

Executive
On 20 March 2007

Report Title: **Developing Sustainable Childcare**

Forward Plan reference number (if applicable): **n/a**

Report of: **Director of the Children and Young People's Service**

Wards(s) affected: **All**

Report for: **Key Decision**

1. Purpose

- 1.1 To inform and advise the Executive about the new duties and requirements of Local Authorities as a result of the Childcare Act 2006 and the implications in particular for sustainable childcare. The paper seeks agreement for changes to fees charged for childcare in children's centres and for extended schools up to 14 years.
- 1.2 Additionally, it seeks agreement on a more transparent, evidenced based approach for the allocation of funding to the voluntary sector.

2. Introduction by Executive Member

- 2.1 This report sets out a recommended flat rate fee of £175 a week to commence in September 2007 for under fives childcare in our Children's Centres. This is alongside a recommendation for an hourly rate for wrap around care commensurate with this weekly rate, with a reduction for each sibling as part of shaping a childcare affordability and sustainability strategy for Haringey.
- 2.2 This recommendation has been through extensive consultation over the past year and has been found to be the best option available.
- 2.3 The report also recommends a new evidence based application process for the Voluntary Sector Early Years funding and to provide places for parents who work for Haringey Council at the same rate as for Haringey residents, in recognition for recruitment and retention and the economic benefits for Haringey.
- 2.4 I would ask my fellow members of the Executive to agree to these recommendations.

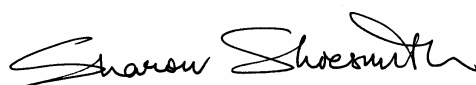
3. Recommendations

- 3.1 That the Executive agrees a Childcare fee as from September 2007 for under fives Childcare in Children's Centres. The recommended rate is £175 a week with an

hourly rate for wrap around care commensurate with this weekly rate, with a reduction for each sibling as part of shaping a childcare affordability and sustainability strategy for Haringey. It is further recommended that the hourly fee rate is recommended to governing bodies as part of their extended school services' policy.

- 3.2 That the Executive agree the new evidence based application process for the Voluntary Sector Early Years funding, to ensure better targeting of funding to ensure that the statutory duty to deliver funded Nursery Education places to all three and four year olds (and two years olds in the future) as set out in paragraphs 8.10-8.12 is achieved.
- 3.3 That the Executive agree to provide places to parents who work for Haringey Council at the same rate as for Haringey residents, in recognition of the benefits for recruitment and retention and economic benefits for Haringey.
- 3.4 That the Executive note that a review of the criteria and allocation of funding of places for vulnerable children under five years is underway as set out in 8.7. This is aimed at achieving coherence from different approaches in existence from different services predating the Children and Young People's Service
- 3.5 That the Executive note the new duties and implications of the Childcare Act 2006 as discussed in 7.1 and 7.2.

Report Authorised by:



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4. Executive Summary

- 4.1 It is recommended that a flat fee is introduced for 0-14s childcare in children's centres and for extended schools acknowledging that whilst the Core Offer in Children's Centres is focused on the under fives, Children's Centres are a key tool in helping to reduce poverty and social exclusion through providing a range of integrated flexible services providing prevention and intervention for children aged between 0-19 years. As Children's Centres and Extended Schools develop they will provide a broader range of services, including childcare for children aged between 5-14 years and therefore should be developed under the same set of

underpinning principles, aiming to improve the quality of life outcomes for children and reduce inequalities. This includes work with the voluntary sector.

5. Reasons for any change in policy or for new policy development (if applicable)

5.1 The implications and expectations of the Childcare Act 2006.

6. Local Government (Access to Information) Act 1985

6.1 Documents used in the preparation of this report:

- Delivering Early Childhood Services: Meeting the Challenge of the Childcare Act December 2006.

