



Social Enterprise: a childcare solution for London?



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Capacity, a not for profit public interest body, is pledged to promote the need of young children, their families and communities and to provide strategies to increase social inclusion and to combat poverty.

The London Development Agency (LDA) is one of the nine Regional Development Agencies (RDAs), set up by Government to transform England's regions through sustainable economic development. The London Childcare Strategy is designed to increase the availability of quality, affordable, accessible childcare to meet the needs of London's families, regardless of their income or employment status. It also aims to support London's economic growth, enabling families to escape poverty and share in London's success now and in the future. The LDA is the lead Regional Development Agency for childcare.

Capacity gratefully acknowledges the support of the London Development Agency and the four London Boroughs of Brent, Hackney, Lewisham and Westminster for this short qualitative study.



The field work for this study was undertaken by Margaret Lochrie and Lynn Cauldwell, the report by Margaret Lochrie on behalf of Capacity.

Designed and typeset by GMT Design Limited, Greenwich

Printed and bound in the UK by Scarbutts Printers.

ISBN: 978-0-9554236-2-8

Introduction

Childcare and Child Poverty in London

London, despite its economic success, has the highest rate of child poverty in the UK. Two fifths of London children live in poverty while, in Inner London, the ratio rises to one in two. And while child poverty is falling across the rest of the UK, there has been no sustained improvement in London since 2000.¹

The Mayor's London Childcare Strategy, launched in 2003, has, as its main strategic focus, the aim of reducing child and family poverty; enabling parents to enter employment by increasing the supply of affordable quality childcare, at the same time supporting all parents to combine family and work responsibilities.²

Five years on, the severity of child poverty in London is acknowledged in the government's policy document, *Ending child poverty: everybody's business*, with the creation of a cross-departmental initiative to help parents to enter work and to take forward the recommendations of the London Child Poverty Commission.³

London's higher rates of child poverty are mainly due to lower rates of employment among parents. In London, the percentage of women with dependent children who are in employment has remained significantly unchanged since 2001 and at 55% is 10 percentage points lower than the rest of England. The employment difference between London and the UK for lone mothers is 13% and unemployment is particularly acute among Black Minority Ethnic (BME) families, with almost one third of Black, Asian and minority ethnic children living in workless households.

Low employment rates are, in turn, related to education and skills deprivation – in some areas,

up to 50% of people of working age lack even basic qualifications and/or English is not their first language. London also has high levels of migration – 44% of parents living in poverty were born outside the UK, with 80% from low income countries.⁴

However, unemployment is not the sole cause of poor living standards and among children living in poverty in London, 41% are in households where at least one parent is working. Couple families in the capital are more likely to have only one earner than in the rest of the UK.⁵

At the time of the launch of the National Childcare Strategy, London had a relatively small stock of childcare.⁶ London childcare costs are significantly higher than elsewhere and the shortage of suitable affordable premises or land is a particular problem. Staff recruitment and retention is a further challenge, while working patterns, involving long distances to travel to work or atypical hours, create demands which providers may be unable to meet.

The London Development Agency (LDA) has worked with local authorities, with stakeholders and with central government to stimulate and co-ordinate the expansion of affordable quality childcare across the capital, also acting as the lead regional development agency for childcare and as a "greenhouse" for fresh policy development.

In 2003, the LDA provided more than £3 million in gap funding for Neighbourhood Nurseries. Between 2005 and 2008, the LDA has also committed more than £30million for four interlinked childcare programmes. Of these, the largest investment, £22million, is in the Childcare Affordability Programme (CAP), also supported by £11million from DCSF, which provides funding for childcare providers to subsidise childcare costs for lower income parents in receipt of the higher rate family element of the Child Tax Credit. Other current programmes include the Childcare Business and Skills Programme, the Childcare Capital

1 London Child Poverty Commission: Interim report 2007
 2 The London Childcare Strategy: Towards affordable good quality childcare for all: LDA 2003
 3 Ending child poverty: everybody's business: HM Treasury 2008

4 *ibid*
 5 London Child Poverty Commission: Final report 2008
 6 Early Years: Progress in developing high quality childcare and early education accessible to all: NAO 2004

Investment Programme and the Childcare Marketing and London Intelligence Programme.

The Impact of the Childcare Strategy

Between 1997 and 2003, the number of registered childcare places declined, from 176,000 places to 165,500 places. Since 2003 and with substantial investment in programmes like the Neighbourhood Nurseries Initiative (NNI), London local authorities have increased the supply to an overall figure of 219,500 places, an increase of 33%. Within this total, the fastest growing strand has been full daycare places, which have increased in number from 54,300 to 82,400, an increase of 52%.⁷

However, despite a rapid growth in the childcare market, the match between supply and demand remains, for a number of reasons, problematic and the aim of the strategy – to substantially reduce poverty – is, as yet, unrealised.

Childcare continues to be more expensive in London. In 2008, the average cost of a childcare place in Inner London is now £205, which is 35% higher than the average for England as a whole.⁸ The childcare element of the Working Tax Credit is designed to help families with the costs of childcare, but London has had the lowest rate of receipt of Working Tax Credit of all UK regions. These conditions have provided the rationale for the three-year Childcare Affordability Programme, which began in 2005 and has aimed to address the issues of flexibility and affordability, supporting up to 10,000 places.

Many of London's new childcare places have been targeted in areas of greatest deprivation, where the supply has been historically weakest. Such targeting is purposeful in terms of offering families on the lowest incomes a helping hand with gaining and sustaining employment, yet for many parents living in those areas the available

employment opportunities and the competing needs of their children may prevent work from being seen as a particularly meaningful choice.

Across all communities, childcare is failing to reach large numbers of low-income families who may have never worked or whose lack of skills prevents them from moving into employment, or whose preference is for informal care by family members, or whose beliefs about mothering preclude paid work. As a number of researchers have observed, childcare cannot operate according to pure economic exchange principles, precisely because it is infused by emotion and influenced by personal circumstances and by cultural beliefs.⁹

Families with a disabled child, or a child with additional needs, face additional difficulties in accessing childcare, because of costs and also because childcare providers may be unable to meet the needs of their children. The scarcity of accessible childcare services means that parents of disabled children are less likely to be able to take up employment, or undertake training or education which could help to increase their income. In a review of the LDA's childcare programme, the Economic Development, Culture, Sport and Tourism Committee, within a broad raft of proposals, recommended that support should be targeted on this group of families.¹⁰

In addition, there is a strong undercurrent of anxiety about the sustainability of the childcare market. While at the top end, the market is dominated by corporate private providers, in disadvantaged areas many providers are struggling to fill places, particularly as NNI subsidies taper off. In England as a whole, in 2005-6, an increase of 214,800 new childcare places was offset by the closure of more than 144,000 existing places. The net increase in full daycare places was only 5,600.¹¹

In London, for the reasons noted, these pressures are exacerbated, where the childcare market has

⁷ Quarterly Childcare Statistics as at: 30 September 2007: Ofsted 2007

⁸ Childcare Costs in 2007: Daycare Trust

⁹ Ball, S.J. and Vincent, C. (2005) The 'childcare champion'? New Labour, social justice and the childcare market: British Educational Research Journal Vol. 31, No. 5, October 2005, pp. 557-570

¹⁰ Review of the London Development Agency's childcare programme: London Assembly Economic development, Culture, Sport and Tourism Committee

¹¹ Hansard, Written Answers 10th July 2007

been characterised, on the one hand, by a high rate of nursery closures¹² and on the other, inexorable pressures on nurseries to fill places by focussing on a more middle class clientele.

Finally, the funding environment is seen, by many providers and childcare experts, to be overly dependent on demand-side funding mechanisms and the main element of supply side funding – Nursery Education Grant – is widely held to be insufficient to cover the cost of providing the free entitlement. There is hope that the introduction, by 2010, of a single formula for funding early years provision, will address this but, in the meantime, some providers in London – as elsewhere – will not offer the free entitlement to parents, as a stand-alone provision.

Tackling Social Exclusion through Social Enterprise

The London Poverty Commission has suggested that improved access to childcare for poor families and childcare support for those in training should form part of an appropriate response to continuing high levels of child poverty.¹³

But, as noted above, the childcare market in London, for a whole variety of reasons, has not yet proved sufficiently responsive to the root causes of child poverty. The focus of this study is whether the development of social enterprise might be a more suitable model to achieve this objective.

