

	<b>Classification:</b> Open/ <del>Closed</del> *	<b>Date:</b> 1 <sup>st</sup> & 23 <sup>rd</sup> March 2004	<b>INFORMATION ITEM</b> For Members of: Overview and Scrutiny Committee Executive Committee
<b>Report title:</b>		Early Years Best Value, Implementation Progress Report (3)	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Education and Culture	

## RECOMMENDATION(S)

1. This is an information only item.

## BACKGROUND INFORMATION

2. On December 4<sup>th</sup> 2002, the Executive agreed the Best Value Vision for the Early Years Service, 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 5year period. (NB. £1.43m of the savings was identified and agreed in the report between 2004/06 with a further £2m by 2008/9). Savings of £618k in year 1 (April 2003) were found from increasing fees at Early Years Centres and reducing Senior management costs. The second year of budget reductions (April 2004) is largely due to be funded by a recommended 50% reduction in the voluntary sector grants budget, which is equivalent to up to £669k worth of savings. The remaining savings (approx.) £150k to be found by a further increase in Early Years Centre fees from £135pw to £150pw for children under 2 years old. The third year of reductions (April 2005) identified £20k of savings.
3. The principal objective of the Early Years Best Value 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. It was highlighted that there was a high level of risk attached to the implementation of key aspects of the Vision, most specifically, the proposed funding strategy, and that implementation would need to be carefully managed to minimise the risk of unnecessary loss of childcare places.
4. The Executive requested that 3 progress reports be presented during this Financial Year to monitor the implementation of the strategy. The first 2 progress reports have highlighted that significant progress had been achieved in terms of implementation of the strategy and that all providers had begun to develop their individual business plans, attend training sessions, develop new pricing policies etc. However, it was also stated in the last report to Executive that some providers were experiencing difficulty in maintaining their occupancy levels due to an increase in the turnover of children which providers felt was attributed to the introduction of their new pricing policies (higher fees) and an increased number of parents choosing to take offers of free school places earlier. This pattern of change reflects the current spending power of parents in respect of childcare and the increasing parental choice available.

5. The last report to Executive informed that it was likely that not all providers would be in a position to sustain a 50% reduction in grant aid from April 2004 and remain viable. Officers planned to conduct a full assessment of the business plan and funding position of each provider and put forward a revised level of grant aid for each group based on this information. Any shortfall in year 2 (2004/5) savings due to these revised grant aid reductions, were to be found from within the Early Years budget to achieve the overall savings target of £800k.

## **KEY ISSUES FOR CONSIDERATION**

### **6. *Executive Summary***

This is the 3<sup>rd</sup> monitoring report to the Executive in respect of implementation of the Early Years Best Value Review. The Children's Services Business Unit with the support of its partners has successfully implemented the majority of action points set out in the Best Value action plan (a copy of the implementation plan mid-year monitor is available to Members on request).

Although the Education and Culture Department has successfully recruited three specialist early years teachers to support Early Years settings in an advisory role, we have yet to complete the recruitment of this team of up to ten teachers. The posts have been re-advertised and we are due to consider new applicants in March 2004.

The Children's Service (Education and Culture) business unit, has been reorganised to include all education services to children aged 0-16 (excluding youth services). A copy of the new Children's Services (Education and Culture) structure chart is attached as Appendix 5 of this report.

Government policy continues to develop with regards to the delivery of services to children and families. At the time of implementing the Best Value Review, the Council was not aware of the contents of the Green Paper "Every Child Matters" or the multi million pound additional resources to be made available between the 1st April 2004 and the 31<sup>st</sup> of March 2006 to develop the Children's Centre Strategy (£1.2m revenue funding and £4.2m capital funds).

The challenge is to successfully deploy the new resources to deliver an integrated education, health and social welfare programme whilst at the same time reducing the subsidy for childcare in order to maximise the income from the Working Tax Credits and to ensure no loss of current childcare provision.

The New Neighbourhood Initiative and the Children's Centres funds come with targets to develop 1100, plus daycare places by March 2006 and a 9,000 reach target. In order for Southwark to make significant progress in the development of children services, we have strategically analysed the demand for childcare places allowing for quantity, quality and location.