7. Background

- 7.1 The Childcare Act (2006) (Appendix 1) provides new duties on Local Authorities to assess the level of childcare need and ensure services are provided to match parents' requirements. It puts high quality, affordable and sustainable childcare as part of the Children's Centres core offer as a priority, but with great potential for Children's Centres, Extended Schools, Play and Youth Services as deliverers of a seamless set of integrated 0-19s services which reflect and respond to the needs of children, young people, families and local communities, including health, information and advice, family support, play and youth activities.
- 7.2 Local Authorities are not required to be sole providers of childcare but now have a new strategic commissioning role as market managers. Haringey, as with all Local Authorities, is not seen to be the provider of choice, but increasingly the provider of last resort. A more strategic commissioning approach is being developed enabling childcare places to be developed on a more responsive and flexible basis and will be the subject of a subsequent report.
- 7.3 Children's Centres and Extended Schools are an essential part of the Government's strategy to reduce child poverty and support parents, particularly lone parents back into work. Living in a workless household is one of the most significant indicators of poor outcomes for children. Employment and access to high quality early years childcare and learning are seen as two of the key tools in helping to lift families out of poverty. Children's Centres have great potential, beyond the provision of childcare and early years education, to provide support to workless families and lone parents: information, advice, support and encouragement, networking parents into the complex array of agencies and benefits e.g. Zone Providers, Job Centre Plus, Welfare to Work and other local programmes – reaching out into communities to engage with families who have not been accessing services is a priority, which may require developing new service options and new ways of working.
- 7.4 In line with these developments a unified fee, admissions and commissioning criteria for childcare services are recommended. This report recommends a new fee level for

under fives childcare in Children's Centres; new funding criteria and process for the Voluntary Sector; advises a review of the allocation of under fives funding for vulnerable children and proposes that the Council recommends the same fee structure to governing bodies for fee levels for childcare up to 14 years within Extended Schools; that is the recommended hourly rate.

- 7.5 This new fee level would replace a number of different fee levels charged to parents across the range of providers, with different sets of admissions policies underpinned by different priorities. It aims to achieve affordability and sustainability of childcare places for children up to age 14.
- 7.6 Present revenue funding for Children's Centres is only guaranteed until 2008, which is the case nationally. For Haringey this is £4.7 million revenue for Children's Centres 2006-08 which includes all aspects of the 'core offer'- childcare, family support, health, information. In Haringey 14,759 children under five will be 'reached' by Children's Centres. The Government's Spending Review is under way, with childcare as part of the targets essential in reducing child poverty being a priority for funding, but no guarantees are in place. It is therefore essential that we put into place a thoroughly considered affordability and sustainability strategy, with work in progress to underpin this. Children's Centres are concerned about gaps growing between their income and expenditure.

8 Affordability and Sustainability

- 8.1 Affordability of childcare is a major issue. The Government has identified the tax credit system as the tool of choice to support parents out of poverty and back to work through the Childcare Tax Credit system. This is a complex and confusing system, resulting in significant under claiming nationally and locally, but it does offer real financial help to parents in meeting the costs of their childcare. The Working Families Information Officer in Haringey is already working closely with existing Children's Centres advising and supporting them in working with lone parents to help get them back into work.

Recommended fee

- 8.2 Existing fee structures across early years and over fives services vary. A flat fee of £175 per week is recommended as it provides a more coherent approach and is easier and more efficient to administer. It would encourage and enable the lowest income families to get the maximum level of support in paying for their childcare through the Childcare element of the Working Tax Credits. Eligible parents are entitled to financial help with up to 80% of their childcare fees, to a maximum of £175 a week for one child with a reduction of 25% per additional child for childcare services 0-14 years is proposed. Clearly only the lowest income families can claim the maximum entitlement. The rate also reflects the fact that the higher level of demand for childcare places is for 0-2s which off-sets the lower take-up of places for 3-5 year olds which are relatively less costly given lower levels of staffing. Centres need to be able to respond to meet greatest demand.
- 8.3 The addition of an hourly rate for wrap around care commensurate with the weekly rate with a reduction for each sibling will support a more flexible staffing structure to meet changing demand for more flexible hours as requested by parents due to changing working patterns.

