


<b>Commissioner Decision Report</b> 27 <sup>th</sup> September 2016	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Debbie Jones, Corporate Director Children's Services	<b>Classification:</b> Unrestricted
<b>Integrated Early Years' Service Commissioning</b>	

<b>Originating Officer(s)</b>	Jo Green
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Community Plan Theme</b>	A Prosperous Community

## Executive Summary

This report provides background information on the change from Mainstream Grant Funding for Early Years' Services, changes to Early Years' funding and details of the services currently commissioned by the Integrated Early Years Services (IEYS).

### Recommendations:

The Commissioners are recommended to note this report.

## 1. REASONS FOR THE DECISIONS

This report has been produced to provide information relating to the Early Years' Service commissioning arrangements, following a request by the Commissioners' at their last Decision Making meeting.

## 2. ALTERNATIVE OPTIONS

2.1 There are no alternative options.

## 3. DETAILS OF REPORT

### Background

The DSG funding for early years activities 2012-15 was originally delegated by the Schools' Forum from DSG to form part of Early Years' Mainstream Grant (MSG) Theme 1. In 2015, due to concerns raised by the Schools' Forum, this decision was reversed at the point when there was a natural break in the commissioning process (March 2015).

As there were many issues relating to the wider MSG programme overall that needed to be addressed, extensions to all MSG grants (including Theme 1 and the EY component of that strand) were required until August 2015.

Schools' Forum began to review the use of this funding for early years' performance related outcomes rather than for activities during the summer of 2015, with appropriate Voluntary and Community Sector representation in this process.

In September 2015 Schools' Forum decided to change the parameters upon which they funded outcome related work via the monies that had previously been delegated to MSG for activities. After this decision was made by Schools Forum, the Early Years' Service (EYS – precursor to the IEYS) was asked to administer the funds that were originally classified as EYMSG Theme 1. This was on the basis of a change from funding activities to funding measurable outcomes.

1. The EYS was asked to take forward two (2) strands of work:
  - a. From September 2015, to administer a supplement to all settings taking eligible two (2) year olds, to support **all** settings offering care and education to disadvantaged two (2) year olds;
  - b. From the end of September 2015 to administer the funding for infrastructure support required. The extension of the EYMSG for this area was further extended due to issues in the procurement process and legal approvals required. In June 2016 a full commissioning and procurement process was completed by the IEYS.

### Move to Commissioning Approach for Early Years' Services

The Council's Voluntary and Community Sector (VCS) Strategy sets out the Council's intention to move from grant funding towards an outcome based commissioning approach to maximise the use of resources to deliver its strategic priorities. Grants will continue to be a source of funding where appropriate, but as they tend to focus on funding activity, a commissioning approach is considered more appropriate where services need to have an outcome focus based on a need's assessment.

The move towards commissioning services is taking place at the same time as the Council's funding from central government is decreasing, with the Council's funding gap approximately £60m to 2019-20, with schools' budgets also affected. This means an even greater emphasis is being placed on prioritising the Council's resources to deliver its key objectives.

It is noted that many Early Years' organisations previously in receipt of grant funding have done good and important work in the sector, delivering the required grant funded activities. However the need to prioritise limited resources has meant that all historic grant funding has been assessed to identify those services that most strongly support the Council's strategic priorities. The Council is committed to supporting VCS organisations and part of that support includes funding Tower Hamlets VCS to work with VCS organisations to build their capacity in a number of areas, including diversifying their funding streams to be less reliant on grants and/or

one funder. The Council's IEYS Business Support team also provide support specifically to Early Years' service providers.

In addition to the commissioning undertaken by the Early Years' Service, the Council's Children's Centres have also commissioned services as set out in the table below:

CHILDREN'S CENTRES CONTRACTS 2016/2017		
SLA	Speech and Language	£90,000
Internal agreement	Educational Psychology	£142,036
Internal agreement	Educational Psychology - Post diagnosis Support	£28,407
Internal agreement	Tower Hamlets Arts and Music Education Service (THAMES)	£21,000
SLA	Compass Well Being	£20,000
ESCW4929 Contract	Physical Play St Hilda's (Toyhouse Libraries Association)	£24,924
<b>Total</b>		<b>£326,367</b>

It is important to note the distinction between the funding moved from Theme 1 MSG to be commissioned via Schools Forum, the remaining Theme 1 funding and the commissioning by Children's Centres. Only part of the Theme 1 MSG funds relate to Early Years.