In a review of social enterprises across Europe, Defourney suggests that, in increasingly complex societies, social exclusion becomes resistant to simple solutions like fiscal measures and standardised services. Social enterprises can give significant support to identify and address the different and new needs of communities and of individuals most at risk. They can also make a contribution to social capital by developing

solidarity, mutual help and the engagement of people in tackling social problems.¹⁴

In 2006, launching the cross-cutting Social Enterprise Action Plan, the then Third Sector Minister, Ed Miliband, described social enterprise as being *in the vanguard of change*, in delivering transformed public services, *using the skills and expertise of users and frontline workers*.¹⁵ A year later, his successor, Phil Hope, asserted the government's faith that social enterprise could tackle *entrenched social and environmental challenges ...making the UK a fairer and more inclusive society*.¹⁶

Social enterprises, according to the DTI, "are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners." Such businesses are seen as contributing to:

- raising productivity and competitiveness;
- socially inclusive wealth creation;
- enabling individuals and communities to foster local regeneration;
- demonstrating new ways to deliver public services; and
- fostering an inclusive society with an active citizenship.¹⁷

In addition, where social enterprises involve local people as members, in democratic forms of organisation, they are claimed to have an important social purpose, helping to develop active citizenship.¹⁸

Across Europe, approximately 9 million people are employed by co-operatives, mutuals, associations and other third sector organisations, representing about 10% of total EU employment.¹⁹

12 End Child Poverty "Capital Losses: London's Child Poverty Problem"

13 London Child Poverty Commission Interim Report 2007

14 Borzaga, C and Defourney, J. (2001): The Emergence of Social Enterprise in Europe: Routledge.

15 Scaling the heights: An action plan for social enterprise: Cabinet Office 2006

16 Social Enterprise Action Plan One Year On: Cabinet Office 2007

17 Social Enterprise: a strategy for success: www.dti.gov.uk/socialenterprise 2002

18 A system for good governance in the European Union: Contributions to the White Paper on Governance Euro-Mediterranean Network of Social Economy 2001

19 Social Enterprise Coalition: Social Enterprise Across Europe

There are, however, unresolved definitional issues of what a social enterprise actually is, complicated by a diversity of organisational forms, legal structures, activities and the extent to which they involve users as stakeholders. Social enterprises are seen to be part of the Third Sector, which also includes voluntary and community organisations, co-operatives and mutuals, but the demarcation between these groups and social enterprises is far from clear and the terms *Third Sector* and *Social Enterprise* are sometimes used interchangeably.

In addition, research on the effectiveness of social enterprises, e.g. as a driver for change in public service delivery, is thin on the ground. This is partly a result of definitional complexities, but also relates to the difficulties of measuring and assessing "value-added" qualities or transitions such as "improved well-being", "employability" or "active citizenship".

Childcare as Social Enterprise

In many countries, co-operative and mutual structures have increasingly come to be adopted for the delivery of childcare. In Austria, childcare centres supported and managed by parents form part of the mainstream of childcare services, while in Sweden, more than ten years ago there were at least 1,600 parent-owned childcare co-ops. In France, *Creches Parentale* receive state funding on the same terms as other providers, but are managed by parents, who also contribute time to the running of centres.

In the UK, within the childcare field, a wide range of voluntary groups, charities, and "not-for-profit" organisations operate in the interface between private and public provision. The playgroup movement is a prime example, but there are many others, including child-care co-operatives, community nurseries and family centres.

Among them are many large organisations, which have come to resemble elements of both public and private bodies and which in outlook and scale are vastly different from small stand-alone community groups; while within the private childcare sector, there are many small businesses with a well developed social ethic and purpose. Many, perhaps most, would not consider themselves to be social enterprises, others are expressly so; some are still in the process of making the transition from voluntary organisation to social business.

In 2002, the Daycare Trust with Social Enterprise London and Mutuo suggested that *community-based social enterprises offer the best hope of addressing the chronic shortage of childcare in the UK.*²⁰ In 2004, 4Children, launching *Creating new solutions*, similarly suggested that social enterprise held the key to sustainability for the whole childcare sector.²¹

However, a study, in 2007, by VCS Engage, suggested that many voluntary providers know little about social enterprise and the benefits the model might offer and that there may be a steep learning curve for managers whose background is mainly in service provision. Many of those interviewed were concerned that stakeholders could think poorly of them for "making a profit" and many felt that they lacked business skills.²²

Embracing a business culture

Research in the UK, of 8,000 social enterprises, undertaken for the Small Business Service (SBS), defined social enterprises as:

*"organisations established for environmental or social aims, generating at least 25% of their income through trading, i.e. in direct exchange for goods or services"*²³

On this definition, the voluntary childcare sector as a whole could be considered to be part of the

20 Child's Play: new mutual models for childcare: Mutuo 2001

21 Creating new solutions: 4Children's manifesto for social enterprise in childcare 2004

22 Applying social enterprise approaches to services for children, young people and families: VCS Engage 2007

23 A Survey of Social Enterprises Across the UK: Research Report prepared for The Small Business Service IFF Research Ltd 2005

social enterprise field, yet despite being a key player in the childcare market, accounting in England for a share of £320 million,²⁴ many providers do not consider themselves to be businesses.

In, for example, a survey of 300 childcare providers in Scotland, 59% of settings indicated that they did not find it acceptable to make profits from childcare.²⁵

In the same study, only 18% of those responding described themselves as community businesses; few were able, or willing, to offer price and cost data and more than half expressed concerns about falling occupancy.

The Daycare Trust has focussed on community nurseries as a possible starting point for the development of social enterprise in London. In a survey, with Social Enterprise London (SEL), in 2001, community nurseries were found to have, among other characteristics of social enterprise, strong social goals, income derived from selling services and a focus on sustainability. However a number of weaknesses were also identified, in respect of management and governance, over-reliance on a single funding stream and underdeveloped business systems.

These weaknesses are widely acknowledged to be characteristic of voluntary sector providers as a whole, both in London and across the country as a whole.

Government has provided funding for a business support officer in each local authority area and has also funded a range of business support programmes. However, it has not given concentrated attention to business models, preferring to focus on the creation of places, the regulation of childcare environments and the development of curriculum resources. In this way government and providers are at one, preoccupied with service issues and arguably, accountable for the loss of places and wastage of investment.

Determining the added value

Can social enterprise provide a useful or preferred model for tackling persistent unemployment and low demand for childcare, at the same time increasing business sustainability?

Certainly, Ministers and Sure Start officials have consistently and in a sustained way, made clear their support for the Private, Voluntary and Independent (PVI) sector, both in the face of complaints from within the sector about price-setting and competition from schools and – from within the maintained sector – opposition to profit-based childcare.

But the very term *PVI* obscures the very different motivations and business models which constitute the total of private and voluntary childcare providers, represented, at one end of the spectrum by nursery chains and at the other, by tiny voluntary groups. And – despite the rallying cry provided, in 2006, by the launch of the government's Social Enterprise Strategy – there has been little or no cross-referencing of the strategy with the Ten Year Strategy for Childcare. The reality is, in what is a highly competitive field, Sure Start Ministers, far from championing social enterprise, have maintained a carefully studied neutrality about the possible respective merits of different models.

Are there particular advantages for social enterprises, in comparison with private and public providers? At least three types of advantage have been proposed viz.

- The opportunity to draw on a pool of volunteer labour
- The capacity to attract a network of supporters, sponsors, members and the like, people and organisations willing and able to contribute funding on terms that would never be offered to a profit-making firm

²⁴ NDNA 2005

²⁵ Understanding Social Enterprise: A Case Study of the Child-Care Sector in Scotland: Hare, P., Jones, D. and Blackledge, G. 2005

- The existence of a loyal captive market, who identify with the social aims of the business

Do social enterprises generate particular returns for the economy, for communities, individuals and for excluded groups?

Within the childcare field, there has been relatively little research to determine this. Many settings do function in the manner of children's centres, providing a range of support services, although, unlike children's centres, they are not required to do so.

These questions, relating to added value of social enterprise, are the focus of this study.



The Study

The focus on the sustainability of new and expanding childcare services, particularly in deprived areas where childcare is not traditionally profitable, has led to interest in the social enterprise models.

There are also a number of highly successful childcare social enterprises – the Milmead Children’s Centre in Kent and the Coin Street Nursery in London – providing just two examples of projects which combine business success with social purpose.

In practice, however and as noted, the concept of a childcare social enterprise has proved difficult to pin down and is sometimes used interchangeably with, *Not-for-profit, Community Enterprise and Third Sector*.

The purpose of this small, qualitative, study was to explore, by reference to a small number of case studies, the potential of childcare social enterprises to address key factors – low rates of employment, poor skills and lack of affordable childcare – which are responsible for persistent child poverty, within the context of a sustainable social business.

Aims

- provide an informed analysis of the strategies adopted by childcare social enterprises in London, in relation to engaging disadvantaged families and supporting them to achieve economic well-being;
- independently assess their success as childcare businesses in relation to affordability, accessibility, quality, sustainability and overall business capacity;
- make an assessment of the ‘value-added’; and
- indicate how best practice could be disseminated effectively within London.

Partners

The partners for the study were The London Development Agency (LDA), Brent Early Years, The Learning Trust for Hackney, Lewisham Council Children’s Centres, Childcare and Play and Westminster Early Childhood Services.

Methodology

The methodology included:

- a review of relevant policy and research documents relating to the childcare market in London, social enterprise and child poverty;
- the involvement of an advisory group;
- field visits to a small number of childcare social enterprises; and
- interviews with volunteers and parents.

