

<b>Title of Report</b>	Children's Centres Consultation	
<b>Key Decision No</b>	CE S293	
<b>For Consideration By</b>	Cabinet	
<b>Meeting Date</b>	22 January 2024	
<b>Cabinet Member</b>	Mayor Caroline Woodley	
<b>Classification</b>	Open with Exempt Appendix	
<b>Ward(s) Affected</b>	All	
<b>Key Decision &amp; Reason</b>	Yes	Significant in terms of its effects on communities living or working in an area comprising two or more wards
<b>Implementation Date if Not Called In</b>	31 January 2024	
<b>Group Director</b>	Jacquie Burke, Group Director of Children and Education	

## 1. **Cabinet Member's introduction**

- 1.1. We take pride in being one of the highest investors in children's centres in London, and to secure their sustainability into the future, we will ensure we make the best use of them. We have broadened 4 children's centres into Children and Family Hubs to bring together services to improve access, connections between families, professionals and providers, and put relationships at the heart of support to families. Universal services for babies in the first 1001 days will remain a focus of the hubs. Support will be put in place for families with children aged 0-19 as part of an integrated system of support.
- 1.2. Respondents to the recent Children and Family Hubs consultation commented on provision and support needed for children with special educational needs and disabilities (SEND) and their families. We are committed to supporting this cohort of children through the development of early years Additional Resource Provision (ARP) in the north and south of the borough to support children to thrive.
- 1.3. As Mayor and as an administration, we know how important it is to give children the best start in life irrespective of their starting point. We take great pride in building an inclusive culture. If we can get it right in Early Years, with access to high quality early childhood education, our children will grow in

self-esteem, creativity, curiosity with a desire to learn, with a sense of pride growing up in the borough. We want every child to be healthy, happy and ready to learn.

- 1.4. We have been lobbying the Government to relook at the funding formula for the provision of early childhood education for eligible 2, 3 and 4 year olds which has been underfunded for years, with an impact on sustainability. The imminent national expansion of the funded entitlement to all 2 year olds in working households from April, and babies from 9 months in eligible working households from September, along with the findings of an independent review of our children's centres, and the independent commission into affordable childcare set up as part of our 2022 manifesto commitment with a focus on understanding the challenges families, providers and the Council are facing in the provision of early childhood education, have identified opportunities to sustain provision.
- 1.5. The proposals in this report are informed by the findings of the independent reviews.
- 1.6. Any proposed changes to current provision needs to be financially sustainable, address inefficiency, and help to contribute to the Council's overall financial position noting that much work still needs to be done to close an estimated budget gap of circa £57m for the 2024/25 to 2026/27 period.

## 2. **Group Director's introduction**

- 2.1. In April 2023, Hackney Education commissioned an independent review of the early education and childcare provision delivered by the 11 Children's Centres funded by the Council to provide subsidised childcare.
- 2.2. The contract was awarded through the CCS Management Consultancy Framework (MCF 3), RM6187 as a Direct Award, assessed as low risk by Procurement. The use of the Management Consultancy Framework MF3 via the Crown Commercial Services supported compliance with the Public Procurement Rules and the Council Standing Orders requirements. By using the CCS marketplace, we were able to quantify and qualify the best preferred supplier and provide detailed best value for money offers.
- 2.3. The review took place over a 10 week period after the initial mobilisation in April. The purpose of the review was to support the Council to:
  - identify solutions to achieve sustainability impacted by £1.07m budget deficit from a reduction in nursery fees in the last few years, and increased operational cost,
  - identify opportunities to meet savings factored into the Council's medium term financial plan (MTFP) for 2024/25; 2025/26, and 2026/27, and

