

Item No.	Classification: Open	Date: 9 th June 2003 17 th June 2003	Meeting Name JOINT REPORT TO: <ul style="list-style-type: none"> • Overview and Scrutiny Committee • Executive
Report title:		Early Years Best Value, Implementation Progress Report	
Ward(s) or groups affected:		All	
From:		Director of Education	

RECOMMENDATION(S)

1. That Overview & Scrutiny Committee receive this first progress report on the implementation of the Best Value Review of Early Years, prior to its consideration by the Executive.
2. That the Executive receives the first progress report on implementation of the Best Value Review of Early Years.
3. That the Executive agrees the Early Years Improvement Plan 2003/08 attached as Appendix 1 to this report.
4. That the Executive agrees the Performance Indicators for the Early Years Service for the period 2003/06 attached as Appendix 2 of this report.

BACKGROUND INFORMATION

5. On December 4th 2002, the Executive agreed the Best Value Vision Early Years, which set out a series of strategic objectives including a major realignment of funding of the Service that would potentially enable savings of up to £3.5m to be achieved over a 5 year period. (NB. £1.5m of the savings was identified and agreed in the report between 2004/06 with a further £1.5m by 2007/8).
6. The principal objective of the Early Years funding strategy is to target Council subsidy towards services for vulnerable children and those at risk whilst encouraging working parents to claim financial subsidy towards the cost of their childcare via the Government's Working Tax Credit scheme. This approach was noted as being in line with many other London Local Authorities and would bring daycare fee levels on par with our neighbouring boroughs. It was also noted that this approach met with the objectives of the Government's 2002 spending review, which announced substantial new investment in childcare, with the intention of doubling resources between now and 2005/06.
7. It was agreed that this funding strategy would be applied across early years services wherever possible within both the maintained and voluntary sectors, commencing with the Council's Early Years Centres from April 2003 and extended to the Voluntary Sector through a Commissioning arrangement from April 2004.

8. It was highlighted that there was a significant level of risk attached to the implementation of key aspects of the Vision such as the proposed funding strategy, and that implementation would need to be carefully managed to minimise the risk of unnecessary loss of childcare places.
9. The Executive requested a monitor of the implementation of the Vision and report back with a progress report in April and October 2003 and again in January 2004. The Director has been specifically requested to assess the impact of the Best Value Review recommendations on early years voluntary sector providers and their ability to become sustainable community social enterprises by April 2004.
10. The Early Years Best Value Vision was called in by the Overview & Scrutiny Committee [OSC] and considered on 18th December 2002. As a result OSC asked the Executive to reconsider its original decision taking into account the following particular concerns, i.e.
 - (a) That the Executive be asked to reconsider the affordability of the in-house charges for childcare for two or more children prior to budget-setting.
 - (b) That the Executive consider the experience of boroughs where changes to subsidy have led to the collapse of the community sector.
 - (c) That future reports on Early Years should explicitly address the affordability of charges in excess of the maximum tax credit.

Reason for Lateness and Urgency

11. Not applicable for Executive.

KEY ISSUES FOR CONSIDERATION

Policy implications

12. Following the approval of the Early Years Best Value Review, a 2003-2008 Improvement Plan to achieve the 8 Objections of the Vision, has been written and agreed by the Executive Member for Education and Culture. A copy of the Improvement Plan is attached as Appendix 1 of this report and Executive is asked in recommendation 3 to agree the Plan. In addition, there have already been a number of early achievements to report to Executive on the development of services. These include:
 - A 2003/04 budget is in place to achieve the first year savings of £618k identified in the Vision.
 - The Early Years Admissions procedure has been reviewed amended and is due to be published before the next intake of children.
 - An Early Years Admissions Officer has been appointed to the Service.
 - 3 Early Intervention Officers have been appointed to support Special Needs Coordinators (SENCOs) in early years settings, a further 2 specialist Early Intervention Officers are due to be appointed shortly.
 - A Training and Development Officer, part funded by the Early Years Development and Childcare Partnership has been appointed.
 - A gap analysis has been conducted and an action plan is in place to achieve the