Advisory Group

A list of the group members is appended. The group included the Head of Childcare at the LDA: nominated Early Years Officers from Lewisham, Brent, Hackney and Westminster; the Business Research Manager from Social Enterprise London; and the Deputy Director, Childcare Division, DCSF.

The group guided the study, providing background information, expert opinion and advice on recommendations.

Selection of case studies and field visits

The case study settings were nominated by the participating local authorities, as examples of social enterprise, or settings which had the potential to become social enterprises. There were eight settings in all, including a playgroup,

a family centre, a group childcare provider and five community nurseries. All were based in areas of high deprivation, or relatively high deprivation.

The study was designed to be illustrative and the case studies were therefore not selected to be representative of other similar childcare settings in London, nor was there an attempt to directly compare the social enterprise model with other business models within the same local areas. However, as a context for the case studies, detailed consideration was given to both the prevailing conditions of the local childcare markets and to source data from other nurseries.

The visits took place over a three-month period at the end of 2007 and beginning of 2008 and involved:

- a pre-visit questionnaire;
- face-to-face, structured interviews with the managers, volunteers and users;
- a review of their business plans, financial reports, occupancy, performance management documents, funding history and outcome monitoring;
- feedback sessions with managers; and
- interviews with the relevant local authority officers relating to the local childcare markets.



The Case Studies

Lewisham

Lewisham is the third largest inner London borough, with a population of nearly 250,000 people. The population is younger than the national average, especially in the 0-4 and 15-44 age groups. The black and minority ethnic (BME) population is relatively greater in the borough than in London and BME children comprise 50% of all school pupils.

The borough is highly residential, with the majority of people commuting to other parts of London for employment.

Lewisham is no longer within the 10% most deprived local authorities in England, but still faces significant challenges. These include above average levels of skills deprivation; rates of teenage pregnancy which are among the highest in the country and areas of acute general deprivation. Four in 10 children live in poverty and the proportion of lone parent households is almost twice the national average.²⁶

In response to these challenges, the borough has set targets to increase access to training and skills; ensure efforts to reduce child poverty reach those most in need; increase employment rates among excluded groups; and foster creative enterprise. A mapping exercise has been undertaken to identify existing and potential social enterprises.

The number of childcare places in Lewisham has increased significantly, from 5,600 in 2003 to 7,900 in 2007. The largest expansion has been in the number of out-of-school providers (75%) and childminders (66%), but there has also been a significant increase (36%) in full day care places, partly as a result of NNI but also because of a growth in private providers. The average cost to parents for full daycare is £164 per week.

Lewisham's childcare sufficiency assessment is currently being analysed, but there are indications that even with help through tax

credits and other subsidies, many families cannot afford to pay for places.

The two nurseries selected as case studies are community nurseries, both attached to Phase 1 children's centres.

Bellingham Community Nursery

Bellingham is a residential estate in the south of the borough. It is one of the most deprived areas in Lewisham, with nearly 60% of people of working age claiming benefits, low educational achievement and high levels of child poverty. The area does, however, have a strong sense of community identity.

The benefits of recent investment are visible. Opposite the railway station, a new leisure centre offers health and fitness to young and old alike; a parade of shops, once boarded up and abandoned, are open for business; nearby, a public garden, formerly a haven for drug users, is landscaped and staffed by a park "auntie", making it a pleasant outdoor space for families.

Bellingham Community Nursery, part of Bellingham Children's Centre, is directed and managed by a tiny group of local people. It opened in 2003 as a Neighbourhood Nursery and the 69 place nursery, which cares for children from age 3 months to 5 years, is open each week day from 8:00am to 6:00pm, throughout the year. In 2006, the setting was expanded to include a baby unit.

As an experiment in community-managed childcare, Bellingham has been very successful. Occupancy levels are relatively high, particularly for younger children, for whom occupancy is around 70%. The inclusion of children with additional needs is very good. Places are offered, on a full or part-time basis, although nursery education places, on a stand-alone basis, are not offered. More than three quarters of families are from BME groups and there are a significant number of lone parents. Described by Ofsted as "offering good quality care in a stimulating

environment”, the high standard of the provision is seen by those leading the centre as a key marker, distinguishing the nursery from other settings in the area. Fees are £175 per week for children under 2 and £155 for children aged 2-5. The nursery also provides placements for children in need, funded by Social Services, through Early Years.

The nursery’s mission is to support families where parents are working, but on low incomes, who could not otherwise afford childcare. Priority is given to families living within the local community and many of the staff also live locally. The two directors, Carla Cook and Angie Read, are volunteers, spending a large number of hours in the nursery, solving problems as they arise. Carla understands the issues and challenges families face, because she’s lived through similar experiences.

There is a commitment to advice-giving and signposting families to other helping services. A significant number of parent users are on New Deal or Care to Learn placements and the nursery works with partners to support parents to gain skills and qualifications and to obtain funding for childcare.

Bellingham has the highest number of childcare places of any ward in the borough and the highest number of vacancies. In spite of this, the nursery has identified a local need for nursery education places combined with wraparound care and this may be a next development.

The nursery has an annual turnover of approximately £400,000 and employs 21 full and part-time staff.

The nursery is constituted as a company limited by guarantee. Parents are involved through consultation meetings, but there is no management committee as such. Strategic decisions are taken by the two directors, working with the nursery manager. Some thought was given to involving local parents in decision-making, but the current feeling is that this could create a possible conflict of interest.

Oak Hill Community Nursery

Part of the Hatcham Oak Children’s Centre, which is directly managed by the local authority, the Oak Hill Community Nursery occupies a substantial part of a new purpose-built centre, close to the local primary school. Open for just one year, it is already full.

Brockley, which provides the nearest railway station, has high levels of deprivation in relation to unemployment, educational achievement and child poverty. The adjacent and – for the nursery – predominant ward, Telegraph Hill, is, however, described by local people as “up and coming” and its location, near to central London, make it an attractive place to live for commuters working in the City.

Like Bellingham, the nursery is part of the Lewisham NNI initiative with strong links with the former local Sure Start Programme. The chair of the nursery, Tamsin Bacchus, was a member of the Sure Start board of management and is a former chair of the Lewisham Pre-school Learning Alliance. She and a colleague are the sole directors of the nursery.

This 55-place nursery provides care mainly for working parents and is open each week day from 8.00am to 6.00pm, throughout the year. Places were originally designed to be full-time, but some families share places, each using only 2 or 3 days in a week. The fees for full-time care are £150 per week, irrespective of the age of the child. There is a strong commitment to inclusion and language support is very good. The nursery employs 14 staff and 5 trainees; adult:child ratios are higher than the minimum required and in its first year of operation, the nursery received a good Ofsted report.

Just over 20% of families are from BME groups and 6 users are lone parents. There is a clear intention on the part of the nursery to support low-income families by making it possible for them to work and six of the current parent users are on New Deal for Lone Parents.

However, the pressure to fill the nursery and make it sustainable means that a balance has to be struck between low income families and those who can afford to pay. Many parents are better off, using the nursery as a cheaper and better alternative to private nurseries. Some commuting parents would like the nursery to be open longer, to fit with their working hours and journey times.

The nursery has performed extra-ordinarily well in its first year of operation. The baby room is full and there is a long waiting list of children under two. They have a few vacant places for 3 to 5 year olds, but need to keep many of these for younger children coming through.

The nursery manager and directors hope, in future, to work with children's centre staff to help more low-income families into work and to provide placements for children in need. Those working links are not yet developed and in the first year of operation, the priority for the nursery has been to create and sustain occupancy.

The nursery is constituted as a company limited by guarantee, its objects *to support the economic development of the nursery catchment area, through activities including but not limited to nursery provision, parental support and the early years curriculum*. There is a culture of parental involvement within the nursery, through consultations, parent meetings and a newsletter but, like Bellingham, parents are not represented on a management committee.

The nursery has an annual turnover of approximately £300,000.



Hackney

Hackney has a population of over 210,000 people and is one of the most ethnically diverse and most socially deprived communities in the UK. Every ward is in the 10% most deprived, nationally.

The borough has low skill levels, high unemployment rates and low incomes. Many adults have poor literacy and numeracy skills, having left school with few qualifications. Means-tested and disability benefits support approximately 40% of families in the borough which means that most children in Hackney live in families which are dependent on benefits.

Unemployment was 5.9% in March 2004 compared to a London average of 3.5%. In addition, a large number of people of working age are out of the labour market, through long term disability, family care needs and other reasons. The proportion of women in the borough who are economically active is also low. Hackney's Local Area Agreement emphasises the priority of tackling worklessness, particularly among lone parents.²⁷

Hackney has secured a large expansion in the supply of registered childcare places, from 3,400 in 2003 to 7,900 in 2007, an increase of 132%. The number of full daycare places increased, in the same period, from 1,800 to 3,400, i.e. by nearly 90%.²⁸

Webb Estate Playgroup

The Webb Estate in Hackney was built in the late 1950's, an emblem of post-war reconstruction and investment in municipal housing. Today, it is referred to by locals as "murder mile", because of the high rate of violent crimes.