- provide an opportunity to examine the potential impact of the proposed national early years reform to expand the 15 hours funded early years entitlement to working parents with 2 year olds in April 2024, babies from 9 months old September 2024, expanding the entitlement to 30 hours in September 2025 to all children from 9 months old in eligible working households.
- 2.4. An outcome of the review was to identify how the Early Years service could deliver childcare differently to become more financially sustainable in the future, whilst also delivering £1.1m remodelling in 2024/25, £1m 2025/26 and further £1.9m MTFP savings by 2026/27, totalling £4m over 3 years.
- 2.5. The review confirmed that the current model of provision is financially unsustainable, and identified three levers to improve sustainability. The review outlined a number of next steps including a public consultation as part of wider service remodelling with interdependencies with the development of children and family hubs, the expansion of the funded early years entitlement, and the independent commission into affordable childcare which looked at the wider factors impacting the childcare sector, and not just Council provision.

### 3. **Recommendations**

**Cabinet is recommended to agree that:**

- 3.1. **A 12 week statutory consultation and engagement period on the restructuring of early education and childcare provision delivered by the children's centres funded by the Council to deliver subsidised childcare, as a means to achieving greater efficiency. The consultation is scheduled to commence on 31 January to 24 April 2024.**
- 3.2. **Following the conclusion of the consultation, to consider the results of the consultation and recommendations on the restructuring of early education and childcare provision.**

### 4. **Reason(s) for decision**

- 4.1. The Childcare Act 2006 at s5(d) imposes a legal duty on a Local Authority to consult before making any significant change in the services provided through a children's centre and before anything is done that would result in a children's centre being closed.
- 4.2. The purpose of the consultation is to propose changes to the way children's centres deliver early education and childcare in the future. The reason for the proposed change is to improve the sustainability of the centres. If we do not make changes, the current deficit of £1.07m across the children's centres is likely to continue to increase. If we do not make decisions now, it

may mean more far-reaching proposals at a later date. Making unpopular decisions now is intended to reset the way early education and childcare is delivered in order to achieve greater efficiency, and maximise opportunities to increase occupancy to maintain viability.

- 4.3. The consultation is intended to give service users, staff and anybody impacted by the remodelling of the service, an opportunity to shape the proposals.

## 5. **Details of alternative options considered and rejected**

- 5.1. The alternative options to the remodelling proposed in the consultation document are referenced in section 6.15 to 6.17 of this report.