The 2003 audit of childcare provision in Southwark identifies that there 4,343 Ofsted registered daycare places across the private, maintained and voluntary sectors. There is a total of 17,355 children (approx.) under the age of 5 in Southwark, which is due to increase. There continues to be a major unmet need for childcare provision with an average of 25 per hundred places available across Southwark, appendix 1 shows the current childcare penetration rates by Ward. (A copy of the full 2003 Childcare Audit is available to Members on request).

The Children's Services Business Unit was asked to initiate the change in pricing policies from the 1<sup>st</sup> April 2003 Early Years Centres' were required to test the effect of increasing the fees to £135 per week. The initial effect of the price increase was to lose customers and it has taken the majority of the year to build back this capacity.

There is every indication from the analysis of other local authorities pricing policies that we set the price of £135 at the correct level. Therefore we are starting 2004 with the majority of our places being filled. In order to support the strategy, we have agreed to allocate 50 of the Early Years places to low-income families and to subsidise their fees using Neighborhood Nursery Initiative funding (Appendix 2 shows comparisons with other local authorities).

The Council has successfully reviewed its admission policies and set new criteria for the allocation of free places under the Children Act. The initial target of 280 free places appears to be correct as per the end of year analysis. However, it should be noted that with the additional family support activities and employment of family welfare advisors in Social Services, and specialist early years advisors for implementing the SEN code of practice that we are likely to identify an increased number of children and families that require support under the Children Act.

A process has been established with the Social Services Directorate to monitor the needs of vulnerable families and children, this will allow the Council to meet its statutory obligations.

The engagement of a business consultant to work with the voluntary sector to develop business plans has proved to be a major success and will have significant long-term benefits in the stability of these organisations. The recent analysis undertaken by officers to assess their business plans should give both the organisations and the Council confidence that they will remain in business following the implementation of the grant reductions on the 1<sup>st</sup> April 2004.

The Business Development process has also identified the need for Children's Services and the Childcare Partnership to continue working closely with the voluntary sector to capacity-build their organisations. A main lesson learned during the review process is that community nurseries need to be of a certain size in order for them to have successful long-term financial stability. Therefore this indicates the importance of directing the new development funds towards the voluntary sector and expanding their capacity.

Further notable successes in the first year of implementation of the Best Value review include the employment of the specialist development team of Early Years intervention officers and specialist support advisors such as an education psychologist and a speech therapist. Of the four play centres located in parks, one has been refurbished and three others were replaced with new facilities.

If the Executive approved the grants programme as recommended, the Best Value Review of Early Years services would have achieved 1.4 million pounds worth of savings without the loss of any child care places. A new fund has been identified by the government called the "Sustainability Fund". Southwark has been allocated 588k over the next two years to ensure that there is no loss of childcare places. This fund will be available to both current providers as well as those developing in new places.

As we enter into the second year of the implementation of the Best Value review, it is recommended that the Best Value project team is reconvened by July 2004 and that they undertake an assessment of progress to date. The project team will need to consider the impact of the Children's Centre strategy and the outcomes of any new legislation following the Green Paper. There is a need to continue to review pricing policies and impact on capacity, and also, to establish how further saving targets will be achieved.

The Council has already designated Bishops House Early Years Centre as a Children's Centre, which is fundamentally changing the nature of services providing to include health and welfare provision. A new centre is proposed for Peckham and to replace the Tenda Road Early Years centre.

The original Early Years vision report established that the saving target for the third year of implementation to be 20k, 2005/6. This figure will need to be reassessed in light of the final decisions made in respect of voluntary sector funding for 2004/5 and the impact of developing Children's Centres. The next stage of changes will be subject to further business planning process.

## **7. Policy implications**

Since the last Early Years Best Value Implementation progress report development work with early years daycare providers (voluntary sector and Early Years Centres) has continued and a number of achievements including those listed below have been made:

- All funded providers have produced and submitted a business plan for the period 2004/2007.
- Training sessions for voluntary sector Management Committees and key staff including: Fundraising, becoming a Limited Company and Marketing.
- The Southwark Children's Information Service has conducted a comprehensive programme of outreach work across the borough promoting the take up of Working Tax Credits to parents.
- A bid has been submitted to the Neighbourhood Renewal Fund to provide additional resources to help us place students with childcarers and also, to work from job centres to support candidates looking for childcare.
- A Children's Centre Strategy has been agreed by Executive and we are awaiting feedback from the DfES.
- An Education Psychologist for under 5's has been appointed to the Early Intervention team to support providers.
- 3 Specialist teachers have been appointed to support early years providers, and recruitment for a further 7 teachers is underway.
- The Southwark Quality Kitemark has been submitted for Investors in Children accreditation and will be used as the quality standard for all providers in the borough.
- A specification for commissioning daycare places for vulnerable children from voluntary sector providers has been produced and places is due to be allocated from 1<sup>st</sup> April 2004.
- Contracts to deliver support to pre school playgroups and childminders by voluntary sector organisations are being developed for April 2004.