Springfield ward, of which Webb Estate forms part, is one of the most deprived in London. Nearly half of the adult population are not in work and more than 35% lack any qualifications.

Poor housing conditions, drug abuse, crime and the fear of crime, are all part of the local landscape.

Webb Estate Playgroup has been operating out of the same community hall for more than forty years. It offers sessional care and education, from 9.30am to 12 noon, five days a week, term-time only and is full. The hall has very limited facilities and each day the playgroup equipment has to be packed away to make room for other users. Parents have to take their place on the rota, or find a member of the family to take their place. The playgroup leader, Linda, has been involved for more than 26 years, initially as a parent herself.

Despite the limitations of the environment, the provision is very good. During their last inspection, the children were found to be making very good progress in the foundation stage and the quality of teaching was judged also to be very good. The playgroup is also particularly good at supporting children with additional needs, signposting families and supporting them through the SEN assessment processes.

Core funding from Hackney Learning Trust means that five daily sessions can be offered to children for just £20 per week. Even at this level, some parents have difficulty finding the money to pay. For those children old enough to receive the nursery education entitlement, the provision is free and there is also a small quota of free places, funded by The Learning Trust.

The families who use Webb Estate Playgroup are, for the most part, not working, nor would they be likely to use more expensive nursery provision. Among 16 families using the playgroup, 9 are from BME groups and 7 are lone parents.

The playgroup sees its primary role to be one of supporting parenting. Some children and parents are in isolated situations where the playgroup offers their first contact with other children and adults. The playgroup has a cooking session with the children and adults every week. This can introduce children to new tastes and is very

²⁷ Hackney Community Strategy 2006

²⁸ Registered Childcare Providers and Places at 30 September 2007:Ofsted

valuable for lots of parents, especially if the family is in temporary or other accommodation where facilities are very limited.

Because the playgroup is run by local people, informally, it is seen as less threatening and more approachable than other, statutory, services.

Linda sees the value of the playgroup as a resource which is owned and trusted by the community and which can act as a driver for change in the many factors which are likely to adversely affect children's development. This is why she and others have persisted, doggedly, to keep the playgroup open, in the face of break-ins and vandalism and on at least one occasion, personal threats.

The use of the community hall, being free, is an asset, but also poses the biggest obstacle to development. The playgroup would now like to offer an extended day, allowing more children to attend, but with a focus on children with additional needs – which local schools are said to be reluctant to take. However, the hall is required by other users during the day.

The playgroup is incorporated as a company limited by guarantee, but in style functions as a mutual. Parents help as part of the rota, often "graduating" to committee or other volunteering roles.

The annual turnover is currently £70,000. The playgroup employs 5 staff, including a cleaner and retains the services of a business consultant to provide financial and business reports.

Bath House Children's Community Centre

The Bath House Children's Community Centre occupies a former public bath house, minutes away from Dalston's restaurants and shops and a few short steps from Ridley Road Market. This is one of the most deprived wards in London.

Crime rates are high, particularly in relation to drug and sexual offences and only slightly more than half of the adult population is working. More than 40% of households are single people.

Maggie Norwood, the nursery manager and Projects Director, describes the surrounding area as a "red light" district. The nursery was recently forced to close for a day, while police gathered forensic evidence after a street killing.

The Bath House Children's Community Centre opened in 2001, offering part-time nursery care and an after-school club. In 2003, NNI funding extended the provision to include full-time nursery from 8.30am to 6.00pm and holiday care. The centre is operating at full capacity, used by 93 families and has a waiting list. Fees are £187 per week for full daycare. An estimated 52% of families are from BME groups, 21 are lone parents and 7 families have children with additional needs.

Maggie previously ran a playgroup in Stoke Newington and still believes in the playgroup model as a means of empowering parents. She has tried to replicate the model within a nursery which is predominately for working parents.

The Bath House offer is entirely flexible and includes care for the whole day, or the school day, sessional care and an after-school club. Registered for 70 children between 1 and 11 years, 48 places are in the nursery. Among the nursery children, a few arrive in the early morning, the majority arriving at the beginning of the school day.

The nursery is explicitly a social enterprise, providing childcare which parents can trust and helping those on lower incomes. About 10% of parents are funded through the New Deal, some are college students. Building on the playgroup model, there's an emphasis on communication with and involvement of parents. Once a month playgroup parents are invited to serve as rota helpers; there are parents' evenings which are well attended; and parent users serve on the management committee.

Described by Ofsted as offering a good standard of provision, the nursery supports a small number of children with additional needs and some whose first language is other than English. The provision is child-centred, with a strong emphasis on fostering creativity and providing choice.

As an NNI nursery, Bath House is focussed on helping lower income families, but acknowledges that the fee structure excludes the very poorest families, specifically those not in work. Maggie believes that their needs might best be catered for by sessional playgroups, but she has also established a hardship fund, with a grant from a local charity. She has used this to subsidise non-working parents and also grandparents needing respite from childcare responsibilities.

Bath House Children's Community Centre is a company limited by guarantee and is a registered charity. It employs 30 full and part-time staff. Its annual turnover is currently £465,000.



Brent

Brent is an outer London borough, which faces many of the challenges of Inner London. The borough has a population of more than 270,000 residents and is one of the most culturally diverse areas in the UK, with more than 50% of residents from BME groups. The north of the borough is generally more prosperous and the south more disadvantaged.

At 4.5%, Brent has the highest unemployment rate for West London. Of 354 local authority areas, Brent is ranked 68 in terms of deprivation. English is an additional language for 55% of school children. 26% of school pupils are entitled to free school meals and 7 of the 10 most deprived wards in West London are in Brent.

The total number of childcare places has grown from 5000 in 2003 to 6,300 in 2007, an increase of 26%. The number of nursery places has grown faster, by 47% in the same period.

Kensal Green Under-Fives Group

Kensal Green Under-Fives Group operates from a terraced house near to Kensal Green Station. A notice on the front door reminds parents that late payment of fees puts staff wages at risk. Inside a wall is devoted to information about the many ways in which the nursery functions as a partnership between staff and parents.

The nursery was established in 1981, with the aim of creating nursery provision for Asian, African and Caribbean children in the area, which was felt by the founding parents at this time to be either unavailable or unsuitable. A local housing association provided the premises at nominal cost, a benefit which continues to be enjoyed, after 26 years. The aims were later amended to also include support for children affected by poverty.

The surrounding area is home to many refugees, unemployed and low paid workers. There is a high proportion of lone parents and relatively high density of students living in the area. However, as homebuyers move into the area from more expensive parts of London, the composition of the surrounding community is likely to change.

The centre, which is used by 33 families, cares for children aged 20 months – 5 years and is open from 8.00am to 6.00pm. A total of 25 places are offered, flexibly, on a full or part-time basis, according to need and there is some availability of evening care. A flat fee of £120 per week for full-day care is charged, pro-rata for part time attendance. The nursery is currently full.

A particular achievement of the nursery is to foster aspiration among parents, who are, for the most part, on low incomes, providing support for training and enabling them to work, at the same time supporting child development and offering help with family problems including housing and welfare benefits.

Among users, 60% are from BME groups, some are asylum seekers, a third are lone parents and 15% are unemployed. Where families are judged to be in need, but can't afford to pay, the nursery will waive fees. In those circumstances, parents are able to contribute in kind, by helping in the kitchen, or garden or baking or by providing other forms of help.

In their most recent inspection, the standards of care and of education were found to be good, with parental satisfaction at a very high level and the nursery described as "a home from home" for children.

There are 8 full and part-time staff. Many of them came to the nursery as parents and have used this involvement as a stepping stone to training and employment as qualified nursery staff.

Kensal Green Under-Fives is a registered charity. Parents are involved on the management committee and so contribute to strategic decisions on, for example, fees. The involvement of parents in this way is central to the values and ethos of the centre and all parents are given an induction booklet, which establishes those values and makes clear their role.

Parents are also very closely involved in the fundraising for the nursery from cake sales to sponsored walks with the children. At these and other events – outings, barbecues, quiz nights and international evenings – parents and staff work and socialise with each other, underlining the strong sense of Kensal Green Under-Fives as a genuine community.

The nursery has expanded its catchment area to Brent as a whole. Its current annual turnover is just over £150,000.

The nursery would welcome the opportunity to expand, to add a baby unit and increase the number of places for older children, but this would, among other things, require new or additional premises.

Hopscotch Nursery

Hopscotch Nursery and Drop-in is a registered charity which has been in the Queens Park area of Brent for 27 years. It grew out of a playgroup which operated on the same site.

The nursery, which is used by more than 60 families, has 34 places and is open from 8.30am to 5.30pm. Places are offered on a full or part-time basis, though families must use a minimum of 3 sessions. The weekly fee for full daycare is £205. The standards of care and education were found to be outstanding in their latest inspection report, with good partnership with parents. Some children have additional needs or English as a second language. The nursery is full.

The nursery part-funds a drop-in for other parents in the area. Most families who use the

nursery are in work. Some are self-employed and a few use the nursery to attend training. Hopscotch accepts employers' vouchers and 50% of parents are in receipt of vouchers. Hopscotch does not offer the nursery education entitlement as a stand-alone session.

