

**This report will also be submitted to the Joint Negotiating Committee on 29 March 2000**

## **CHILDCARE SUBSIDY SCHEME - FINANCIAL IMPLICATIONS**

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### **1. Purpose**

- 1.1 To update the Committee on the latest position on the discussions over the Child Care subsidy and the likely budget implications for 2000/2001.

### **2. Summary**

- 2.1 The Policy and Resources Committee, at its meeting on 19 October 1999, resolved to terminate the Council's Childcare Subsidy Scheme (Minute PR63/00 refers). Informal discussions were held with the Staff Side during Autumn 1999. It was understood that formal negotiations regarding the implementation of this proposal would begin in the New Year once the Working Families Tax Credit was better understood.
- 2.2 Unless agreement is reached or a decision is taken to proceed unilaterally to terminate the scheme, the Council is legally obliged to continue this scheme and therefore budgetary provision is required.

### **3. Recommendations**

- 3.1 That the legal and financial obligations arising from the current position on the proposal to withdraw the Child Care Subsidy Scheme from 1 April 2000, be noted.
- 3.2 That consideration be given to whether negotiations intended to remove the scheme should continue.

#### 4. **Background**

4.1 The original collective agreement for single status, introduced on 1 April 1998 states:

'The Council is committed to the provision of assistance to those with responsibility to child care and will seek to target this in order that employees with lower incomes benefit from the scheme. A fixed sum of £130,000 is to be allocated, this sum to be set in the budget round and the level of benefit to be fixed in accordance with an agreed formula. The needs of those currently in receipt of the benefit and who would no longer be eligible will be met through a protection arrangement which will be agreed with the unions.'

It has long been recognised that it was going to be difficult to collectively agree the withdrawal of this subsidy and the staff side have informally indicated their strong resistance to this proposal.

4.2 The amount of child care paid to individuals is calculated from 1 September each year. The calculation is based on the number of employees in the scheme, the level of current subsidy and the amount in budget. A total of 20% is held back as a reserve fund in order to provide for new babies (10%) and new employees eligible for the scheme during the course of the year (10%). Currently the child care year runs from 1 September until 31 August the following year, as opposed to the financial year.

4.3 In September 1999, the amount of subsidy calculated per employee was held to the previous level despite more money being available within the budget for the subsidy, due to the delay in staff groups becoming eligible under single status. The excess was taken back centrally as part of the budget reduction exercise.

4.4 The Green Book states that 'Authorities should take reasonable steps to ensure adequate support for employees with responsibilities for children and dependants'.

4.5 In order to meet its budget the Policy and Resources Committee has determined a saving which includes the withdrawal of child care subsidy from staff who are now able to apply for the Working Families Tax Credit if they satisfy the relevant criteria (Minute PR63/00 refers). A sum of £10,000 was left in place for the year 2000/01 to be used for protection cases.

4.6 In order to begin the formal negotiations, a Joint Negotiating Committee was called for 21 March 2000 to facilitate negotiations and propose the withdrawal of the scheme to the staff side. As the number of Members at the meeting did not constitute a quorum, the meeting was adjourned.

4.7 A further meeting of the JNC has been called for 29 March 2000 to discuss this issue. The Policy and Resources Committee will receive an oral update of the results of that meeting.

4.8 Whether or not agreement is reached with the Staff Side to withdraw this subsidy, the Committee needs to be aware of the possible implications if it is withdrawn forcibly and of the implications should the scheme continue.

4.9 There will be an increase in the number of employees eligible for this subsidy in the future as School Support Staff come under single status from 1 April 2000.

## 5. **Issues and Choices**

### 5.1 **Continue with Scheme**

The Council is legally obliged to continue with the scheme unless it is withdrawn by agreement or by unilateral action by the Employers. Therefore budgetary provision for part or all of 2000/01 needs to be made. The estimated cost of the scheme until 31 August 2000 (the end of the existing contracts) is £29,000. This does not take account of school support staff who may be eligible from 1 April 2000, new starters and new babies. The financial assessment at 6.3 suggests that the total amount of £130,000 agreed originally is likely to be needed if the scheme continues throughout the year.

### 5.2 **Terminate the Scheme**

It looks unlikely that it will be possible to terminate the scheme with the agreement of the staff side. The alternative is to enforce this contractual change on staff. Employees' existing contracts of employment would need to be terminated and re-issued. This will take at least 90 days and may lead to claims of unfair dismissal, breach of the collective agreement and industrial action. Claims of discrimination may also result. The effect on the Council's industrial relations climate and the likely publicity will be damaging. Until the scheme is changed or terminated, either by agreement or by unilateral action by the Employers, the Council is legally obliged to continue funding the scheme.

## 6. **Implications**

### 6.1 Environmental

None.

### 6.2 Equalities

The majority of employees who have taken up this subsidy are female (86%). This percentage may increase further when School Support staff become eligible on 1 April 2000.

### 6.3 Financial

The single status agreement states that a fixed sum of £130,000 should be allocated to childcare provision. However, it is estimated that £29,000 is needed to pay for existing contracts until 31 August 2000. Based on this, it is estimated that approximately £84,000 will be needed for 2000/01 to provide for current contracts and a 20% buffer for new starters and babies. In addition, an estimated £30,000 is likely to be needed to provide for Schools Support staff, of whom approximately 70 are likely to take up this subsidy from 1 April 2000.

#### 6.4 Legal

Any enforced change in the contract of employment for all employees who are eligible must be undertaken with care to minimise the risk of claims for breach of contract, breach of the collective agreement, unfair dismissal or discrimination of grounds of equality. In practice it may be impossible to avoid successful claims that the collective agreement has been breached. Until a change is made, the Council is required to continue the scheme.

#### 6.5 Staff and Accommodation

None.

### 7. **Conclusions**

7.1 If the Council is to terminate the Child Care Subsidy, it needs to be fully aware of the likely financial and legal implications and actions required to achieve the withdrawal of the scheme.

Background Papers: See other papers on Joint Negotiating Committee agenda