- Investors in People Standard for the Service by 2004.
 - 3 new and 1 refurbished Children's Playrooms were re-opened to the public in March 2003, an official opening launch will take place to coincide with National Play day during week commencing 4th August 2003.
 - 13 new Business Plans for Early Years Centres and Children's Playrooms have been produced for 2003/04 for managing services with a mixed economy of places.
 - A new Childminding Centre on the Aylesbury Estate has been secured with funding from New Deal for Communities (NDC).
 - Southwark allocation for developing a Children's Centre has been announced, £4.1 Capital and £1.7 Revenue funding will be available between 2003 and 2006 creating 620 new childcare places, and reaching 9,272 children in the borough by 2006.
13. In April 2003 the new Child Tax Credit and Working Tax Credit replaced the previous Working Families' Tax Credit, Disabled Person's Tax Credit and Children's Tax Credit. The changes in these tax credits are expected to provide more generous support for families and working parents on low to middle incomes. In summary, the tax credits provide support as follows:
- Child Tax Credit – provides additional financial support for families with children, parents may be eligible whether they work or not, including families with incomes up to £58k. Students including Student Nurses may now also be eligible for Child Tax Credits.
 - Working Tax Credit – provides a top up to wages for those with or without children on low incomes. The amount people receive will depend on their circumstances.
 - Childcare Tax Credit – is an element of Working Tax Credit to help working parents with the cost of registered and approved childcare. It will provide up to 70% of childcare costs (for costs of up to £135 pw for one child and £200 for two children) giving maximum benefits of £94.50 for one child and £140 for two. Lone parents must work a maximum of 16 hours per week to be eligible couples can apply where both partners work 16 hours or more (or where one is not working but registered disabled).
14. Officers reported to Executive in December that the take up of Tax Credits in the last Financial Year was low in Southwark with approximately 18% of eligible parents claiming. To address this, officers arranged for all daycare providers and users to receive comprehensive and appropriate information on the new Tax Credits. All providers had access to a seminar explaining the new Tax Credits facilitated by the Inland Revenue in February 2003, and also, were encouraged to attend a free training session relating to Tax Credits for Lone Parents organised by the National Council for Lone Parents in March 2003. Each provider has since been given the opportunity to have a Working Tax Credit surgery on their premises for parents facilitated by Childcare Information Service officers.
15. The Daycare Trust produced the results of their 2003 survey of the cost of nurseries and childminders at the beginning of the year. The results showed the average cost of a nursery place in Inner London to be £168pw for an under 2's place and £152 for children aged 2-5 years. The report highlighted an average 6.7% increase in nursery fees across England in the last year.

16. The cost of a full time place at a Council run Early Years Centre increased from £100 to £135pw on 1st April 2003. A reduction for siblings is in place, families with 2 or more children under 5 attending a Centre will pay 70% for the second and subsequent children. Management Committees of Community Nurseries were written to February 2003, urging that consideration be given to increasing their fees from April 2003 in line with national trends, and gave clear examples of what these increases should be based on their current fee levels. Community Nurseries have also been encouraged to introduce a sibling discount similar to the reduction in place at Early Years Centres to help alleviate disproportionate financial hardship to parents with 2 or more children in line with Tax Credit benefits. All Community Nurseries have responded by increasing their fees as suggested from April, others have opted to implement a gradual increase every 2 months between April and September 2003. The minimum Community Nursery fee is now £90 and the maximum is £115 per week.
17. The Early Years service is required to make available daycare places to vulnerable children referred by Social Services (Social Workers and Health Visitors) and children with special needs. Most of these children are currently placed in Early Years Centres. There are plans to increase the capacity within the voluntary sector, Community Nurseries and sessional providers to enable placement of vulnerable children, which will enable greater choice for parents and allow a wider geographical spread of provision. Plans are in place to adjust the balance of fee-paying and free places across Early Years Centres and Voluntary Sector provision over time to achieve this. Additional fee paying places have already been created at Early Years Centres. It has also been necessary to introduce a capacity building programme within the voluntary sector to support placement of vulnerable children through commissioning which will be developed and piloted at 2 community sector provisions during this financial year in preparation for a wider roll-out from April 2004.
18. The criteria for admission to daycare has been updated to reflect changes in respect of parents entitlement to Benefits, e.g. students and trainees are no longer included as they are not entitled to access Income Support and therefore, be eligible for a free place. The admissions categories are now as follows: **(subject to agreement from Social Services)**
- Category A: Children at risk of significant harm
 Category B: Vulnerable families
 Category C: Fee paying customers
- (N.B. children with special needs are included in all categories, including 64 places specifically available for these children within Early Years Centres).
19. As at April 2003, the service had a total of 297.5 children with category A or B needs placed across the service, this includes:
- 141 children in Category A
 139 children in Category B
 15 children whose parents are students*
 (*children placed before the Admission Criteria changed in April)
- There are also 92 children on the waiting list for Social Services places (32 Category A and 60 Category B). It has not been possible to place these children, as appropriate placements are not available for the age range predominantly under 2 years.