The daily drop-in attracts up to 90 families each week and caters for parents with children from 6 weeks onwards. There is a twice-weekly baby drop-in, a session for twins and drop-ins for parents of older children are provided at three local schools. Those parents, which include a substantial number of Asian and Black families, have difficulty accessing other provision in the area, as there are few providers in the area offering the free entitlement. The fees for the drop-in are £3.00 per session, reduced to £1.00 for unemployed parents.

The drop-in is the driving force for the setting. The nursery, run on commercial lines, provides the resources.

Hopscotch is a registered charity and a company limited by guarantee, with parents serving on the management committee. Parental involvement also takes place through fun days, outings and other events. The nursery also has the support of other people in the community. It currently faces the loss of its premises, which are owned by Brent Council and scheduled for redevelopment as social housing. Considerable efforts have been made to lobby the local Council and to enlist high profile supporters, although the future position is, as yet, unresolved.

Hopscotch employs 16 staff, with an annual turnover of £315,000.



Westminster

Westminster contains some of London's most wealthy landmarks, but also includes some of the most deprived areas in the country. The population of 230,000 includes a very high (49%) proportion of people who live in one person households.

The borough is ranked 39 of 354 local authorities in terms of deprivation. The proportion of the population belonging to black and minority ethnic (BME) groups is over 27%. There are significant numbers of refugees and asylum seekers living in Westminster, although the exact number is not known.

Westminster ranks third in the country for people living in overcrowded housing, with 29% of households classified as overcrowded compared to 7% in England as a whole. Among lone parents, 82% are dependent on income support. Of 120 LSOAs, 21 are in the top 10% for deprivation.

Westminster City Council commissions 150 daytime day care places for children in need, including children who are identified as being at risk of significant harm as well as a range of family support services.

Westminster has 4,700 childcare places, representing a net increase of 24% since 2003. There are 2,500 full daycare places, which have increased by 47% in the same period.

Westminster Children's Society Queensborough Community Nursery

Founded in 1903, Westminster Children's Society (WCS) is a registered charity and social enterprise set up to provide childcare, training and family support in Westminster. The society provides 15 community nurseries for children aged 6 months to 5 years old within

Westminster. There is a well-developed system of fee subsidies for low-income families. Family learning, skills training for parents and family support are integrated with the childcare offer. WCS is a key partner for Westminster City as a provider of childcare and children's centre services.

Queensborough Community Nursery is based in the Lancaster Gate ward of Westminster. It was set up by Westminster Children's Society (WCS) in 1968, predominantly to cater for fire and army services families. It operates from one main room and two additional rooms in the basement of a block of flats in Bayswater. The deceptively small entrance opens into unexpected spacious area for childcare and almost secret garden for outside play.

The nursery is part of the Queensway Children's Centre offer (along with Bayswater Families Centre) and offers 30 full daycare places, for children from age 18 months to 5 years.

In addition to full daycare, parents can choose to have morning or afternoon sessions, or for eligible children to have only the free nursery entitlement. The group asks all parents to take a minimum of 2 sessions to enable children to settle, but otherwise offers complete flexibility. In addition to childcare, Queensborough offers a toy library, parent workshops, family support, short term emergency placements, and assisted fees (funded by a grant to WCS). The nursery is open from 8.15am to 5.45pm for 51 weeks a year. Occupancy is currently at 70%.

The area contains a mixture of well-off families and poor families, the latter including asylum seekers and refugees who live in poor and short-term housing.

As part of WCS, Queensborough Community Nursery benefits from centralised specialist staff, HR and financial support and opportunities for staff development.

Among users 40% are from BME groups, 23% are lone parents and 7 parents are unemployed.

Social Services sponsor places for children in need. WCS also provides subsidies for families judged to be in need.

The weekly fees for full daycare are £250 for children under 2 and £210 for older children. However, the majority of families pay a discounted fee, which, at its lowest, is £158 and £132 for under and over 2s, respectively. Families are also supported to access Working Families Tax Credits, New Deal, Care to Learn and employer vouchers.

A number of parents have volunteered in the nursery and some have gained qualifications in childcare. The present cook was a parent. Parents are encouraged to share their skills and enrich the nursery from their own cultures.

In their most recent inspection, the quality and standards of care and education, including partnership with parents, were found to be outstanding.

Parents are involved through an advisory committee, regular parent consultations and parents' evenings. Parents also help out with spring cleaning, sewing and as Santa at the Christmas party. Several parents bring their young children back to Queensborough in the school holidays.

The nursery has an annual turnover (including head office costs) of £270K and employs 9 full and part-time staff.

Bayswater Families Centre

Bayswater Families Centre (BFC) was established in 1984. It provides services to refugee and homeless families living in bed and breakfast, hostel, or temporary accommodation in the North Westminster area. Around 70% of the families who use BFC are from a refugee background. The centre works with approximately 700 refugees, speaking 39 different languages.

North Westminster has a high level of social deprivation. The area is culturally diverse and includes established BME communities, as well as significant numbers of refugees and other new arrivals.

The centre, which is now a National Children's Home (NCH) project, provides a very wide range of services, including crèche, ESOL, skills training, support for health, counselling, yoga, laundry, help with household equipment and clothes, volunteering opportunities and an after-school club for vulnerable children. The crèche operates term time only on Wednesdays and Fridays from 9.30am to 11.45am.

The centre started as a playgroup with backing of £1,000 lent by Westminster Pre-school Playgroup Association. The project moved to occupy the premises of a former hospital, gradually developing the service as new needs were identified. The broad offer mirrors the aims of children's centres, but has been in place for a number of years.

Although refugee and asylum seekers remain a strong focus, the centre now also works with families who are long-term residents in the area. Some of the problems experienced by families are both complex and acute, from homelessness to domestic violence, to debt. Families may be referred or approach the centre directly.

The service is provided free to families and funding is provided from a variety of sources, including Social Services and Health, Early Years and Housing.

The centre is used by families many of whom drop in on a daily basis. There is a high level of parental involvement and parents help out in a variety of roles, including reception, translation, peer support, sorting clothes and toy collections.

The centre forms a key part of the local children's centre offer. Managed by NCH, it has a delegated budget and framework for making decisions. There is no management committee as such

but parents are consulted in a variety of ways. A multi-faith group meets in the centre as do a range of other groups, including breastfeeding, parenting forums, yoga and adult education classes.

The annual turnover is £350,000 and the centre employs eleven staff.



Findings

The case studies described here provide only a small snapshot of community childcare in London. Together, the eight settings provide a total of 313 childcare places; provide employment for 118 people and have a combined turnover of £2.32 million. In addition to cash income, the case study settings benefit from several thousand voluntary hours, donated by parents, trustees and well-wishers.

Although the precise nature of the offer is nuanced differently in each setting, all have social and educational aims which relate to the welfare of children, families and the wider community. Those aims are closely aligned with a range of government policies and programmes, whether to improve early outcomes, reduce poverty or to support the regeneration of disadvantaged communities.

The oldest setting has been established for four decades, the most recent for just over a year.

Among the eight providers, five describe themselves as social enterprises, but any distinction is hard to draw as in all cases, income is generated, almost exclusively, from the sale of services – either directly to parents – or commissioned by public bodies. Each is also contributing to the local economy; and to a varying degree involving users and stakeholders in the creation of local wealth.

Making childcare more affordable

Asked about how fees were set, five providers indicated that their policy was to set fees at the same levels as other providers in their areas. Of the remaining three, Bayswater Families Centre provides its services for free, Queensborough Community Nursery has a top rate which is discounted for poorer families and one remaining provider, Bellingham Community Nursery, aims to set fee levels which are lower than the prevailing local rates set by other nurseries. Other factors affecting fee levels include any special conditions attached to particular local authority funding sources, for e.g. free places.

The extent to which fees are related to cost structure is not completely clear and in some cases fee levels are decided first, constraining decisions about the cost structure.

In four of the case studies, parents are involved in decisions about fees.

In one setting – Hopscotch – fees are at the high end of local market rates, but this is justified by the subsidy for and increased affordability of drop-in provision for a different group of families.

The following table shows the range of fees charged by the providers in the study taking, as one example, the fees per week for 2-3 year olds. The comparison rates are derived from local authority fee information.

Provider	Weekly Fee 2-3 years	Local Area	Local Comparison 2-3 years
Oak Hill Community Nursery	£160	Brockley	£160 - £212
Bellingham Community Nursery	£155	Bellingham	£130 - £170
Webb Estate Playgroup	£20 sessional	Springfield	£15 - £20
Bathhouse Children's Community Centre	£187	Dalston	£140 - £205
Kensal Green Under-Fives Group	£120	Kendal Green	£120 - £178
Hopscotch Nursery and Drop-in	£205	Queens Park	£135 - £205
Queensborough Community Nursery	£ 132 - £210	Lancaster Gate	£210 Ward average
Bayswater Families Centre	All provision is free	Bayswater	N/A

Affordability is supported in other ways. Both Oak Hill Community Nursery and The Bath House Children's Community Centre have adopted a flat rate fee, irrespective of the age of the child, which represents a form of subsidy for families with babies.