### Early Years' Commissioning

Proposals as to how the Early Years' element of the Theme 1 MSG funding could be used were presented to the Schools' Forum in September 2015. The Forum decided that the funding should be directed towards early learning for two year olds, infrastructure and SEN support because this would be the most equitable way of benefitting the most children and families, supporting two year old provision, and the council's statutory duty to ensure the provision of two year old places.

The Early Years' services that used to be funded through MSG were 19 voluntary childcare settings providing Nursery Education places (two other groups were awarded funding, but have since closed), and six infrastructure and pan-borough services.

When funding moved to Schools Forum, how and which services were to be funded was reviewed carefully to ensure that the funding was meeting current priorities, namely two (2) year old provision, which is directed at families living in the most disadvantage.

### Funding for childcare providers

In the case of childcare voluntary providers, much has changed since the MSG funding for them was introduced. There is now substantial funding from central government through DSG for 2, 3 and 4 year olds. The amount of funding to the Tower Hamlets Private, Voluntary and Independent (PVI) sector as a whole has doubled in the last four years. The revenue funding paid to the PVI sector for 2, 3 and 4 year olds in 2015/16 was £6,452,483.

### Funding Supplement for two (2) year old funding

The two (2) year old funding programme has become a statutory duty for all local authorities. However, Tower Hamlets has had a very low take-up. For this reason Schools' Forum agreed to change funding from a block grant through MSG to a supplement to an hourly rate for two (2) year olds to encourage and support the widest possible take up for disadvantaged children and families. The supplement is automatically applied to the funding paid to providers for eligible children placed with them. The supplement is paid to all providers, not just the voluntary groups that had been receiving MSG.

This supplement is 60p per hour, which equates to £342 per year for each child. (The base rate is £6.07 per hour, £3,460 per year per child). The supplement was implemented in September 2015, and approximately £250,000 has been paid as a supplement since then. This has substantially widened the number of places that are supported.

### Parachute Payments

In addition to the supplement, Schools' Forum agreed parachute payments over 19 months across 2015/16 and 2016/17 to the childcare providers that had previously received MSG funding. This was to help ease the providers from one funding stream to the other, and to give them time to adapt. The payments made totalled £36,523 to 16 groups. The awards range from £452 to £4,675, the amount depending on the possible impact of the new funding stream on each provider.

### Infrastructure and pan-borough awards

In relation to other funded organisations, Schools' Forum agreed to commission services to support voluntary childcare providers, which would help ensure that the Council met its statutory obligations in relation to funded 2, 3 and 4 year olds. In addition, Schools' Forum agreed to commission: support for non-registered childcare, with a strong emphasis on transition into funded early education and linking with children's centre services; and to childcare provision which would ensure that children with complex needs did not miss out on their right to early education.

These commissioning priorities were agreed by Schools' Forum in September 2015. With this more focussed approach and with tightening budgets, this inevitably meant that some groups that may have been providing good services would no longer be able to get funding from these revised programmes. The services to be commissioned were advertised in May 2016 and appointments made in June and July 2016. The service for children with complex needs did not receive any bids. The tender documents are being re-considered with a view to re-tendering.

## Extensions to MSG awards

The infrastructure and pan-borough groups that had been MSG funded for the Early Years' strand for the period 2012-2015 were awarded extended MSG funding for 16 months up to July 2016. This funding was awarded to reflect the need to transition to a commissioning approach and the time required to complete the procurement process. The extension amounted to a further £290,000 being awarded to these groups.

## Comparison of MSG awards and the replacement commissioned services

The tables below show the awards made to infrastructure and pan-borough organisations under MSG, and the newly commissioned services which replaced the EY specific theme of MSG. Award figures have been annualised to aid comparison.