20. Initial assessment has indicated that 280 places will be required for children with categories A and B needs across the service. These placements will be referred to Early Years via Social Services and fully subsidised by the Council. Children from category C will enter the service directly via the updated Early Years Admissions policy or directly to community sector provision.
21. All community sector providers will be involved in a capacity building programme during 2003/04 to increase their ability to generate income to replace grant aid and to enable their inclusion in planned commissioning arrangements. Early Years Centre Managers will also share expertise in managing placements for vulnerable children with neighbouring voluntary sector providers where practical in a form of mentoring role. The following areas have been included in the capacity building programme:
- Working Tax Credit seminar and surgery sessions for providers and parents.
 - Support to develop an appropriate pricing policy for 2003/4.
 - Development of a business plan with support from a Consultant (with resources from the Early Years Development and Childcare Partnership).
 - Staff and Management Committee training needs analysis.
 - Workshops to support becoming a Company limited by guarantee.
 - Assessment of capacity to accept children with special needs.
 - Block advertising of community sector daycare/sessional vacancies
 - Development of a childcare placement cost to support commissioning (Officers and voluntary sector working group).
22. The Early Years Best Value Improvement Plan includes a strong emphasis on increasing educational input and outcome measures for children across early years services. Plans to appoint a team of 10 qualified teachers to work across the service to support Early Years practitioners with the implementation of Foundation Stage curriculum is in place. There is also a commitment to improve and maintain quality standards across the service, a Southwark Quality Kitemark has been developed and a programme is in place for providers to sign up to the Kitemark and work to achieve the quality standard over the coming years.
23. A significant number of Local Authorities have adopted funding strategies for their Early Years voluntary sector similar to that agreed in Southwark. An initial assessment of 2 other London Boroughs with funding strategies to withdraw grant aid from their community sector towards self/alternative financing has been conducted. Information from the Authorities contacted confirms that within the voluntary sector, community nurseries have been targeted for the most significant reductions in Council funding and they have maintained services by increasing fees to parents, accessing Nursery Education Grant and by becoming involved in Sure Start programmes, New Nurseries Initiatives and other local projects. The approach to alternative funding arrangements of sessional providers i.e. playgroups is less available.
- i) Kensington and Chelsea
- A decision was taken earlier this year, for its 3 community nurseries, which have a total grant allocation of £554k for 2003/4, to have only the first quarter funding released and total withdrawal of the balance of funding withdrawn by the end of August 2003. Community Nurseries have access to a business support officer employed by the Authority free of charge, and will be required to develop a robust business case within this first quarter to show how they plan to remain sustainable once funding has been removed. Decisions may be taken to offer a bridging loan to

nurseries beyond August 2003 if an acceptable plan has been developed, but no further grant aid will be available. The Authority has given a commitment to consider community nursery staff for employment within its own Children's Centres and to allocate places for any children displaced as a result of any nursery unable to remain viable after August 2003. The impact of this approach will be reported on further to Executive as part of the October 2003 progress report.

ii) Lambeth

A major reorganisation of early years services over a three year period is taking place in Lambeth, which centres on transfer of council run nurseries to the private and voluntary sector and closure of in house provision. Community Nurseries have had funding withdrawn progressively in recent years, and although exact figures were not made available, it was stated that Council funding of the voluntary sector is minimal and organisations are expected to secure income via pricing policies including encouraging parents to take up of Working Tax Credits, and bids for alternative funding, such as Sure Start and New Nurseries Initiatives. A number of playgroups in Lambeth receive small grants from the authority, which are paid directly to management committees of groups and not through an Association as is the case in Southwark.