Three of the settings, Kensal Green Under-Fives Group, Bath House Children's Community Centre and Queensborough Community Nursery have ring-fenced funds to subsidise families in need or, on occasions, to waive fees altogether.

Nearly all of the settings access other sources of funds – New Deal, Care to Learn, CAP, Nursery Education Grant and local authority and social services funds – the main impact of which is to reduce the cost to parents.

Social Inclusion

Providing support and access to childcare for families on low incomes, for lone parents and for BME families was an explicit aim for all of the nurseries and in the case of Kensal Green Under-Fives, incorporated within the nursery's constitutional and charitable aims.

The evidence provided indicates that, as a group, the nurseries are highly successful in their aims, reaching families who are socially excluded or economically marginalised. All were able to evidence, as part of a pre-visit questionnaire, the employment status and ethnicity of users and the extent to which users were lone parents and, for the most part, were aware of other personal or financial circumstances. In most cases, the usage by BME and lone parents – representing families most likely to be on very low incomes – was above average, for the local population.

In general, the longer established the nursery, the better able it appears to be to engage those families most at risk of exclusion. Kensal Green Under-Fives Group, for example, one of the longest established, has a very high proportion of parents who are being supported to enter employment or training. For the Bayswater

Families Centre, also long-established, this is the whole purpose of their work, focussing on refugee and asylum seeker families, who may be referred or self-refer to the project.

Oak Hill Community Nursery, which is only in its second year of operation, has concentrated on building up occupancy and – relative to the other case studies – has a higher proportion of professional and better off families. However, here too, lone parents are being supported by New Deal Funding and the nursery plans to extend its reach further to lower income and workless families.

Webb Estate Playgroup serves an area of very acute need, operating in conditions which would be daunting for any provider, but has succeeded in engaging families who are not reached by statutory services, persisting in the face of – on occasions – provocations from users, vandalism and theft.

Support for families at risk of social exclusion is particularly strong in the Queensborough Community Nursery and is supported through the management framework and mission of the Westminster Children's Society. The strength of the Society as a whole enables them to identify and access a wider range of funding streams and to work strategically with local authorities and other public agencies.

Added Value

For most, if not all, of the case study settings, support for families goes well beyond the provision of childcare. This "added value" includes advice and information giving, help with approaching and engaging with statutory agencies, access to mutual support and friendship through other parents, help with family crises and – on occasions – waiving fees or other charges altogether.

Case studies were offered of parents unable to access the help they needed from statutory agencies, whether facing homelessness, or as

victims of domestic violence and of staff doing literally whatever is needed to mitigate or resolve the issues involved, whether attending housing offices, or even court proceedings. At the heart of this is the view that, for some families, without this open-ended support, the value of the childcare itself is diminished.

Each of the settings is inclusive in terms of children with additional needs. On two occasions it was suggested that local schools were reluctant to accept children with more challenging additional needs. Schools are, of course, under a legal duty to comply with the mandate of the Schools Admissions Code, but it was not possible, within the limited scope of the study, to follow this up.

In all these respects, the case studies are operating in the manner of the children's centre offer. Four were commissioned as part of children's centre delivery in their local authority areas. The others were remote from children's centre delivery in their areas and this was reflected in some rueful comments and comparisons about children's centre funding and value for money.

None of the case studies could offer any precise quantitative assessment of "value added", whether in terms of stakeholder involvement, transitions to employment, more confident parenting, inclusion of children in mainstream schooling, or reduction in child protection issues. This is hardly surprising, because, as childcare settings, they are not required to provide this information. Some, however, recognised that evidence in this area could provide the basis of bids for funding to charitable and other grant-giving sources.

Quality

Among all the settings, considerable emphasis is placed on the importance of quality and this was evidenced by Ofsted inspection reports where the standards of care and of nursery education were uniformly deemed to be good

and – in the case of Queensborough Community Nursery and Hopscotch Nursery and Drop-in – outstanding.

In the majority of the case studies, quality was seen to be important in establishing the trust of parents and this was confirmed by parents themselves, some of whom recounted prior, unsatisfactory, experiences of other nurseries.

Staff enjoy access to local authority-provided training and rate this as an important benefit, enabling them to skill up and to improve and sustain standards.

Flexibility

All of the settings are flexible to a degree. This ranges from the greater flexibility of, for example, Bayswater Families Centre, Kensal Green Under-Fives, Queensborough Community Nursery and the Bath House Children's Community Centre to the lesser, but still significant flexibility in the offer of, for example Hopscotch, where there is a minimum number of sessions, or Oak Hill, where places are shared on the basis that each child attends for the full day, for a fixed number of days.

Offering flexibility requires an investment of time and effort to match families' needs, but it appears to yield results. Occupancy rates were high, ranging from 70% to being completely full. Interviews with parents indicated that flexibility was a premium factor as many worked only 2 or 3 days or shared the care of children with a partner for the other part of the week, to reduce the costs of childcare.

None of the settings offer evening or weekend childcare, although in two of the nurseries, the availability of evening babysitting was stated. Two of the nurseries indicated that some parents would prefer a longer day – to allow for the time spent travelling to and from work, but were not, at this stage, planning to extend the offer to meet this need.

Cost Structure

The cost structure of each setting varies according to a variety of factors including:

- Cost of premises
- Staffing levels and salaries
- Number of places
- Age range
- Hours of operation

It was not possible to compare, directly, the cost structure of the different settings, as the necessary financial detail was not, in all cases, available or exposed in their accounts.

However, it was evident that all of the settings were able to deliver places at a cost less than, or significantly less than, the average costs for Inner and Outer London identified by the Daycare Trust. In both Lewisham nurseries and in Kensal Green Under-Fives Group, the average annual cost per place was under £6,000.

Many of the nurseries are not charged rent, or pay a nominal rent, while one owns its premises, having secured funding for this purpose. Subsidised or free lets are an important factor in setting lower fees for parents. This was evidenced by Westminster Children's Society, which has had to close one of its nurseries because of a proposed large increase in rent.

Staffing levels also vary, although in most cases are at or near the mandatory levels required under the Care Standards. Salary levels were described as being on a par with other voluntary sector providers, but lower than those paid to council employees. Only three nurseries employ administrative/finance staff; one purchases this as a service; and two are part of a larger organisation, with their own central management structure.

Donations of time and services from parents and other volunteers are, in a small number of cases, a means of reducing costs.

In Webb Estate Playgroup, for example, the cost benefit of the parent rota and parents covering some administrative duties has been calculated to be in excess of £5,500 per annum or 8% of turnover.

In Bellingham Community Nursery, the hands-on time spent in the nursery by the two directors is roughly equivalent to a full-time management post.

In Oak Hill Community Nursery, the chair estimated a commitment of more than 200 hours, to establish and get the nursery up and running, which included the review of the Service Level Agreement (SLA) and other legal documents. The savings, in terms of professional and other charges are estimated at £6,000.

Business Capacity

Five of the settings described themselves as social enterprises; the others as charities or service providers.

When asked whether they considered themselves to be successful in business terms, half described themselves as "more or less successful", one as "successful", one as "highly successful" and one as "unsuccessful".

From an observer viewpoint, all the nurseries are performing well. Their achievements, from the perspective of occupancy, reach and parental satisfaction are impressive. However, business systems could be stronger.

All but one of the case study settings have audited accounts for the previous financial year. In the remaining case, the accounts are in preparation. Fewer than half were able to provide evidence of real-time financial reporting against current budget targets. All had procedures for fee collection. Only one was able to provide

evidence of cost centre analysis. Costs are not always fully considered when setting fees.

In one case, the nursery manager is monitoring income and expenditure on a cash basis and is doing so with care and accuracy, but there is no professional accountancy input at the present time, other than for the preparation of the previous year's accounts. In a second case, the nursery is receiving some input of financial expertise from a former Director, now not living in the UK and again, the nursery manager is monitoring the cash book.

Only two of the nurseries had evidence of reserves to cover operations, in the event of loss of funding.

Only two settings have a business plan with time-bound milestones and targets. A second plans to use consultancy services to develop a business plan.

Similarly HR issues, legal matters and statutory returns are typically dealt with by trustees, directors or nursery managers. In this, Oak Hill Community Nursery is lucky to have a qualified solicitor as a Director and others similarly have engaged the help of local professionals on their boards or management committee.

Queensborough Community Nursery is in the advantaged position of being part of larger organisation and able, therefore, to benefit from financial, HR and legal input from headquarters staff. The nursery is showing a deficit on the current year, but an advantage of its structure is the capacity for losses in one nursery to set against profits elsewhere within the group.

Support is provided by all four local authorities, through the Early Years business support function, but not from local business link services. However, it was acknowledged by each of the authorities that the available resources constrain the level of service.