## **8. Working Tax Credits**

The new Tax Credits launched In April 2003, were 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:

- 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.
- 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. From April 2004, there will be an increase of £180 per week or £1,625 per child per year within child element of the Child Tax Credit.
- 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).

As previously reported to Executive, the Inland Revenue has reported an overall increase in take-up of Tax Credits in the UK. Whilst there has been a significant increase in the uptake of the Childcare tax credit in the past years, the majority of this increase has been accounted for by couples with one or two children. Childcare Tax Credits give the highest financial payment towards childcare for the first child (70% of up to £135 per week), less for the second child (70% of up to £200 per week for two or more children) and nothing extra towards the cost of childcare for any subsequent children.

#### 9. Nursery Education Grant

All funded voluntary sector providers are registered as providers of nursery education and able to claim Nursery Education Grant (NEG) for all eligible 3 and 4 year olds attending their service. On the January 2004 headcount date, community nurseries had a total of 116 NEG eligible children attending and were able to claim £416 for each child for the Spring term. Between January and December 2003 a total of £632,983 NEG was paid to funded voluntary organisations (community nurseries and playgroups).

#### 10. Fees and pricing of daycare

Details of fees currently being charged for local authority daycare in other boroughs is attached as appendix 2. Southwark is currently charging £135pw for a full time place at an Early Years Centre, this is due to increase to £150pw for children aged under 2 years during 2004/5. This pricing structure is commensurate with comparison boroughs where fees of between £50 and £165 are currently being charged, nb. many boroughs operate a banding system and charge a range of fees dependant on family circumstances.

#### 11. Children's Centres, Sustainability and NNI Partnership Working

To add to the sustainability and development of community nurseries and early years centres a number of voluntary sector organisations have been invited to work in partnership to develop new childcare places or seek additional funds to support family development projects.

Due to the high number of deprived wards in Southwark, the Health Authority was awarded and accepted seven Sure Start local programmes bringing significant investment for the development of services to children under 4 and family support strategies. The next stage of the Sure Start programme is the development of Children's Centres, again due to the high level of deprivation in Southwark the Children's Centre allocation is £4.2 million capital and £1.4 million revenue.

The Executive has recently received a report on the Children's Centre Strategy, which has a target of creating 620 childcare places and 9,000 reach target. Included within the Children's Centre Strategy are a number of significant developments, which relate to both early years centers and community nurseries.

The Children's Centre Strategy includes the development of Bishops House and Tenda Road Early Years Centres as Children's Centres, an extension to Nunhead and Ann Bernadt Early Years Centre. The Copleston, East Dulwich, Happy Faces and All Nations community nurseries are all linked to Children Centre developments (details of which can be found in the Children's Centre Strategy).

Five of the community nurseries are also involved in increasing their number of childcare places through the Governments Neighbourhood Nursery Initiative. A total of 124 new places will be funded at a unit cost of £5,400 per place over a three-year period.

### ***Effect of proposed changes on those affected***

The Best Value Review identified a number of significant changes that will specifically affect voluntary sector funded daycare providers and users of their services. This section provides an update on the implementation of these strategic changes to date and any subsequent affect identified.

#### Providers

12. The funding strategy for the Service as detailed in the Early Years Best Value Vision requires a realignment of resources to take place. This includes development of the following:
  - a. A mixed economy of children is maintained across services i.e. Council and Voluntary Sector daycare providers to provide a mix of services for vulnerable children, children with special needs and children of working parents
  - b. More daycare places for children with special needs
  - c. A commissioning arrangement from April 2004 for the Council to purchase places for vulnerable children and children with special needs from voluntary sector providers
  - d. Council funds to be targeted towards funding services for vulnerable children ensuring that funding follows the child not the provider
  - e. Council subsidy for working parents to be reduced and replaced with Government subsidy i.e. Tax Credits.
  
