

November 2002

Early Years Best Value Review, Draft Vision  
Question and Answer document for Executive Members

Availability of Daycare provision

**What daycare provision will be available for parents unable to afford the increased fees for daycare e.g. non-working parents who want their children to socialise in a group setting?**

Full daycare is generally targeted towards working parents, and the Draft Vision is recommending that if fees are increased, these parents will be able to access subsidy via Childcare Tax Credit to sustain affordability. Parents who are not working or work part time and require sessional care will continue to have access to:

Voluntary Sector Playgroup facilities for rising 3 to 5 year olds.(current fees at Pre School Learning Alliance playgroups are between £5 and £20 per week for morning or afternoon sessions). There are 25 voluntary sector funded playgroups in the borough.

One O Clock Playrooms – no charge for use of these facilities, parents are required to remain on site with their children at all times. There are 4 One O Clock Playroom facilities in the borough, all of which are undergoing a major refurbish/rebuild programme.

Parent and Toddler groups – no charge at these facilities, parents are required to remain on site with their children at all times. There are 35 parent and toddler groups across the borough.

Children aged 3 or 4 years are entitled to a free nursery education place of 2.5 hours per day, 5 times per week during term time. This placement could be at any provision included in the Early Years Development and Childcare Partnership Plan (Early Years Centres, Nursery Schools, Voluntary or private sector provision).

**How much daycare is available for children under 5 in the borough?**

The Early Years Development and Childcare Partnership conducted a survey in March 2002, which shows the amount of daycare available in each Ward of the borough against the number of children under 5 to establish a penetration rate of daycare (see appendix 1). The Partnership has stated in its Strategic Plan 2001-2004, that it aims to have a minimum penetration rate of 10% by 2004 for under 5's daycare (including childminders) and wrap-around care, prioritising the wards in the areas of disadvantage first.

**What is the level of demand for daycare for under 2's?**

An analysis of requests for daycare from low income parents for fee paying places at Early Years Centres showed out of 385 children put forward for places between January and November 2002, 12 children were aged 2 or above, 97% were under the age of 2.

A similar analysis of requests for emergency daycare placements for children who were placed with childminders or at an Early Years Centres, 44 requests were received between April and November 2002, 8 children were aged 2 or above 82% were under the age of 2.

This information is not currently available for voluntary sector community nurseries, but it is likely that a very similar picture would emerge although only 2 of the 10 community nurseries are currently registered to accept children aged under 2 years of age.

The Council is seeking to develop its resource of daycare for children under 2 through Sure Start and other external funding initiatives.

## **Will there be any closure or loss of Early Years provision during the implementation period of the Review?**

There are no plans to close or lose any existing early years provision identified in the draft Vision. It is planned that services (maintained and voluntary sector) will be supported during the first year of implementation (2003/04), to transfer to a modernised funding structure, replacing Council subsidy and introducing fees more closely aligned with market rates. However, as identified in the Risk Analysis of the Draft Vision, if this process is not carefully managed over an appropriate period of time, it could lead to some organisations not being able to transfer successfully to the new arrangements and subsequently to closures. A robust drive towards improving efficiencies across the Service is planned and Business Support will be available to funded Early Years providers to assist in this process. It is recognised that organisations, particularly within the voluntary sector, will need to transfer to the new arrangements within different time spans depending on their starting point.

An annual review will be conducted towards the end of each year of implementation, which will enable an assessment to be made of the success of the Vision and identify how much Council subsidy can be replaced without loss of services.

### Working Families Tax Credit and support with Childcare fees

#### **What are the changes to Working Families Tax Credit following the recent review of the system?**

- New name – Working Tax Credit, incorporating Child Tax and Childcare Tax Credits.
- Families with a household income of up to £58k, £66k with children aged under 1 year are eligible to apply (£35k under the former system)
- Students are now eligible to apply (formerly students were not eligible to claim)
- Claims are made from the beginning of the Financial year (or after) all awards end and need to be re-assessed at the end of the Financial year (used to be a 6 month claim period)
- Claims can be reviewed following any change to circumstances which lasts for at least 4 weeks e.g. fee increase, reduction or increase to household income (claims could not be adjusted under the former system)
- Childcare Tax Credits will continue to offer benefits towards the cost of childcare as follows:

Number of children	Weekly limit	Maximum Rate	Maximum Childcare element
One	£135	70%	£135 x 70% = £94.50
Two or more	£200	70%	£200 x 70% = £140

#### **What level of benefit will parents receive from Childcare Tax Credit (from 1/4/02) towards the cost of their childcare fees of £135 pw and how does this differ from the current WFTC benefits?**

Parents eligible to claim Childcare Tax Credits towards the cost of their daycare will receive a weekly benefit based on factors which include the level of household income, childcare costs, number of children etc. Examples of the Childcare Tax benefits based on a range of household incomes are attached as appendix 2. The eligibility thresholds have been increased to include families with higher household incomes, benefits are tapered as income increases. A family with an income of £45,000 per annum is not expected to receive any Childcare Tax on a childcare fee of £135 for one or more children.