All settings have bank accounts but, overall, make limited use of banking services. Only one

nursery has accessed funding from a social enterprise source, for the creation of a business plan, while Westminster Children's Society, alone, had made use of lending facilities offered by Future Builders. Apart from Westminster Children's Society, the nurseries were not well informed about potential sources of finance for social enterprises.

Planning is, at least partly, an instinctive process. Some have undertaken local consultations/market research, but typically not in a formalised way. One nursery makes use of demographic data in relation to planning to meet local needs.

All of the nurseries would benefit from additional business systems, including nursery software. However, it is likely that the best way to avoid exposure to risk would be to ensure that provision is made within their cost structure for an administrator with finance skills, or to buy this in as a service.

In terms of branding and marketing, at least four of the nurseries have a well developed community/social enterprise brand, which is evident in publicity materials and within the settings themselves. However, all might benefit from help in developing their distinctive brand, as it was clear that some parents were not aware of this aspect of the nurseries or of the opportunities to get involved in management and governance.

Sustainability

Concerns about sustainability are shared. In Lewisham, the two nurseries are part of the children's centre core offer, which provides an advantage in terms of image and credibility to parents. Both have been in receipt of NNI funding and concerns about sustainability focus on the impact, on fees and possible occupancy, of the tapering and loss of NNI funding.

Elsewhere, concerns about sustainability relate to uncertainty about, or possible loss of premises, about the insufficiency of nursery

education funding to cover costs, about the loss of children to schools, about the complexity of tax credits funding and the perceived need for additional funding to help make provision more accessible for families suffering hardship. For others the need to fundraise and uncertainty about meeting fundraising targets is a worry.

Occupancy among the case study settings is no less than and in many cases higher than occupancy in other similar nurseries in their area. Overall and across the four local authority areas, occupancy levels are around 70%.

Governance and Stake Holding

There is a considerable variation in the type and extent of parental and other stakeholder involvement.

In two nurseries, Oak Hill Community Nursery and Bellingham Community Nursery, the strategic oversight and management governance of the nurseries is vested, in each case, in two highly dedicated people. This entails a very considerable workload for those concerned, but is possibly also a risk factor if, for any reason, their involvement was jeopardised or lost.

These settings, nevertheless, do have considerable parental involvement in a variety of other ways, through regular meetings and consultations and in feedback from key workers to parents. And although there is no explicit policy to employ local people, many are employed in this way and both nurseries can provide examples of parent volunteers moving into staff roles. Oak Hill Community Nursery is keen to encourage parents to join the company and is considering the representation of parents on the management committee.

The playgroup model has been a significant influence and source of inspiration for at least half of the nurseries. In Webb Estate Playgroup, this is nearest to a full co-production model, with parents or other family members serving

on the rota, as well as fundraising or serving on the management committee.

In the Bath House Children's Community Centre, *playgroup* is the name given for the group of sessional children and parents are also encouraged to share in a rota. Hopscotch has parent representation on its trustee body while within Queensborough Community Nursery parents are encouraged to serve on an advisory board.

In Kensal Green Under-Fives Group, parents may contribute their labour, or provide food or other goods, or train for staff roles and also serve on the management committee. The boundaries between staff and parents are highly fluid, but at the same time supported by clear information provided to parents about what is expected of them.

Measuring Performance and Impact

The main means by which the settings evaluate performance is via Ofsted inspections and, more informally, from parental feedback.

Ofsted inspections relate only to standards of care and education and it would be helpful if the nurseries had access to other self-evaluation tools, which would enable them to develop business performance and to make an assessment of wider impact.

It is clear, also, that many of the achievements of the nurseries relate to a variety of local authority and other targets in relation to reducing worklessness and increasing the skills of the adult population and, in particular, poverty reduction. Those achievements are also highly relevant to statutory duty placed on local authorities to improve early outcomes. It would therefore be useful to find a means of capturing this data.

Among the stand-alone nurseries in the group, only Kensal Green Under-Fives Group and the Bath House Children's Community Centre have formal business plans as a means of setting targets and assessing business performance. In the case of Kensal Green this is reviewed annually and has definable, time bound, targets relating to reach, childcare subsidies and internal financial management.

Queensborough Community Nursery and Bayswater Families Centre benefit, in this respect, from the business planning framework of their respective parent organisations. As the other nurseries move towards creating business plans, support for this process and for business assessment, either provided by their local authorities, or purchased as service, would be highly useful.

All of the nurseries have well defined social aims but, as noted, do not have systems in place at the present time to assess performance and impact, nor have ready access to demographic and other data which would enable them to benchmark their provision.

Together for Children has produced web-based resources in relation to both business planning and working with disadvantaged families and these would be of clear relevance.

The Social Enterprise Coalition website contains a wide variety of fact sheets and links to resources for assessing additionality and for conducting social audits. Some of these, however, require a level of reporting which would be disproportionate for small nurseries, with limited staffing resources. It should be possible to develop an assessment tool which could capture basic data about users, outcomes and impact, which would be proportionate and accessible for childcare providers. Relevant data sets would include "reach", disability, transitions to training and employment, and support for low-income families.

Parental Views

Structured interviews and group discussions with parents were conducted in seven of the eight settings. In total, 48 parents contributed their views on a range of questions relating to their choice of childcare, quality and affordability issues, parental involvement in the settings and the types of support needed by families. The parents were self-selecting, having been approached by the nursery manager or other member of staff, but included BME as well as white parents, lone parents and those in two-parent families, fathers, working and non-working parents.

Choice

Among all parents, there were very high levels of satisfaction with the nurseries. Cost was a factor, but in all cases the quality of the setting was provided as the main reason for selecting and continued use of each nursery. Quality was sometimes expressed in terms of layout, activities and equipment, but more often in terms of atmosphere and "rightness of feel".

I don't feel like our child is in the care of some corporate organisation (Kensal Green)

They do reports, so you know what your child's doing, you don't get this at all playgroups, we treasure these (Webb Estate)

As soon as I walked in it felt right, I wanted somewhere creative for my child (Bath House)

The staff here are lovely, all of them (Bellingham)

Nurseries in Clapham – are mainly private and mostly over a £1k a month. Others really dingy underground, old, cold and damp. Here it is light and airy (Oak Hill)

Affordability

Although cost was not offered as the main factor in choosing a nursery, all parents struggled, to some degree to find the costs of childcare and some limited the numbers of hours used, for this reason. Some were eligible for the childcare element of the Working Families Tax Credit; a few might have been eligible but were not aware of his form of help.

It's relaxed. In the private nursery I used, they would phone my work if I was a day late with fees (Oak Hill)

Fees – I'm not complaining about (but don't tell them as might put up!) Know others pay a lot more elsewhere (Bellingham)

If we were on minimum wage we couldn't afford it, it wouldn't be worth working (Kensal Green)

I'm trying to get back to work, but the hours I can afford are not long enough even to get to interview, I've had help from the nursery (Queensborough)

Community brand

There were varying levels of awareness of the community aims of the nurseries. Most had not been aware of these when selecting the nurseries and a few parents were unaware until the interviews connected with this study. However, for the majority of parents, there was a strong endorsement of the fact that the nurseries existed for the benefit of their communities.

You get to know other mums, we stay have a cup of tea and a chat, it's social for parents (Webb Estate)

Community is important, we wanted to use somewhere used by other people in this community; this is a way to get to know the local the community (Kensal Green)

Here the main priority is quality, not profit. Here it's not all new and shiny, not super slick, but you have a quality of people, continuity of staff – which makes a difference (Queensborough)

Yes being a community nursery was a factor. I believed it would be better organised and monitored. Because of community involvement I believed it would be better quality (Bellingham)

Parental Involvement

Those parents who were working full-time were, inevitably, less able to spend time in the nursery, but nevertheless felt the opportunity to do so was a benefit. For others, involvement in day-to-day activities or governance was described as an important social and educational benefit for themselves and their families.

I found it hard to put our child into daycare – this is less hard, nothing here we don't know about – it's up to all of us – we're not just handing over responsibility to others (Kensal Green)

It builds our self esteem and confidence – now I do art groups, I would like to do NVQ in childcare and work experience (Webb Estate)

I help with clothes, bringing stuff in. But I don't have time to volunteer. But there is plenty of opportunity if we want to. (Bellingham)

Local Authority Support and Funding

Across the four local authorities there is no preference for a particular model of childcare delivery. This is the case even where, in wider strategic terms, the local authorities, e.g. Lewisham, have policies to support social enterprise as a tool for regeneration.

This is not to say that there is no funding and other support for voluntary sector childcare providers. The types and levels of funding vary

from one area to another – from Brent where the only funding for community nurseries is CAP, NEG and the Transformation Fund; to Lewisham, where NNI funding has provided start-up costs and fixed-term subsidies; to Hackney, which provides a range of core and other funding; to more extensive commissioning arrangements as part of children's centre development in Westminster.

Across all the authorities funding is moving towards commissioning arrangements as opposed to grants. In Lewisham, however, voluntary sector groups but not privately owned settings are eligible for grants.