<b>Annual MSG awards for 2012-2015 (and with extension to July 2016)</b>		
<b>Organisation</b>	<b>Project Title</b>	<b>Annual Funding</b>
Early Years Network Tower Hamlets	Infrastructure support to voluntary early years service providers	£ 100,000.00
Hackney Playbus	Eleanor Street Children's Project	£ 4,000.00
Somali Parents and Children's Play Association	Play Opportunity For Somali Disabled Children	£ 11,511.11
St Hilda's East Community Centre	Under 5's & Crèche Project	£ 8,000.00
THOG (Tower Hamlets Opportunity Group )	Early education for children with additional needs	£ 62,222.22
Toyhouse Libraries Association of Tower Hamlets	Soft Play Projects	£ 15,555.56
Toyhouse Libraries Association of Tower Hamlets	Home Visiting Mobile Toy Library Service	£ 20,000.00
<b>Total</b>		<b>£ 221,288.89</b>

<b>Services Commissioned from 2016</b>		
<b>Organisation</b>	<b>Project Title</b>	<b>Annual Funding</b>
Early Years Network Tower Hamlets	Financial services for voluntary registered providers	£ 30,000.00
Prospects	Organisational Support for voluntary registered providers	£ 40,000.00
Prospects	Organisational support for unregistered childcare	£ 50,000.00
<i>No bids – consideration for re-tendering</i>	Complex needs support	£ 40,000.00
<b>Total</b>		<b>£ 160,000.00</b>

It should be noted that the broader MSG theme 1 for 2015/18 covered Children and Young People's Services and a number of EY organisations submitted applications, some of which were recommended for approval, based on their ability to meet the revised criteria, whilst others were not as they failed to sufficiently meet the criteria. Appendix E sets out the funding from MSG Theme 1 2015-2018 that was awarded to some of the above groups.

Following concerns raised on behalf of former grant recipients, regarding the outcome of the 2015/18 MSG process, a meeting was held with Tower Hamlets Early Years' Network (THEYN) to discuss and address the concerns. A number of grant applicants have highlighted that there was insufficient clarity regarding their applications and the basis on which the officer recommendations were made. Some organisations also advised that they did not apply for MSG as they thought the funding for Early Years' was now being provided through the specific

DSG funding from the Schools' Forum, although the broader MSG theme 1 criteria does cover all ages of children and their families (see Appendix A). In response to the concerns raised by the grant applicants and the desire to provide clear and comprehensive feedback, the Early Years' Service has agreed to work with the Third Sector team to review the applications originally submitted and to provide a greater level of detail to those organisations that were unsuccessful.

### Future Funding

Future funding allocations will continue to be determined by Schools' Forum, based on the DSG budget available, proposed government changes currently out for consultation and the priorities Schools' Forum sets. If the number of two (2) year old placements increases significantly (which is the planned for outcome), it may be necessary to reduce the hourly supplement to stay within the available budget. The commissioned services run until March 2018. Consequently, in the autumn of 2017 Schools' Forum will need to give consideration to future funding for these services when it plans its budget for 2018/2019.

## **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 There are no direct financial implications arising from this report.

## **5. LEGAL COMMENTS**

- 5.1 This report is updating the Commissioners regarding Mainstream Grants and Theme 1 of the programme: Early Years' Mainstream Grant.
- 5.2 The power of the commissioners to make decisions in relation to grants arises from directions made by the Secretary of State on 17 December 2014 pursuant to powers under sections 15(5) and 15(6) of the Local Government Act 1999 (the Directions). Paragraph 4(ii) and Annex B of the Directions together provide that, until 31<sup>st</sup> March 2017, the Council's functions in relation to grants will be exercised by appointed Commissioners, acting jointly or severally. This is subject to an exception in relation to grants made under section 24 of the Housing Grants, Construction and Regeneration Act 1996, for the purposes of section 23 of that Act (disabled facilities grant).
- 5.3 Whilst there is no strict legal definition of grant, a grant is in the nature of a gift and is based in trust law. However, grants are often given for a purpose so it is sometimes unclear whether a grant has been made or the arrangement is a contract for services. A contract for services is not a grant and therefore, an arrangement which is classified as a contract for services would be outside the remit of the power conferred upon the commissioners to approve.
- 5.3 There will be many grants which are made by the Council for the purpose of discharging one of its statutory duties. However, as a grant is in the nature of a gift, it is considered there must be some element of discretion on the part of the Council as grantor as to whom a grant is made to and whether this is made. If the Council is under a legal duty to provide a payment to a specific individual or organisation, and

cannot lawfully elect not to make such a payment, then that should not amount to a grant.