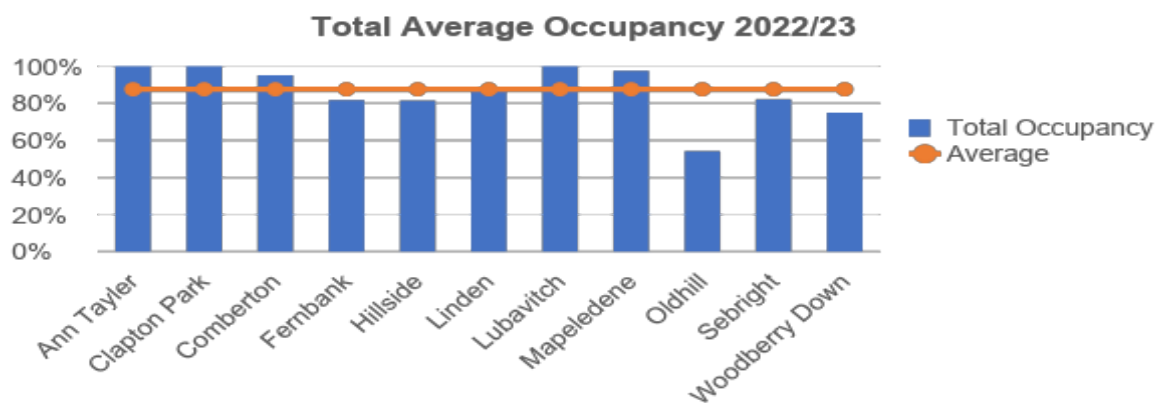
## 6. **Background**

### Policy Context

- 6.1. Hackney Council's budget planning analysis benchmarked high areas of spend and budget pressures. It highlighted that in 2021/22 Hackney spent on average £666.00 per child aged 0-4 years, which is the 2nd highest in London when compared to a statistical neighbour average of £242.00 per child. This is an increase from 2020/21 where Hackney spent on average £657.00 per child, compared to a neighbour average of £279.00.
- 6.2. E&Y were awarded the contract through the CCS Management Consultancy Framework (MCF 3), RM6187 as a Direct Award, assessed as low risk by Procurement, to engage an external consultancy to review the 11 children's centres funded by the Council to deliver subsidised childcare. The purpose of this review was to:
  - identify solutions to achieve sustainability impacted by £1.07m budget deficit, from a reduction in nursery fees in the last few years, and increased operational cost,
  - identify opportunities to meet savings factored into the Council's MTFP for 2024/25; 2025/26 and 2026/27, and
  - provide an opportunity to examine the potential impact of the proposed national early years reform to expand the 15 hours funded early years entitlement to working parents with 2 year olds in April 2024 and babies from 9 months old in September 2024, expanding to 30 hours from September 2025 to all children from 9 months old in eligible working households.
- 6.3. The E&Y Report identified that the current model for delivering childcare provision is not financially sustainable. Based on current fees and expenditure, even if the centres were at 100% occupancy, and fully occupied

by Band 5 families with a minimum income of £100k they would not be financially self-sustaining.

- 6.4. The report identified ten opportunities for future financial sustainability of the nursery provision that broadly relates to reducing expenditure, increasing income and redefining the model of delivery.
- 6.5. 5 centres were identified by the review as operating below the average 88% occupancy, set out below. The centres exceeding average occupancy are popular with local families, may have a unique selling point such as Forest School, or appeal to a particular section of the population. These centres also have a clear approach to managing part time places where families can attend 2 or 3 days per week avoiding odd days that are difficult to fill. The exception is Lubavitch which offers full time places that eases some of the allocation pressures but is not necessarily aligned to accessibility principles due to the absence of part time places. The proposed closure of Hillside and Fernbank in 2021 may have impacted demand at these settings.



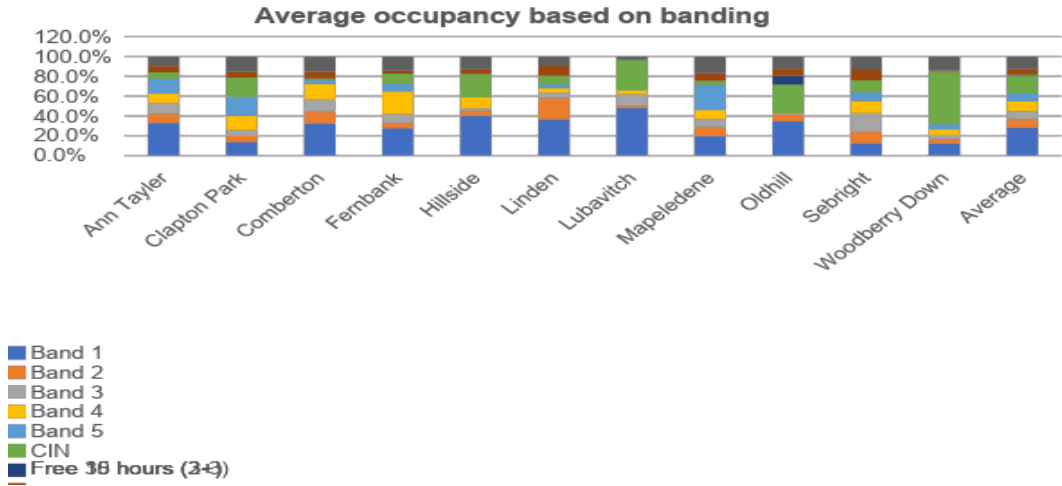
- 6.6. The fee structure is based on 5 income bands. The subsidy is weighted towards lower income families, with the greatest subsidy allocated to families on Band 1 & 2, though all families receive a level of subsidy in addition to the 15 or 30 hours funded early years entitlement. The bandings were extended in 2020, with phase 2 planned for 2021 to reduce the subsidy significantly to Band 4, and withdraw from Band 5. However, this was paused due to Covid and the subsequent financial pressures on families.