13. During 2003/4, significant development work involving business planning and training, has taken place with currently funded voluntary sector early years direct service providers to support implementation of the above Vision.

14. Before any 2004/5 grant aid reduction was recommended, officers ensured that:

- A robust business plan outlining a 3 year operation and financial plan for the organisation was available
- That each plan was assessed by the appointed Business Consultant for technical accuracy and to highlight any potential weaknesses/areas for further development in the plan
- Each organisation was offered an opportunity to discuss their plans and current issues they had with a panel of Children's Services (Education & Culture) officers

Details outlining the process that was followed with organisations to reach funding recommendations is attached as appendix 3.

15. Meetings with voluntary organisations provided an opportunity to obtain very specific up to the minute information in respect of each group and each funding recommendation which is detailed in appendix 4 of this report reflects this. However, the following generalisations were also able to be gathered from the overall discussions and feedback given by the 60+ voluntary sector representatives that attended these meetings:

- Business support and business planning process was very useful and has helped groups to focus on the childcare needs in their local areas and the services they plan to deliver in future.
- New pricing policies in the main have been successfully implemented, and the steady loss of children that had been raised as a concern earlier in the year is now reducing. One community nursery has been advised to reduce their process to help fill their places and remains the only organisation with a disproportionate number of vacancies.
- More support is required to assist with fundraising and accessing alternative funding initiatives such as Sure Start programmes
- Most groups are receiving significant levels of Nursery Education Grant for 3 and 4 year olds, particularly playgroups, but it is still proving difficult to maintain high numbers of children in this age group.
- Community Nurseries are charging fees of between £90 and £170 pw for a full time place
- Most playgroups are charging fees based on the current rates advised by the Pre School Learning Alliance which is £15pw for children not yet entitled to Nursery Education Grant and £2 per week for those aged 3 and 4 years that are entitled.

16. This meeting of the Executive is not being asked to approve grants as this is being considered at its meeting of 27<sup>th</sup> February 2004. 2004/5 grant aid reductions have been recommended at 50%, 25% and 0% based on 2003/4 funding allocations and without inflation. The detail of each groups recommended grant is given in appendix 4, and below, is a summary of the number of groups that have had their grant aid allocations recommended for reduction at each of the % levels.

	50% reduction	25% reduction	0% reduction
Community Nurseries	5	4	1
PSLA Playgroups	13	5	
Sessional daycare providers	1	1	1
Total	19	10	2

#### 17. Contracted services from voluntary organisations

Exemption from the Council's Contract Standing Orders has been sought to enable the Pre School Learning Alliance and the Southwark Childminding Association to deliver service specifications through a contract for a 12 month period without competition from other possible suppliers. This will allow a continuation of service to be maintained in the sector through this transition period.

#### 18. Southwark Pre School Learning Alliance

A delivery of a service specification through a contractual arrangement, is currently being negotiated with the Pre School Learning Alliance to deliver support to playgroups from 1<sup>st</sup> April 2004 in the following areas:

- Strategic development of Pre -School playgroup services in Southwark Supporting the delivery of a quality Pre-school Service that supports 'Raising of Achievement'
- Special needs support
- Grant aid and fundraising

Negotiations are also underway to reach an agreement for 2 employees of the Pre School Learning Alliance to be seconded to the Council for a specified period, to deliver a mentoring and support role to playgroups in the areas of quality development and achievement of the Southwark Quality Kitemark.

It is intended that special needs support to playgroups from 1<sup>st</sup> April 2004 to 31<sup>st</sup> March 2005, will be delivered through the PSLA in accordance with the service specification. Financial support to children will be available through the Subvention/SEN budget contained in the voluntary sector budget attached as appendix 4.

#### 19. Southwark Childminding Association

A service specification to deliver support services to childminders is being developed for negotiation with the Southwark Childminding Association to deliver services closely linked to the Council's childminding development plan for a 12 month period. This service will be funded from Sure Start budgets from April 2004.



## 20. Commissioning arrangements

A Commissioning Specification has been developed detailing arrangements for vulnerable children to be referred by the Council and placed within Community Nurseries from April 2004 and has been consulted on with Community Nursery representatives and Social Services. A Service Contract has also been developed to support this process which is due to commence in April 2004. It is envisaged that each Community Nurseries will be in a position to accept placement of vulnerable children under this contractual arrangement from April although it is not possible at this stage to confirm how many places will be allocated to each nursery. The key principle that is to be adopted is that funding is allocated to the child and not to the organisations providing childcare places, and it has been confirmed that the majority of these placements will be part time to accommodate each child's particular needs.