Effect of proposed changes on those affected

Providers

24. An action plan deriving from the Early Years Improvement plan has been put into place and all providers have begun to implement changes to their services to meet the Objectives set out in the Vision. The most immediate changes to pricing policies and range of customers has been effected at Early Years Centres, Community Nurseries and Children's Playrooms. Plans are in place to conduct a thorough audit of playgroups, the Southwark Childminding Association and the Pre School Learning Alliance commencing April 2003 before proposing any significant changes to their operation.

Users

25. A snapshot audit has been conducted on usage of Early Years Centres and Community Nurseries on 1st April 2003, to show statistics including:
- Take up of Working Tax Credits
 - Take up of places and any unusual withdrawal of children/vacancies
 - Number of families with 2 or more children under 5 and their use of childcare
26. Responses were received from 7 of the 10 Community Nurseries and 8 of the 9 Early Years Centres. It should be noted that this audit gives a very early assessment of impact on daycare following the Review and that it does not include any information relating to playgroups/sessional provision or services provided by umbrella organisations. There is a clear need for further more sophisticated data to be produced by an independent body, particularly in relation to Working Tax Credits take up and an assessment of financial benefit to parents and the link to maintaining affordable childcare. Plans for this level of data capture and analysis to be conducted are being discussed with the Early Years Development and Childcare Partnership. The key findings of the 1st April 2003 audit indicate from the responses received:

- There was 86% occupancy of childcare places across Community Nurseries and 87% at Early Years Centres.
 - A total of 15 children left their childcare place prematurely between January and March 2003 (10 at Community Nurseries and 5 at Early Years Centres), reasons cited by parents include:
 - Fees already high for those not receiving maximum Working Tax Credits (WTC).
 - Parents have not received confirmation letters from the Inland Revenue regarding their WTC.
 - The fortnightly payment of WTC makes nursery fee payments difficult.
 - Increase of nursery fees, even though the current WTC claim does not run out till April 2003.
 - Possibility of getting into arrears due to length of time to process claims.
 - Nursery Education Grant (NEG) not being paid to parents but used as part of overall childcare subsidy.
 - In an attempt to support parents claiming WTC and those experience difficulty in paying the fees, Providers have:
 - Ensured parents have claimed all the financial support/subsidy they can.
 - Provide information about WTC, Lone Parent schemes, grants and the Childcare Information Service.
 - Offered Part-time places as a short/long term solution.
 - Re-assessed circumstances to see whether children are eligible for free care.
 - With regard to families with 3 children under 5 years old, there were no cases reported of families with 3 children under 5 and all attending a childcare provider in the Community Nurseries or Early Years Centres. A total of 12 families attending Early Years Centres and 1 family at a Community Centre had 3 children with 1 or 2 attending a childcare provider. Further research work regarding the impact of increased fees and access to Working Tax Credits for these families will be conducted in the next few months and reported on in the October report.
27. Based on information from the Inland Revenue, it is expected that low- income families will receive the greatest financial benefits from Working Tax Credits to enable childcare costs to remain affordable. However, there have been significant problems reported in the administration of the WTC scheme and many parents have experienced delays in receiving notification of their entitlement and/or payment of their benefit. Providers have therefore, had to introduce interim measures such as delaying payment of part of the fees until WTC benefits are received. This may impact on the implementation of the new fee structure if WTC delays are prolonged and parents are unable/unwilling to pay large outstanding fee arrears. There are plans for the Greater London Assembly to conduct independent research into the affordability issue for parents in London given the higher cost of living factor affecting families, which could reduce the actual benefit of Tax Credits, which is based on a national allocation rate.
28. Asylum seekers, Refugee families and other individuals without British residency status are not eligible for any form of subsidy towards their childcare costs even if they are working. It is recognised that this situation could lead to affordability

difficulties for parents, particularly those who wish to work. However, the Department for Education and Skills (DfES) has recently advised that Nursery Education Grant (NEG) claims can now be considered for children of Asylum seeker/Refugee families that do not have a birth certificate. This had previously prevented a significant number of children attending sessional/playgroup provision being eligible for NEG and therefore able to access affordable childcare, as providers were required by the DfES to obtain copies of birth certificates for Audit purposes. Further assessment of Asylum seeker and Refugee families' access to childcare will be undertaken and reported on in the October progress report.