**How can providers ensure parents apply for Working Tax Credit (Childcare Tax Credit), and what if the benefit they receive does not enable them to afford the increased cost of childcare?**

All providers will be encouraged and supported to carry out extensive marketing to advertise WTC and assist parents to complete forms where necessary.

The WFTC system has been reviewed, and it is not yet known what the financial impact to parents will be under the revised system. Parents using facilities will be given sufficient notice to renew/apply for their Childcare Tax claims before fees are increased in January or April 2002. Voluntary Sector community nurseries, will also have the option to introduce a fee banding scheme to have two or more levels of fees in order to ensure their fees are affordable. A further review of the Working Tax Credit system is being conducted focussing on the impact in London. It has been identified that Working Tax Credit benefits in London are not as great as in other parts of the country due to higher salary levels (the benefit is based on income) and the fact that average family out-goings are significantly higher.

**The current take-up of Working Families Tax Credits is currently 18% in London, how will this impact on the implementation of the proposed fee increases and parents ability to pay?**

It is recognised that this is the current position, however, the revised Working Tax Credit system has not yet been tested. Eligibility thresholds have been significantly increased and the government is advertising that 9 out of 10 families should be entitled to claim, the impact will be tested throughout the first year of implementation – 2003/04.

**What financial support is available to students towards their childcare costs?**

Financial support to students is varied. Students training up to NVQ level 2 may get time limited assistance under the New Deal for lone parents. Students attending a college of Further Education may get a free or subsidised place at a nursery or with a childminder, alternatively, assistance may be given through the College's Access or Hardship Fund. Students are now also eligible to apply for Childcare Tax Credits if using a registered daycare provider.

Issues affecting Early Years Voluntary Sector organisations

**Some Voluntary Sector premises are in a poor state of repair and in need of refurbishment/modernisation in order to meet the objectives of the Vision. How will this be addressed?**

Throughout year one of implementation, funded groups will be supported to increase fees and maximise their income. This additional resource will be available to be put towards the cost of repairs and maintenance of buildings. Organisations will also be supported by Officers to apply for external funds towards the cost of any major capital works that may be required.

**Has the proposed funding model been tested for community nurseries?**

No major grant aid reductions are being proposed until year 2 of implementation, which allows a full Financial Year to test the funding model with voluntary sector organisations without loss of grant aid income.

## **Why has the Community Nurseries Development Officer post been put forward for withdrawal of funding?**

It is proposed that resources are made available to Community Nurseries to support their business development and implementation of the new funding arrangements, resources have therefore, been prioritised and targeted towards the areas which organisations will require most support in.

### Resourcing Early Years Services

## **When did other local authorities change their pattern of investment of Early Years services by reducing Social Services funding and replacing with alternative funding streams?**

### National trends in Social Services funding of Day Nurseries 1994/1995 – 2000/01

#### **England £m**

	<b>1994/95</b>	<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>	<b>2000/01</b>
<b>Under 8's (Day Care)*</b>	183	181	182	164	130	134	113
<b>Total Childrens spend</b>	1,897	2,004	2103	2218	2415	2762	2,838
<b>% Total Childrens spend</b>	10%	9%	9%	7%	5%	5%	4%

*\*this expenditure heading predominantly covers the provision of day nurseries*

Since 1994/95 the absolute investment recorded for Day Nurseries has dropped by 38% in absolute terms and 60% in relative terms.

This can be attributed to national switches in funding streams and changes in policy on subsidising childcare for children not formally in need that were not adopted locally.

It can be seen that the most significant reductions were in 1997/8 and 1998/99.

Southwark has retained a fairly even level of investment in Early Years from Social Services funding during this period at £6m in current prices, and currently 16% of Children's Social Services SSA related expenditure is attributed to Early Years.

Source DoH Social Services expenditure stats: :  
[http://www.doh.gov.uk/public/pss\\_stat.htm#expssmss](http://www.doh.gov.uk/public/pss_stat.htm#expssmss)