### Parents

21. A recent report undertaken by the Daycare Trust on behalf of the Greater London Enterprise (GLE)<sup>1</sup> found that provision of childcare in London is increasing and that affordability of childcare is still a key issue with families paying approximately £40 more for a place in London than outside the Capital. The report recommends changes to the Tax Credit system which include increasing the allowance to reflect higher childcare costs in the Capital that could improve affordability in London. The average weekly cost of a full time nursery place in London is currently £168.<sup>2</sup>

### ***Resource implications***

22. The Early Years Best Value Review recommends a £3.5 million reduction in the Early Years budget over a five-year period from the Social Services allocation. The budget reduction for 2003/4 was £618k; the target budget reduction for 2004/5 is £800k and the target budget reduction for 2005/6 is £20k with plans to review this target.

The initial budget reduction of £618k is being achieved by raising the fees in early years centres from £100 to £135 per week and a further increase in prices to under 3's place to £150 per week in 2004. The remaining savings (2003/4) came from a reduction in senior management costs.

The second year of budget reductions is largely funded by a recommended 50% reduction in the voluntary sector grants budget, which is equivalent to £669k worth of savings. The implementation of the grants reduction was based on the successful implementation of the business planning strategies and the take up of the WTC. In order to avoid the loss of childcare places officers have recommended grant aid variations to the 50% reductions to those community groups that are deemed as high risk.

Based on these recommendations, a revised overall savings of £501k has been achieved on the voluntary sector budget making a shortfall of £168k from the original 2004/5 target saving of £669k from voluntary sector organisations. This gap of £168k plus £131k (to meet the £800k target saving) is to be met by underspend on recruitment and other efficiency savings from within the early years element of the Children's Services

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<sup>1</sup> Sustainability of Childcare in London 2004

<sup>2</sup> Daycare Trust press release 26<sup>th</sup> January 2004

The budget includes an allocation of £75,929 for Subvention and SEN. This amount includes an amount of £20k to be used specifically to support children with special needs attending PSLA playgroups, and will be managed by Children’s Services (Education & Culture) with recommendations through the joint Special Needs placement Panel.

**Consultation**

Voluntary Sector Providers	Individual meetings held with funded groups throughout January/February 2004. A copy of this report has been sent to each Provider.
Social Services	The Chief Executive of Southwark PCT and Director of Social Services has received a copy of this report. Social Services Department remains a key partner in the implementation of the Best Value review.
Elected Members	A copy of this report has been sent to both the Executive (Education Portfolio Member) and Scrutiny members.
Early Years Development and Childcare Partnership	A copy of this report has been sent to the Chair of the Early Years Development and Childcare Partnership.
Trade Unions	No consultation has taken place
Parents/Service Users	No specific consultation has taken place.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
<i>Best Value Vision for Early Years – (Executive Committee report December 2002)</i>	<i>Early Years After School and Play, Education &amp; Culture John Smith House</i>	<i>Glenn Garcia</i>
<i>Daycare Trust News Release 26<sup>th</sup> January 2004 and GLE report - Sustainability of Childcare in London</i>	<i>Early Years After School and Play, Education &amp; Culture John Smith House</i>	<i>Glenn Garcia</i>
<i>Southwark Childcare First Annual Childcare Audit 2003 (draft)</i>	<i>Early Years After School and Play, Education &amp; Culture John Smith House</i>	<i>Glenn Garcia</i>

**Audit Trail**

<b>Lead Officer</b>	<i>Strategic Director of Education and Culture</i>	
<b>Report Author</b>	<i>Glenn Garcia</i>	
<b>Version</b>	<i>Draft</i>	
<b>Dated</b>	<i>19<sup>th</sup> February 2004</i>	
<b>Key Decision?</b>	<i>No</i>	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Borough Solicitor & Secretary	Yes/No	Yes/No
Chief Finance Officer	Yes/No	Yes/No
<i>List other Officers here</i>		
<b>Executive Member</b>	Yes/No	Yes/No
<b>Date final report sent to Constitutional Support Services</b>	20 <sup>th</sup> February 2004	