29. Most students are now eligible to claim Child Tax Credits towards the cost of bringing up their children, but are as yet, not eligible to claim Childcare Tax Credits towards the cost of their childcare. Some students are entitled to childcare grants through the Further Education Funding Council, or through a range of Education bursaries. The Department for Education and Skills, has this month released information that from August 2003 new childcare funding of up to £5,000 will be available to young parents aged 16-19 wishing to return to education, training or work based learning.

Resource implications

30. Following the development of an Early Years Best Value Review Improvement Plan 2003/08, a number of performance indicators have been established for the service, and will be used to measure key areas of performance, use of resources and service delivery over the next 5 years. A copy of these indicators is attached as appendix 2 of this report.

Consultation

31. Between January and April 2003, a series of consultation has taken place with providers in the voluntary sector and managers/staff of Council run services to explain the objectives of the Vision and the changes to be put in place commencing April 2003. Draft copies of the Early Years Improvement Plan have been widely circulated and feedback incorporated into the document as appropriate. A copy of this report and appendices has been sent to Chairs of all funded Early Years voluntary sector organisations.

Below is a table showing the level of consultation that has taken/is due to take place on the Improvement Plan and its implementation:

Early Years Managers and Staff (including Early Years Centres, Children's Playrooms)	Presentation of the draft Improvement plan by the Head of Service in February, all staff given a copy of the document. Individual visits made to service managers regarding implementation and business planning.
Social Services	Specific meeting held with Social Service representatives and written comments received.
Elected Members	Individual meetings held with the Cabinet Member for Education and Culture and Councillor Andy Simmonds (March and April respectively). Presentation of BVR Implementation Plan to OSC on 9 th June 2003 prior to Executive meeting on 17 th June 2003.

Voluntary Sector Providers	Draft copies of the Improvement plan sent to all funded organisations, written comments incorporated into the document. Officer visit made to each funded management committee. Officer attendance at 3 Community Nurseries Network meetings (Jan – March).
Early Years Development and Childcare Partnership	Presentation made to the Executive, written comments received and incorporated.
Trade Unions	Presentation made to DLC, opportunity for follow up meeting(s) offered.
Parents/Service Users	Summary document of the Improvement Plan to be produced and circulated to all services users during first 3 months of implementation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
<i>Best Value Vision for Early Years – (Executive Committee report December 2002)</i>	<i>Early Years After School and Play Service, Education & Culture Directorate John Smith House</i>	<i>Glenn Garcia Business Development Manager Tel: 020 7525 5044</i>
<i>Daycare Trust News Release (30/01/03)</i>	<i>Early Years After School and Play, Education & Culture John Smith House</i>	<i>Glenn Garcia Business Development Manager Tel: 020 7525 5044</i>
<i>Impact assessment on Closure of 3 Council Run Early Years Centres (Lambeth Council Early Years)</i>	<i>Early Years After School and Play, Education & Culture John Smith House</i>	<i>Glenn Garcia Business Development Manager Tel: 020 7525 5044</i>
<i>Review of Services for Children Under 5 (Kensington & Chelsea, Social Services)</i>	<i>Early Years After School and Play, Education & Culture John Smith House</i>	<i>Glenn Garcia Business Development Manager Tel: 020 7525 5044</i>

Audit Trail

Lead Officer	<i>Director of Education and Culture</i>	
Report Author	<i>David Wallis/Glenn Garcia</i>	
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Dated	<i>28th April 2003</i>	
Key Decision?	<i>No</i>	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	Yes	Not at time of publication.
Chief Finance Officer	Yes	None made.

Executive Member	No	No
Date first draft report sent to Scrutiny Team	5 th June 2003	