However, the support is not tied to City residence. It instead benefits the child wherever they reside. The current enrolment as of May 2026 shows 15 enrolled children in 0–2 childcare of whom only seven live in the Square Mile. These are disaggregated into two groups in the table, as the different age brackets are supported by differing staff ratios. The maximum number of children who can be accommodated in the childcare provision is determined by the space available, and the costs are determined by the statutory staffing requirements.

Table 2 May 2026 0–2 enrolled children at The Aldgate School

Room	Age	Total Number	**City resident**	Other (incl. Tower Hamlets)
Explorers (baby room)	0 to rising 2s	6 children	**2 children**	4 children
Discoverers (toddler room)	2 to rising 3s	9 children	**5 children**	4 children

Options

A. Continued financial subsidy

19. Business modelling put forward by The Aldgate School identifies the need for a subsidy for 0–2 childcare provision to remain viable.

20. Therefore, Members are invited to consider the option of subsidising The Aldgate School up to £60,000 p.a. to allow for the 0–2 childcare to be sustained. It is proposed that this is provided on an ongoing basis with biennial reviews by this Committee. In addition to £60,000 p.a. ongoing, Members are invited to approve

£66,070.02 as a one-off discretionary payment to support The Aldgate School in meeting its obligation as an employer with its responsibility for protecting the pay of staff impacted by potential changes to their terms of employment.

21. This funding would come from the City Corporation's local risk budget for delivery of Children's Centre services, from which the current £174,000 funding is drawn. If agreed, the net amount of £114,000 would be available to the department for its Family Hub delivery. If Members were to reject this option, the full £174,000 would return to the Family Hub budget.

22. If agreed, it is proposed that permission would be given to retain sufficient resources (£66,070.02) from underspend in the agreed funding in 2026/27 and part of 2027/28 to fund pay protection for four staff.

B. Confirm decision to end financial subsidy from September 2027

23. The alternative proposal is that Members confirm their decision from June 2025 to cease up to £174,000 p.a. discretionary subsidy. The City of London Corporation continues to face an increasingly challenging financial environment and is committed to being transparent about the implications of this context. All services need to be delivered more efficiently. Governors have confirmed their decision – should Members confirm this option, that the 0–2 childcare provision delivered by The Aldgate School will cease in September 2027.

24. This would be consistent with other childcare settings the Square Mile in that the City Corporation does not provide direct funding. Childcare providers across the City (five plus a workplace nursery) can deliver their childcare services from revenue streams of DfE funding and parents' fees.

25. The benefit of such subsidy to children resident in the City is limited (as set out above). However, the removal of funding from The Aldgate School could see the potential closure of the school's 0–2 childcare provision.

Corporate & Strategic Implications

Strategic implications

26. These options align with the Corporate Plan 2024–29 and the Community and Children's Services Business Plan by:

27. 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.

28. 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

29. 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 efficiently. The proposed subsidy of up to £60,000, if agreed, (plus £66,070.02 one-off funding for pay protection) would be drawn from City Fund and require a new Service Level Agreement from September 2027 between The Aldgate School and the City Corporation for sustained delivery of 0–2 childcare. Should Members confirm their decision to withdraw the existing subsidy of up to £174,000 p.a., that full amount would be available for Best Start in Life activities across the City.

Resource implications

30. Existing resources to be drawn on for delivery of Members' decision.

Legal implications

31. There is no statutory duty on the Corporation to provide subsidised childcare. Its provision is discretionary and pursuant to a power to assist providers of childcare (including providing financial assistance – under Section 8 Childcare Act 2006).
32. The City Corporation is obliged to ensure there is sufficient childcare in its area to meet the needs of residents. Compliance with this statutory duty is assessed bi-annually through the Sufficiency Survey commissioned by the City Corporation. This is available on the City Corporation's FIS webpages and was last undertaken in December 2025.
33. The City of London Childcare Sufficiency Survey shows that there is sufficient childcare provision in the City, including if the 0–2 childcare provision at The Aldgate School were to close. In addition to the childcare providers in the City, one provider in Tower Hamlets, 0.4 of a mile from The Aldgate School, is part of the City's Childcare Accessibility Scheme.
34. The requirements for good decision-making including the exercising of discretionary powers in public law, are that decisions are rational, within relevant legal powers and are procedurally correct. Complying with these principles reduces the likelihood of a successful legal challenge.
35. The Corporation is also under a duty to comply with the best value duty. The duty is set out in the Local Government Act 1999 and provides that local authorities must:

> "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness".

Risk implications

36. Should Members decide on Option B, Governors of The Aldgate School will enact their decision to cease the 0–2 childcare provision at the school in September 2027.
37. Should this Committee not approve an ongoing subsidy of up to £60,000 p.a. to sustain the 0–2 childcare provision at The Aldgate School, a reduction of staff posts will likely be necessary. The responsibility for redundancy payments and pension pressure is that of the City of London Corporation to meet (under Section 37 of the Education Act 2002).
38. If the 0–2 childcare provision closed from September 2027, The Aldgate School may then decide to pursue early plans to extend their 2+ childcare provision.

Equalities implications

39. 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.
40. An Equality Impact Assessment of the Childcare Policy was prepared and considered by Members of this Committee in June 2025. Mitigations were not required as the Equality Impact Assessment did not show any negative impact of the approved Childcare Policy. The City Corporation has undertaken a further Equality Impact Assessment, through the specific lens of 0–2 childcare, should Members not approve Option A. Please see Appendix 1. Sufficient mitigations are in place, (see paragraph 33). The requirements of the Equalities Act 2010 have been adhered to and will continue to be kept under review as matters progress.

Climate implications

41. Not applicable.

Security implications

42. Consideration of alternative use of the existing 0–2 childcare space at The Aldgate School, from a safeguarding perspective, has ruled out private, voluntary and independent childcare providers delivering 0–2 childcare from the school's space.

Conclusion

43. Members are asked to decide whether to approve a discretionary subsidy of up to £60,000 p.a., together with the use of any agreed underspend to support pay protection of £66,070.02, to enable The Aldgate School to continue delivering affordable 0–2 childcare from September 2027. Alternatively, Members are asked to confirm their decision made in June 2025 to cease the discretionary subsidy of up to £174,000 from the end of the 2026–2027 academic year. In reaching a decision, Members are invited to balance the value of retaining a locally

accessible and affordable childcare offer – particularly for families in Portsoken Ward and those on lower incomes – against the discretionary nature of this funding in a challenging financial climate. Also, the City Corporation would continue to meet its statutory childcare sufficiency duty if the provision were to cease.

Appendices

- Appendix 1 – Equality Impact Assessment
- Appendix 2 – Children's Services uptake from September 2025

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
- 19 June 2025 – Community and Children's Services: Children's Centre Services and 0–2 childcare arrangements
- 16 March 2026 – Community and Children's Services: 0–2 childcare provision at The Aldgate School

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