6.7. Childcare Bands

Hackney Childcare Bandings	Household Income
Band 1	Less than £34,000
Band 2	£34,000 - £54,000
Band 3	£55,000 - £70,000
Band 4	£70,000 - £99,000

Band 5	Over £100,000
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6.8. The bandings significantly vary across centres, the highest percentage Band 1 is 48% at Lubavitch, compared to the highest percentage of Band 5 families at 25% in Mapledene. Oldhill, Hillside and Lubavitch have no Band 5 families impacting income levels. Circa 30% of families at Oldhill and 53% at Woodberry Down are on a child in need plan.



Childcare Sufficiency

6.9. The Council has a duty to ensure that there are sufficient early education and childcare places for eligible 2, 3 and 4 year olds to take up their funded 15 and 30 hours early years entitlement. The Council is also required to ensure that there is sufficient childcare to enable parents to take up or remain in work, or to undertake education or training to assist them in obtaining work. The Council does not have a duty to provide this provision themselves, but to support access and quality across the sector, and broker places between parents, carers and settings.

6.10. The last childcare sufficiency assessment was completed in June 2022 and showed, along with the snapshot review in 2023, that there are sufficient childcare places. The childcare sufficiency assessment will be refreshed this year; however, a recent survey of settings in planning for the expansion of the early years entitlement in April, has identified surplus places. The Childcare Sufficiency Duty Report can be accessed here: <https://www.hackneyservicesforschools.co.uk/extranet-document/hackney-childcare-sufficiency-duty-report-2022>

6.11. Demand for childcare has been impacted by a reduction in the 0-4 population, down from 20,375 children in 2018 to 18,840 children 2022/23. The decline in the 0-4 population is projected to further dip to 18,389 between 2026/27 and 2030.

- 6.12. There are 500 surplus nursery places in schools, and over 600 surplus places in reception classes. The proposal to close 4 schools by September 2024 will remove 105 surplus reception places.
- 6.13. Schools are well placed to create new childcare places in the future should they be needed, with some schools such as Holy Trinity and Gainsborough already providing childcare for babies. To support transition from early years to primary, the Department of Education launched a national wraparound childcare programme for primary schools to extend childcare support to working parents from September 2024, with access to £289m start-up funding over 2 academic years.

#### Options

- 6.14. School based centres collectively overspent by circa £400k and the Early Years budget by circa £700k in 2022/23, totalling £1.07m. A further £666k overspend is currently predicted in this financial year. The cost of the nurseries represents 59% of the Council funded Early Years budget. Whilst this is not proposed, Cabinet may wish to close all children's centre nurseries and repurpose some of the budget to support vulnerable and disadvantaged children, supporting the private, community and independent sector to meet demand.
- 6.15. The option to significantly increase fees to recover a greater portion of expenditure if implemented, may discourage families from accessing the children's centre provision, and therefore have a negative impact on occupancy. The provision may also become affordable to higher income families at the exclusion of lower income families. We have seen a reduction in higher income families since introducing the new fee bands and post Covid. For this reason this option is not being acted on as suggested. Instead, annual increases to nursery fees will continue to be subject to inflation and in doing so will continue to significantly taper the subsidy to higher fee bands.
- 6.16. Opportunities identified during the review in collaboration with a stakeholder reference group to test and refine 3 levers to reduce expenditure, increase income and refine the model are set out in the executive summary of the E&Y Report: Appendix 1, attached to the exempt appendices section of this report.
- 6.17. As part of the SEND Strategy 2022-25, and the Early Years Strategy 2021-26, one centre in the north of the borough is in scope to be re-provisioned by 2025 into an Additional Resource Provision (ARP) to support children with complex needs. Respondents to the recent 2023 Children and Family Hubs consultation commented on SEND provision and support needed for children and their families. The intention is to align the ARP with best SEND practice in accordance with the requirements of the Dedicated Schools Grant (DSG), and replace subsidised childcare places with term time funded 15 and 30

hours Early Years Entitlement places for 2, 3 and 4 year olds with additional needs, alongside mainstream children.