- 8.4 Finally it is proposed that places are provided to parents who work for Haringey Council at the same rate as for Haringey residents, in recognition of the benefits for recruitment and retention and economic benefits for Haringey. This will need to be carefully factored into business planning.

Consultation

- 8.5 Consultation was carried out in 2006 with both Children's Centres' staff and parents. On balance, given the financial support available to many parents in the lowest income groups through the Childcare Tax Credit and the support and subsidy provided to the most vulnerable children together with the introduction of an hourly rate to maximise flexibility to parents, a flat rate fee was preferred as opposed to a means tested policy. Consultation with parents has shown that flexibility is an important issue. The introduction of a hourly rate commensurate with the weekly rate will enable parents to purchase hours best suited to their needs and requirements and provide for financial stability in the centres. This will need to be reviewed and amended as is appropriate to the different market at individual centres.
- 8.6 Overall the various considerations led to the recommendation for a £175 flat fee which would provide for flexibility and sustainability as part of a package of affordability and sustainability measures. The recommended fee is also within the averages across London (appendix two).

Current fees

- 0-2s: £150 - £190 per week for a full time place
- 2-3s: £145- £175 per week for a full time place
- 3-5s: £110 -£175 per week for a full time place
- Free part time (2.50 hours) available to all 3-4 year olds through DfES Minimum Free Entitlement.
- 70 free places for two year olds as part of DfES pilot 2006/2007.

Vulnerable children

- 8.7 Funding is already in place to provide for some of Haringey's most vulnerable children in Early Years settings as follows and work is underway to review and consolidate the provision which has its origins in the previous Education and Social Services departments as shown below. The review will look at possible new models for targeting these free places, for example places made available for children of under 19 year olds who are actively seeking work or who are working.
- 500 funded full time places in maintained nursery settings for "children in need";
 - 160 full time places in 7 Children's Centres for Children with additional needs (disability, language, health, learning needs);
 - 20 full time places for "children at risk".

Timescales

- 8.8 If approved, the new recommended fee would be introduced from September 2007 to allow maximum time for parents to claim their entitlements and to provide advice to all parents of the proposed increase. Implementation and take up will need careful monitoring to ensure that places are being filled with action being taken to address if not, including a further review of the fee level if it is found that the £175 is inhibiting take up of non subsidised places. More proactive work will be put in place to support and encourage parents to claim benefits they are entitled to, especially the Childcare Tax Credit.
- 8.9 A detailed Childcare Affordability and Sustainability strategy is being prepared analysing need, demand and solutions on a centre by centre basis. Each centre will have an improved detailed business plan, including active monitoring of the numbers of places being used, how they are being used, what length of day parents want to meet their childcare needs, pro-active consultation, marketing and reaching out into communities to identify unmet need. Maximising use of places and use of the buildings in partnership with a range of stakeholders is both necessary and desirable.

Voluntary Sector Grants

- 8.10 A review of funding to the Voluntary Sector has been undertaken, acknowledging the important role it plays as part of a mixed economy approach and in meeting the needs of disadvantaged children and communities. Extensive consultation has been carried out with Voluntary Sector providers, Haringey Teaching and Primary Trust and all partners through the Children's Centre Strategy Group and the Early Years Childhood Forum, all of whom are keen to ensure that a more transparent, prioritised funding scheme is put into place, which reflects meeting the sustainability for high quality early years provision in areas of need.
- 8.11 The present grant funding programme (£350,000) is in need of updating in line with the new duties outlined in the Childcare Act (2006) and to achieve greater transparency on how funding allocations are made. It is recommended, following detailed work carried out last year, including consultation with the voluntary sector, that the present system be replaced with a new process focusing on achieving sustainability and meeting identified needs in local communities. It is therefore proposed that Sustainability Grants would be awarded in line with evidence based applications responding to the following criteria:
- Level of sufficiency of provision in the local area;
 - Occupancy rates within each setting;
 - Planned income targets and income generation plans;
 - Support offered to children and families with additional needs.
- 8.12 An applications panel will be appointed by the Childcare Commissioning Group and linked to its work (consisting of representatives from L.B. Haringey Early Childhood Forum and representatives from the voluntary and community sector). Unsuccessful applicants will be offered support/advice and feedback on why they were not successful, with the opportunity to apply in future years. This is a more strategic approach to funding in line with the new Strategic Commissioning role of the Local Authority ensuring that resources are targeted to develop and support areas in need of childcare places.

