

## NURSERIES

# Shouted down

## Gordon Brown looks set to renege on his flagship policy for childcare reform

Fortunately for the nursery industry, politicians and parents alike have thrown their toys out of the pram over Gordon Brown's plans to scale back tax relief on childcare vouchers policy. Dreamt up as a zinger to unite the party faithful, Brown announced at the Labour Conference he would overhaul the system to favour those in lower income households.

But like many of the Prime Minister's plans of late, the move has backfired spectacularly, as observers realised it effectively meant a tax rise on the middle classes. This understandably raised the hackles of both nursery providers and nursery voucher firms (see last month's *EducationInvestor* for details). Now Brown has to deal with a backbench rebellion over the policy. In fact, a whopping nine former ministers have come out in opposition to the plans.

You only have to look at the list of rebellious loyalists to realise how deep-rooted the party's opposition is: Patricia Hewitt, Estelle Morris, Hilary Armstrong, Beverley Hughes, and Caroline Flint all signed a letter describing the policy as "greatly unfair" and a move that could "mark the undoing of one of Labour's landmark achievements".

The word coming out of Downing Street,

however, is that Brown is ready to back down. While the details are scarce, reports are claiming that the voucher scheme will stay for middle-income parents; only those in the top tax bracket (that's those earning over £43,875 a year) would lose the current tax relief. Childrens' secretary and über-Brownite Ed Balls said it was "good for the Treasury to listen" to concerns about the scheme. A Downing Street source added, "We've always said we are in listening mode on this one".

Well, for one, Simon Moore, managing director of Computershare Voucher Services, has had plenty to say on the topic. Moore has led a furious campaign against the policy since the conference and will no doubt feel vindicated by reports of a climbdown. "The outrage that has greeted the Prime Minister's announcement has been phenomenal," he says. "These vouchers are a real benefit to hundreds of thousands of hardworking parents and Brown's callous dismissal of them has caused real anger."

Rough calculations have suggested that middle class families could be left £2,400 worse off by the policy - but the plan would hit Moore a lot harder than that. Computershare Voucher Services was created last year when Computershare, the Australian management services provider, paid £90 million to acquire Busy Bees' voucher business from the

now liquidated ABC Learning Centres. The deal looked like a savvy one at the time. But Computershare and its rivals in the voucher sector - Accor Services, Grass Roots, Sodexo Pass - will have spent the last few weeks holding their breath.

This climbdown will be a relief. But, if those anonymous briefings are correct, it is still only a partial reprieve. Around 25 per cent of those currently benefiting from the voucher scheme earn above the top tax bracket, and will still lose their right to childcare tax breaks.

This will inevitably affect the voucher providers. It may also affect the nursery firms themselves. After all, the industry has geared itself towards the voucher system in recent years. To exclude 25 per cent of its recipients - even the most well off - is likely to reduce demand.

Whether or not Brown has the chance to see these reforms through remains to be seen. The signatories to the letter highlighted the political risk attached to pursuing the policy. "In the run-up to an election," they wrote, "it will remove support for working parents and for businesses in key marginal constituencies." The nursery sector, it seems, has made its point. ■