- 6.18. Comet Nursery School and Children's Centre in the south of the borough is currently in scope to develop an ARP, subject to Cabinet capital funding received March 2023.
- 6.19. The executive summary of E&Y Report and the identified opportunities Appendix 1, is attached to the exempt appendices section of this report.

#### Proposal

- 6.20. The E&Y Report sets out the case for change for the future sustainability of the Children's Centres, the changes proposed are notable. Accordingly, implementation of any of the opportunities require due process. E&Y executive summary report Appendix 1, is attached to the exempt appendices section of this report.
- 6.21. E&Y, as part of the independent review of children's centres, estimated income from the expanded funded early years entitlement. The modelling estimated that the Council could receive an extra £1.6m for 2 year olds in April 2024, and a further £2m in September 2024 for children from 9 months old. Whilst a generous hourly rate has been confirmed for 2024, a service reset is still required as set out in E&Y's review, and is dependent on a number of factors. Our current hourly rate allocation is lower than neighbouring boroughs, and does not at present cover the full cost of running the service. The estimated income is dependent on centres being fully occupied, which has not been achievable for most centres in recent years. Any additional income will need to take account of the current budget deficit. In addition, there are wider factors impacting sustainability - national shortage of nursery staff, escalating utility, food and service costs, and business rates noted in the commission into affordable childcare report.
- 6.22. The proposed changes subject to consultation are to:
- Taper the childcare subsidy from April 2024 replaced by the expanded funded entitlement when 2 year olds will be eligible for 15 hrs.
  - Further taper the childcare subsidy from Sep 2025 when most children from 9 months in working households will be eligible for the 30 hours funded early years entitlement.
  - Move from 11 children's centre nurseries to 8 children's centre nurseries offering early education and childcare subsidised by the Council. The proposals are set out below:
    - **Hillside Children's Centre:**
      - We propose to change Hillside Children's Centre into an early years Additional Resource Provision (ARP), a specialist nursery delivering term-time early education and care for children aged 2 to 5 years with special educational needs or a disability (SEND).



**Oldhill Children’s Centre:**

- We propose to change Oldhill Children’s Centre to provide nursery places for children 6 months to 3 years old, phasing out places for 4 year olds.

**Fernbank Children’s Centre:**

- We propose to invite alternative providers to take over the management of Fernbank Children’s Centre. If a suitable alternative provider cannot be sourced by Autumn 2024, we propose to close Fernbank Children’s Centre by August 2025.

**Sebright Children’s Centre:**

- We propose to invite alternative providers to take over the management of Sebright Children’s Centre. If a suitable alternative provider cannot be sourced by Autumn 2024, we propose to close Sebright Children’s Centre by August 2025.

Consultation

- 6.23. The consultation is proposed to run for 12 weeks commencing the 31 January to 24 April 2024 with an outcome report to be presented to Cabinet in the Summer term. The proposals are subject to CYP Budget Scrutiny in February.
- 6.24. The primary target audience for the consultation is service users, staff, and anybody impacted by the remodelled service. The consultation will give stakeholders the opportunity to shape the proposed ARP, the proposed term time provision and influence decisions about an alternative provider to manage the proposed centres.
- 6.25. The consultation design outlines the methods for consultation activities, paying heed to the Gunning/Sedley Principles, the Equality Act, and the Council’s Engagement Principles.
- 6.26. The recent consultation on the Children and Family Hubs and Start For Life Offer will offer supplementary insights to this consultation. Notably, feedback from that consultation indicated that some parents were concerned about changes to nursery provision.