- 5.4 There are a number of similarities between the mainstream grants process and procurement of public contracts within the meaning of the Public Contracts Regulations 2015. The key features which separate the grants process from the need to comply with the requirements of those Regulations are as follows. Firstly, the payment of money by the Council is to reimburse actual costs incurred by the recipient and not profits. Secondly, the Council pays the amount that it deems appropriate from the funds available rather than paying the most economically advantageous bid price. Thirdly, grants typically proceed from an application process rather than a procurement procedure. A feature of the application process is that the applicant requests funding for a project that it has developed, rather than developing a proposal to the Council's technical specification. When implementing the grants programme, the Council must take care to maintain these points of distinction.
- 5.5 In this case, if there is to be a commissioning process rather than an application and an award of a contract for service then this is likely to mean that these payments will no longer be grants.
- 5.6 The report makes reference to the refreshed Voluntary and Community Sector (VCS) Strategy and a key action within which was to consider moving Council grants, where appropriate, to an outcome based commissioned approach. This was reported to the Commissioners at their meeting on 14<sup>th</sup> June 2016 and the Commissioners requested a noting report on what grants would be commissioned in future. A separate report titled "Grants Register - Moving to Commissioning (review outcomes)" details the outcome of that review. That report details the 4 grant areas that are to be commissioned in future and which includes Mainstream Grants.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 The allocation of grant funding and the support for local voluntary and community sector organisations directly supports the Council's One Tower Hamlets objectives.

## **7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 7.1 There are no specific SAGE implications arising from this report.

## **8. RISK MANAGEMENT IMPLICATIONS**

- 8.1. There are no specific risk management implications arising from this report.

## **9. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 9.1 There are no specific crime and disorder implications arising from this report.

## **10. SAFEGUARDING IMPLICATIONS**

10.1 There are no specific safeguarding implications arising from this report.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None

#### **Appendices**

**Appendix A** Main Stream Grants 2015/18 – Specification Theme 1 Children, Young People and Families

**Appendix B** MSG Grant Specification for the provision of early years services for 2012/15

**Appendix C** Childcare providers that received MSG in the period 2012-2015

**Appendix D** Childcare providers that have received the supplement to the two year old funding since September 2015

**Appendix E** Awards made under MSG Theme 1 for the period 2015-2018 to groups that had previously been awarded funding for Theme 1 for the period 2012-2015

#### **Background Documents**

- None

#### **Officer contact details for documents:**

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## Appendices

### Appendix A

#### **Main Stream Grants 2015/18 – Specification Theme 1**

As stated in the body of report the MSG Theme 1 for 2015/18 no longer includes the specific early years' activities as had been in the 2012/15 specification, as the responsibility for early years' funding was moved to Schools Forum. All services were able to apply for the broader Theme 1 2015/18 MSG award process. The scope of 2015/18 activities for Children, Young People and Families is set out below:

#### **Scope of Activities**

*We are seeking applications from organisations that are able to deliver services to the Borough's, children, young people and families through a range of innovative, targeted and universal interventions aimed at building resilience, reducing inequalities and providing protection from harm.*

*Specific activities will include:*

- *Out of school provision that supports improved educational attainment, targeted at those at risk of not achieving expected levels.*
- *Services for vulnerable/excluded children, young people and/or their families to prevent problems escalating delivered as part of a comprehensive and co-ordinated system of care.*
- *Children's adventure play, sport and indoor/outdoor recreation.*
- *Multi-disciplinary arts provision.*
- *Youth development and support services.*