9. Summary and Conclusions

- 9.1 This report has discussed the background to the development of Children's Centres and Extended Schools within the national context of Government's priorities to reduce child poverty, improve outcomes for children and reduce inequalities. Alongside Children's Centres and Extended Schools the Childcare Tax Credit with other tax credits is seen as one of the key tools to help support parents back to work and help subsidise the cost of Childcare.
- 9.2 It is recommended due to the changing childcare market, with higher demand for childcare places for children aged 0-2 years that a flat rate fee of £175 per week is introduced with an hourly rate commensurate with the weekly rate to encourage flexibility alongside a reduction for each sibling. At the same time a review is being undertaken of how places for vulnerable children are allocated in order to target them more accurately and maximise opportunities for families to get back to work.

10. Recommendations

- 10.1 That the Executive agrees a Childcare fee as from September 2007 for under fives Childcare in Children's Centres. The recommended rate is £175 a week with an hourly rate for wrap around care commensurate with this weekly rate, with a reduction for each sibling as part of shaping a childcare affordability and sustainability strategy for Haringey. It is further recommended that the hourly fee rate is recommended to governing bodies as part of their extended school services' policy.
- 10.2 That the Executive agree the new evidence based application process for the Voluntary Sector Early Years funding, to ensure better targeting of funding to ensure that the statutory duty to deliver funded Nursery Education places to all three and four year olds (and two years olds in the future) as set out in paragraphs 8.10-8.12 is achieved.
- 10.3 That the Executive agree to provide places to parents who work for Haringey Council at the same rate as for Haringey residents, in recognition of the benefits for recruitment and retention and economic benefits for Haringey.
- 10.4 That the Executive note that a review of the criteria and allocation of funding of places for vulnerable children under five years is underway as set out in 8.7. This is aimed at achieving coherence from different approaches in existence from different services predating the Children and Young People's Service
- 10.5 That the Executive note the new duties and implications of the Childcare Act 2006 as discussed in 7.1 and 7.2.

11. Financial Implications

- 11.1 The long term financial viability and sustainability of Children's Centres is a key area of risk. Each centre will need a robust business plan and the need to agree an affordable fee is key to each centre constructing their plan. This is the next piece of work to ensure that Children's Centres are sustainable. It is more productive to

approach this task with an agreed affordable fee than to audit each centre to arrive at a fee: most centres will have to tailor their work to enable this affordable fee to sustain the centre into the future. From April 2008 revenue costs are unclear. In addition the Childcare Act 2006 expects that local authorities will not be the provider of first preference. There is an expectation that other providers particularly in the voluntary sector will manage some centres, enabling the local authority to be the strategic planner of services. This will be the subject of a forthcoming paper.

12. Comments of the Director of Finance

- 12.1 The Director of Finance was consulted in the preparation of this report, and supports the general thrust of policy, including the need to offer parents greater flexibility. The effect of the fixed weekly rate will be carefully monitored to establish evidence as to the overall impact on age mix, and income. (Younger children require higher adult: child ratios). It is recommended that the hourly rate, and the effect of reductions in rate charged for siblings, will be subject to further examination before an hourly rate is fixed, as the arrangements made need to be sustainable.
- 12.2 The Director of Finance will support work to establish clear criteria for decision making in respect of funding other providers.
- 12.3 Members will wish to note, as set out in paragraph 7.6, that there is considerable national uncertainty around the future funding of Children's Centres. The recommended price is based on an assessment of a reasonable price in the context of other local authorities and the ability of parents and carers to afford the provision. There is a significant risk that there are funding groups for some of the centres, as is flagged in the report, and the affordability and sustainability strategy for each centre is a key document in this regard. Members will wish to keep this risk under review.