[Children & Family Hubs Consultation Report](#)

- 6.27. The proposed changes align with the proposed reduction of Council subsidy, to be incrementally replaced with the expansion of the 30 hours funded entitlement to eligible babies 9 months plus from September 2025, when the remodelled service, if implemented, will be fully realised 2025/26.
- 6.28. In 2021 Hackney Council proposed changes to two Children’s Centres - Fernbank and Hillside. This led to intense community opposition, and the proposed closures were paused to enable independent review and a wider

engagement which is planned to commence on 31 January, subject to Cabinet approval.

- 6.29. The changes proposed in this consultation aim to help the Council achieve the MTFP, and reshape services in accordance with the Early Years Strategy to support outcomes for all children, narrowing the gap between the most disadvantaged children and their peers. Early Years have a number of national and local interdependencies such as the:
- i) The Hackney Independent Commission into Affordable Childcare, which concluded in November 2023.
  - ii) The development of 4 Children and Family Hubs and the Start for Life programme funded by the Department for Education (DfE). Hackney will receive £3.9m over 3 years commencing 2022/23. This funding is primarily to support children under 3 years, it cannot be used for early education and care, and is dependent on successful implementation of the delivery plan. 4 children's centres have been designated as Children and Family Hubs - Ann Tayler, Woodberry Down, Linden, and Daubeney.
  - iii) Expansion of the Early Years Funded Entitlement April 2024, requiring a restructuring of the infrastructure in order to manage the expanded termly early years census and payments to settings.

#### Equality impact assessment

- 6.30. Vulnerable and disadvantaged families, as well as speakers of other languages, may need additional support to engage with the consultation or be engaged via non-traditional means. Support will therefore be provided by the Children's Centres and Family Hubs. The Equality Impact Assessment will be finalised following the public consultation, and prior to any decision on the implementation of the proposed changes, to ensure that the Council remains compliant to its duties under the Equality Act 2010 in relation to those with protected characteristics. This is a reflection of the fact that Equality Impact Assessments are an iterative process.
- 6.31. Consideration has been given to the children, families and staff from diverse backgrounds with protected characteristics affected by the proposals. A significant number of children accessing children's centres are of Black and Global Majority heritage, and, or have been assessed as being, in need of early help. The proposals are intended to prioritise support to marginalised and vulnerable children and families with the creation of SEND provision, child in need places, and enable lower income families to continue to access early education in order to reduce inequalities in child development, and school readiness.

## Sustainability

- 6.32. The proposed changes to children's centres will support the ongoing financial and physical sustainability of children's centres, 4 of which have broadened into children and family hubs to support children and families with children 0-19 as part of an integrated system of support. The DfE has made £3.9m available over 3 years (2022/23 - 2025/26) to support parenting. This funding however cannot be used for childcare which is funded via the DSG.

## Risk assessment

- 6.33. Risks associated with the consultation relate to the potential for significant public opposition from residents committed to maintaining the current portfolio of children's centres. Risks associated with the proposed changes to the children's centres are:
- A risk to affordability should the expansion of the free entitlement not materialise in 2024/2025 and 2025/26, or the future funding rate fails to cover the cost of the service.
  - A risk to Hackney's childcare sufficiency duty if Hackney is unable to meet potential future demand for childcare places as a result of the expansion of the Early Years Entitlement. However, there remains a significant reduction in demand for school nurseries and reception places, surplus places across the sector, and a change in how families use childcare post covid.
  - Risk of doing nothing to the sustainability of the service as well as the medium term financial plans.