*Organisations seeking to deliver services will be expected to:*

- *Demonstrate they have a sound understanding of the needs of children, young people and families and a track record in delivery in the areas specified.*
- *Develop innovative and/or tried and tested approaches to supporting the delivery of improved outcomes.*
- *Deliver person centred services in collaboration with children, young people and/or their families.*
- *Demonstrate partnership working between those agencies providing services to children, young people and families and young people to ensure services enhance existing provision and that the wider needs of service users are met.*
- *Ensure increased participation and engagement of hard to reach children, young people and/or families.*
- *Able to meet the individual needs of children, young people and/or families.*
- *Some services will require a minimum or maximum number of sessions to be delivered at specific times and will also require contacts with a minimum number of children and young people.*

## **Appendix B**

### **MSG Grant Specification for the provision of early years services for 2012/15**

The MSG specification for the period 2012/15 contained specific early years activities. It was against these criteria that awards were made to voluntary childcare providers and to infrastructure and pan-borough groups, although it should be noted that some officer recommendations were changed. The scope of 2012/15 activities for early years' is set out below:

#### **Scope of Activities**

*Organisations seeking to deliver early years services will be expected to meet the following priorities:*

- *Contribute to the priorities within the Tower Hamlets Children and Young People's Plan regarding Early Years and Extended Schools initiatives, including contributing to ensuring that there are sufficient funded early education places to meet the needs of the Borough*
- *Are targeted at under-fives (Early Years); 3-12 for before/ after school and holiday play scheme activities*
- *Developing two year old funded places*
- *Meet the needs of the borough's most excluded communities*

#### **Type of Service**

*We specifically wish to fund organisations that are able to deliver the following activities:*

- *Good quality, stimulating, inclusive childcare and early learning experiences, able to meet the requirements of the Early Years Foundation*
- *Stage, and registered with the Ofsted. Priority will be given to organisations providing funded early years education for two year olds for 15 hours a week. Settings not currently offering funded places for two year olds, must have a commitment to do so and a commitment to improve their quality to good or better.*
- *Good quality, stimulating out of school (before/after school and holiday play schemes) for children who are mainly in the 3 to 12 age group, Providers should be registered with Ofsted*
- *At least three inclusive soft play sessions a week, each of two hours for children under the age of five (the organisation must have the resources and equipment), including one inclusive session which specifically meets the needs of families with a child/children with additional needs, including the organisation of transport where necessary*
- *The provision of a mobile toy library service to provide a home visiting toy loan service to families who have pre-school children with additional needs.*

## Appendix C

### Childcare providers that received MSG in the period 2012-2015

Annualised MSG awards for 2012-2015

<b>Organisation</b>	<b>MSG Annual Funding</b>	
Abertots Play	£	8,000.00
Allen Gardens Playgroup	£	12,515.56
Avebury Playgroup	£	16,444.44
Brayford Square Playgroup	£	11,111.11
Burdett Estate Playgroup	£	5,333.33
Catholic Children's Society (St Francis)	£	8,888.89
Glamis Community Nursery	£	8,888.89
Island House Pre-School Playgroup	£	13,488.89
Jagonari Women's Educational Resource Centre	£	26,666.67
Lincoln Hall Playgroup	£	14,222.22
Mile End Nursery and Playgroup	£	8,000.00
Munchkins Playgroup	£	17,333.33
Poplar Play Centre	£	13,333.33
Rainbow House	£	16,560.00
Ranwell Playgroup	£	12,000.00
Scallywags Parent Run Nursery	£	6,666.67
SSBA Community Trust: Heba Womens Project	£	12,444.44
Tate House Playgroup (Cranbrook Estate and Meath Gardens)	£	18,222.22
Vernon Playgroup	£	11,111.11
Wapping Playgroup	£	11,111.11
Wapping Playzone	£	10,286.67
	<b>£</b>	<b>262,628.89</b>

**Notes** This was the annualised amount as awarded. Some groups closed before the end of the grant period.

Officer recommendations for a number of the awards were changed by the previous administration.

## Appendix D

Childcare providers that have received the supplement to the two year old funding since September 2015.

The amount paid varies with the number of children the provider has placed.