13. Comments of the Head of Legal Services

- 13.1 Section 6 of the Childcare Act 2006 gives local authorities a new duty to secure, so far as is reasonable practicable, that the provision of childcare (whether or not by them) is sufficient to meet the requirements of parents in their area in order to enable them to work or undertake education or training leading to work. This duty is currently expected to come into force in April 2008.
- 13.2 Section 7 gives them a related duty to secure free early years provision for preschool children of a prescribed age. This duty is expected to come into force in September 2008. It will replace the current duty under S.118 of the School Standards and Framework Act 1998 and S.153 of the Education Act 2002, to ensure that all parents of three and four year olds are able to access the minimum free entitlement for up to two years before their child reaches compulsory school age. Sections 8,9 and 10 are concerned with powers of the local authority in relation to the provision of childcare. S.13 gives them a duty to provide information, advice and training to childcare providers and practitioners.

13.3 Draft statutory DfES guidance for local authorities, "Securing Sufficient Childcare", on Sections 6,7,8, and 13 of the Act is currently out to formal consultation which will end on 2nd May 2007.

13.4 S.11 of the 2006 Act gives local authorities a related duty to undertake childcare sufficiency assessments, the first of which must be completed within one year of the coming into force of the duty coming into force in April 2007. The assessment is a necessary step towards securing sufficient provision, enabling local authorities to identify gaps and establish plans to meet the needs of parents. The Childcare Act 2006 (Childcare Assessments) Regulations 2007 will come into force on 1st April 2007 and set out the statutory framework for the completion by local authorities of an assessment of the sufficiency of childcare. There is statutory DfES guidance on assessment entitled "Childcare Sufficiency Assessments".

13. Equalities Implications

13.1 Achieving affordable childcare as set out in this report is a key equalities objective, in particular the reallocation of places for vulnerable children ensuring that those with greatest need have access to the childcare that they require.

14. Use of Appendices / Tables / Photographs

Appendix 1 - New Duties of the Childcare Act (2006)

Appendix 2 – A Comparison of Childcare Costs

Appendix 1

The new duties of the Childcare Act 2006 include:

- duty to secure in partnership with private and voluntary sectors sufficient childcare for all parents who choose to work, study or train
- duty to provide information, advice and support to parents – requirement from 0 -20 years, with the Local Authority being pro-active in reaching out to all, particularly those not traditionally accessing services
- the Act allows for the collection of information on children to inform funding and support
- duty to reduce inequalities and deliver better outcomes for children by providing better joined up and accessible early childhood services through children's centres
- duty to assess needs and demands – childcare only deemed sufficient if it meets the needs of the community in general and in particular families on lower incomes and needs of disabled children
- LAs not expected to be direct providers but strategic commissioners and market makers – new strategic commissioning and market managing role
- duty to secure minimum care and learning for all 3 and 4 year olds Early Years Foundation Stage integrated care and education curriculum birth to 5 years for daycare and childminders required in all settings.

Appendix 2

Source: Daycare Trust January 2007

Child care costs (£)					
	Nursery (under two)	Nursery (Two and over)	Childminder (under two)	Childminder (Two and over)	Out of school club
Inner London	205	176	171	162	29
Outer London	182	158	177	179	37
South East	180	171	167	165	45
South West	154	141	149	148	36
East of England	152	132	151	137	32
West Midlands	127	126	116	116	44
East Midlands	127	124	122	122	36
Yorks & Humberside	132	126	117	117	37
North West	131	123	111	113	37
North East	131	125	129	129	43
England Average	152	140	141	139	38
Compiled from a survey of 122 out of 172 Children's Information Services in England and Wales, based on 50 hours a week in a nursery or with a childminder and 15 hours a week at an out of school club					