## **7. Comments of the Interim Group Director, Finance**

- 7.1. This report proposes a statutory consultation period to outline changes to our current subsidised childcare offer within Hackney Children's centres. The Early Years budget is currently predicted to overspend by £666k this financial year and also exceeded its budget by circa £1.07m in 2022/23. The provision represents a substantial area of expenditure within our Early Years provision.
- 7.2. The independent review of the service by E&Y identified that the current model of provision is not financially sustainable with a wider transformation of the service recommended. Any rationalisation of our current offer and addressing the unsustainable model would both improve value for money and the efficiency of our annual investment in the service. Any changes to the current offer needs to be financially sustainable, address inefficiency in our expenditure/income and help to contribute to the Council's overall financial position noting that much work still needs to be done to close the budget gap which was estimated at the start of the financial year as circa £57m over the period 2024/25 - 2026/27. The Council's medium term

financial plan is in the process of being updated to take account of the budget proposals put forward for approval to date, including those in relation to children's centres and to include the year 2027/28 to provide an updated budget gap estimate.

- 7.3. Paragraph 2.4 sets out estimated savings in respect of children's centres put forward to date. However further work needs to be undertaken on the financial impact of the various options and consideration needs to be given to identifying further savings given the budget gap that remains and the need to revisit all areas of discretionary spend.

8. **VAT implications on land and property transactions**

- 8.1. NA

9. **Comments of the Acting Director of Legal, Democratic and Electoral Services**

- 9.1. Cabinet is asked to approve the recommendation that the Council embark on a consultation with residents about making changes to some of its 11 children's centres.

- 9.2. In making this decision Cabinet should be aware of the following;

- **The Council is under a duty to ensure sufficient childcare places within its area;**
- The Childcare Act 2006 imposes various legal duties on the Council. Section 6 imposes a duty to secure sufficient childcare for working parents. Section 7 imposes a duty to secure early years provision free of charge. Regulations made under it set out the type and amount of free provision and the children who benefit from free provision. Section 12 imposes a duty to provide information, advice and assistance to parents and prospective parents.
- The Council is under a duty to ensure Best Value and has fiduciary duties towards its residents.
- s 1(1) Local Government Act 1999 imposes a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". The Council has fiduciary duties towards residents. It is required to consult before making changes to service provision at or closing a children's centre.
- The Childcare Act 2006 at s5(d) imposes a legal duty on a Local Authority to consult before making any significant change in the

services provided through a children's centre and before anything is done that would result in a children's centre being closed.

**9.3. The Council must have due regard to the Public Sector Equality Duty**  
S149 (1) Equality Act 2010 (EqA 2010) imposes the Public Sector Equality Duty (PSED) on the Council.

- This requires public authorities to have "due regard", at every stage of decision making, to:
- The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EqA 2010.
- The need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. This involves having due regard to the needs to:
  - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
  - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

**9.4. Compliance with the PSED may involve treating some people more favourably than others, but this does not mean that conduct that would otherwise be prohibited by or under the EqA 2010 is permitted.**

- The need to foster good relations between persons who share a relevant protected characteristic and those who do not share it. This includes having due regard to the need to tackle prejudice and to promote understanding.

**9.5. The Council must ensure that all required consultations are properly undertaken in accordance with relevant law and guidance. The relevant guidance is the Sure Start children's centres statutory guidance, April 2013. The Council must have regard to this guidance when exercising its functions under the Childcare Act 2006. Having regard to the guidance means it must take it into account, and should not depart from it unless we have good reason for doing so.**

## **Appendices**

Appendix 1 - E&Y Executive Summary Report (Exempt)

Appendix 2 - [Affordable Childcare Commission Report](#)

Appendix 1 is exempt under paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972 (information relating to the financial or business affairs of any particular person including the authority holding the information). Disclosure would be likely to prejudice the commercial interests of any person including the Council and the public interest in not disclosing the information outweighs the public interest in disclosing it.

**Background documents**

1. [Children and Family Hub Consultation Report June 2023](#)

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