Abertots Playgroup	Noah's Ark Nursery
Alice Model Nursery School	Old Church Nursery
Allen Gardens Playgroup	Overland Children's Centre
Avebury Playgroup	Poplar Play Centre Ltd
Barkantine Community Nursery	Precious Kids Day Nursery Ltd
Bow Nursery	Queen Mary Day Nursery
Bethnal Green Montessori School	Rainbow Playgroup
Brayford Square Playgroup	Ranwell Playgroup
Burdett Estate Playgroup	Sallywags Parent Run Nursery
Date Palm School	Shining Futures Nursery
DreamMaker Day Nursery	St Francis Family Centre
Excellence Day nursery	St. Peter's Montessori
Gateway Tots (LL)	Step by Step Nursery
Gateway Tots (MC)	Tate House
Excellence Day nursery	Tate House @ Meath Gardens
Global Kids Day Nursery	The Nursery @ St Paul's
Global Kids Mile End	The Old Station Playgroup
Harmony At Account 3	Tower Hamlets College Day Nursery
Headstart Nursery	Tower Hamlets Opportunity Group
Heba Nursery	Vernon Playgroup
Incy Wincy Stars	Wapping Playgroup
Island House Playgroup	Wapping Playzone
Iqra Preschool	Westfield Nursery @ QMUL
Jagonari Playhouse	Winterton House Nursery
Jagonari @ Rainbowhouse PG	Amina Deria
John Smith Day Nursery	Parvin Begum
Kids Kingdom	Natalie Fenner
Limehouse Arches Day Nursery	Martha Fealty
Lincoln Hall Playgroup	Sarun Begum
Little Canaries	Vicky Duggan
Magic Roundabout	Marilena Bocante
Mary Sambrook Day Nursery	Yvonne Bradley
Matchbox Day Nursery	Eugenie Greenwood
Matilda Nursery	Fathema Tuj Mahmood
Mile End Nursery	Fatiha Fekier
Mudchute Day Nursery	Petiya Ivanova
Munchkins Playgroup	Forida Alom
New Generation Nursery	

## Appendix E

The table below lists the applications received and awards made under broader MSG Theme 1 for the period 2015-2018 which relates to groups that had previously been awarded funding for the Early Years' Theme 1 for the period 2012-2015. Note that not all these activities fall within the statutory remit of the IEYS.

Organisation	Project	Extension to 2012-2015 Programme	2015-2018 Award	Notes
<b>Early Years Network Tower Hamlets</b>	Early Years Network Infrastructure Support to Early Years' Service Providers	£100,000	£0	Had an extension to 2012-2015 programme which continued until 31.07.2016
<b>Hackney Playbus</b>	Eleanor Street Children's Project	£4,000	£0	Had an extension to 2012-2015 programme which continued until 31.03.2016
<b>Somali Parents and Children's Play Association</b>	Play Opportunity For Somali Disabled Children	£11,511.10	£0	Had an extension to 2012-2015 programme which continued until 31.07.2016
<b>Somali Parents and Children's Play Association</b>	Girls Active Play and Sports		£35,010	
<b>Somali Parents and Children's Play Association</b>	Somali Women Engagement Forum		£16,000	
<b>St Hilda's East Community Centre</b>	Under 5's and Crèche Project	£8,000	£0	Had an extension to 2012-2015 programme which continued until 31.07.2016
<b>St Hilda's East Community Centre</b>	St Hilda's Youth Hub		£39,000	
<b>St Hilda's East Community Centre</b>	St Hilda's Lunch Club Plus		£50,400	
<b>THOG (Tower Hamlets Opportunity Group)</b>	Tower Hamlets Opportunity Group Service Delivery	£62,222.22	£0	Had an extension to 2012-2015 programme which continued until 31.07.2016
<b>Toyhouse Libraries Association of Tower Hamlets</b>	Soft Play Projects	£15,555.56	£0	Had an extension to 2012-2015 programme which continued until 31.03.2016
<b>Toyhouse Libraries Association of Tower Hamlets</b>	Home Visiting Mobile Toy Library Service	£20,000	£0	Had an extension to 2012-2015 programme which continued until 31.07.2016
<b>Toyhouse Libraries Association of Tower Hamlets</b>	Mellow Parenting		£50,478	