In Hackney, support for playgroups is provided in the form of underwriting staff costs and a small quota of free places for children with additional needs. Other funding is provided for equipment, for training and for outside play areas. In addition, through commissioning arrangements with selected nurseries, the Learning Trust provides funding to support employability. Within this arrangement, parents who are not eligible for tax credits are able to buy childcare places at a cost which is no more than £75 per week for a full-time place.

Westminster has a well developed relationship with the voluntary sector, consulting through the EYDCP and other mechanisms. It also has good data collection systems which enable it to identify where, in disadvantaged communities, children may not be accessing the free early education entitlement. Consideration is being given to the possibility of piloting funding arrangements which would incentivise providers to engage with hard to reach families.

The Childcare Affordability Programme across London is possibly the most strategic in terms of developing more flexible provision and providing enhanced access to childcare for lower income families. Although Brent ceased to provide core funding to community nurseries some years ago, it has encouraged extensive take-up of CAP funding.



Discussion and Recommendations

This study provides a snapshot of a small number of childcare social enterprises, selected as potential examples of good practice. All of the nurseries, to a varying degree, are providing additional forms of support for families, making childcare more affordable, supporting parents into employment, helping with parenting and building community capacity. In this way, while reflecting a diversity of local circumstances and management arrangements, they share a number of core features, perhaps the most important of which is a commitment to and a track record in, supporting families in poverty.

In these important features, the model offered is closely aligned with the aims of the London Childcare Strategy and with the intentions of the government's recent statement, *Ending child poverty: everybody's business*, specifically its call to delivery agencies in London to *identify better ways of working together to tackle child poverty and increase parental employment in the capital*.

The evidence of this study suggests that the potential for social enterprise to provide a useful, or even preferred, model for the linked development of childcare places, support for families and enabling parents to work, is sufficient to warrant wider exploration and dissemination within London. The LDA should coordinate this.

There is, currently, no robust information across London about the numbers and locations of other community nurseries and playgroups which share similar aims and which might also be considered childcare social enterprises. As a means of capturing this broader picture, local authority childcare data could provide the foundation of a mapping exercise, again coordinated by the LDA.

Defining Social Enterprise

Are all voluntary sector childcare providers also social enterprises? As noted earlier, there are

intrinsic difficulties in making a clear distinction between social enterprises and other Third Sector organisations, or indeed between voluntary sector and some private settings.

While all voluntary childcare providers occupy a place within the social economy, not all would wish to be considered as social enterprises. From the experience of this study, we would suggest, in the context of the aims of the London Childcare Strategy and as a focus for tackling poverty, the relevant criteria should be:

- Social aims which directly relate to improved outcomes for disadvantaged children, support for families and poverty reduction
- Parental and other stakeholder involvement
- A business or enterprise orientation

Business Development

There is a clear need among the providers for additional support for budgeting, business planning, financial reporting and cost and income analysis. The nurseries in the study were, for the most part, unaware of sources of funds for social enterprises whether in the form of loans or other types of investment. As noted, there are a variety of available toolkits and other resources, the chief source of which can be signposted or found on the Social Enterprise Coalition website. But the identification and – where necessary – the creation of dedicated formats for business planning and other business functions, which are appropriate for the childcare market, would be more useful. As a parallel development, childcare settings should be encouraged to invest in staff to help them run the business end, or to purchase this as a service, or to form consortia with other nurseries to achieve this end.

However, for this to be effective, it needs to be framed within a broader programme of support for an emerging social enterprise model; helping childcare providers to aim for a more balanced

synergy between business development, wealth creation and social and educational aims.

The responsibility for business support should remain within the Early Years and Childcare function of local authorities, but this support could be enhanced by the creation of better links with other agencies dedicated to social enterprise e.g. Business Link and Social Enterprise London.

The providers in the study say they would welcome an opportunity for contact and the exchange of ideas with other community nurseries in London. Across London, this might also be facilitated by the LDA. In this way, opportunities for childcare social enterprises to meet, network and share good practice, would represent the first steps towards a body of good practice and confidence in business planning, risk-taking and innovation.

A Strong Community Brand

For the parents interviewed in the study, the perceived quality of the childcare was the main factor in selecting a nursery, but this choice was strongly influenced by the community values of the staff and other users.

All of the parents, whether actively involved or otherwise, believed that the social aims and community orientation of their nurseries were important benefits. Parents directly benefited from, variously, learning about the children's development, helping in the nursery, being involved in fundraising and being part of social networks. This was particularly the case for more vulnerable families who had previously had few social contacts or were in other ways isolated. The fact that many of the staff in some of the established case studies were former parent users and/or were known in the community – "people like us" – is a likely factor in the success of those nurseries in reaching poorer families.

Even those parents who were in full-time work felt that the form of organisation added to the

quality of the nursery. Among all parents, there was a shared feeling that the interests of children are better served where there is no interest in private profit.

In addition, many parents described a strong sense of identity with the aims of the nurseries, a feeling of connection to the local community and a sense of entitlement to negotiate their needs for care at particular times of the day or week, which had been absent in other nurseries they had tried.

The term, social enterprise, was not one which was well understood, but *community nursery* was a resonant description for many.

However, not all of the nurseries make the same use of these strong community brand values and in some cases parents were unaware until being interviewed, during the study, of the nature of a community nursery. In only half of the case studies was the nature of the provision as a community enterprise highly visible, whether in information provided to parents, general publicity material or within signage.

We believe that an integral element of business development would be to help providers to understand the potential strength of this brand and to consider and develop the best means of communicating it to existing and potential users, particularly those who may be least aware of, or most remote from, yet who may be most in need of their services.

Impact Assessment and Funding

The model of childcare integrated with a range of other support services is similar to the children's centre offer. Some of the case study settings have developed their models of operation through structural links with their children's centres or with the Neighbourhood Nursery Initiative. In other cases, a similar approach has been devised locally over a period of decades and precedes the development of children's centres.

The outputs of the nurseries relate to a range of policy aims including welfare to work, regeneration and the creation of social capital. More specifically, the same outputs are relevant to the statutory responsibility of local authorities to improve outcomes for young children. But, those "added value" elements are not quantitatively assessed, either by the nurseries themselves, or by the local authorities to which they are accountable for funds.

We believe that it would benefit both local authorities and the nurseries themselves to have an assessment tool to record and capture baseline and output information and this could form part of the monitoring, commissioning and funding relationship with their local authorities. In this way local authorities would have a fuller picture of the return on funding and investment in the community nursery/social enterprise model.

The Role of Local Authorities

The local authorities in the study are generally supportive of the voluntary sector but the extent to which they are reliant on voluntary sector providers for delivery varies in each case. None have a specific policy, at the present time, to encourage the development of childcare social enterprises, but by their participation in the study have registered an interest which could be further developed.

As noted, each local authority uses a variety of funding mechanisms, including grants and commissioning arrangements. Of the four authorities, Hackney makes most use of specific funding streams to directly influence affordability and support transitions to employment for poorer families.

Across London, many local authorities have a commitment to social enterprise, as part of their wider efforts to meet PSA floor targets and to encourage the development of new businesses in the community. However, social enterprise

has not, necessarily, been referenced to childcare delivery and the resulting childcare markets remain characterised by the traditional demarcations of voluntary, private and maintained sectors.

The absence of comprehensive data capture systems, discussed above, together with any lack of co-ordination across council departments, means that relevant information from childcare providers, e.g. relating to local job creation, welfare to work and employment-related training may fail to be taken into account.

More worryingly, the same lack of co-ordination can undermine the sustainability of childcare businesses, even resulting in the loss of childcare places where e.g. Estates Departments impose significant rent increases on community nurseries, without prior consultation with Early Years and Childcare Officers.

Community nurseries, which are a type of social enterprise, offer an added-value model for the delivery of childcare places. Local authorities might wish to consider encouraging existing and new providers to become childcare social enterprises. They may also wish to consider how funding and commissioning arrangements might facilitate the take-up of childcare by low-income families.

Within the current London funding environment, CAP is an example of a targeted funding stream to ensure that childcare is accessible to those most in need. In other funding arrangements there could be further incentives to encourage providers to deliver outcomes for the neediest families and to add value to the childcare offer.

The Role of Government

The overall responsibility for the Ten Year Childcare Strategy rests with the Department of Children, Schools and Families (DCSF), which also has a lead responsibility for eliminating child poverty.

In the implementation of the Ten Year Strategy, there has been an almost exclusive concentration on curricular, regulatory and quality assurance systems, with limited attention given to the suitability of particular business models or the need to assure the longer-term sustainability of childcare places. And while, at the top end of the market, there may be little need for business advice, among smaller providers, there is a pressing need to increase business skills. The cultural shift in attitudes to business and profit-making, which is required of childcare providers on the ground, would be significantly more likely to happen if given a lead, by DCSF. In addition, on the findings of the study, increased government investment in the business support function of local authority Early Years Departments, enabling a higher level of service to childcare settings, is desirable.

It is understood that the support for affordability, represented in London by CAP, is to be extended to other areas. This, together with the extension of the scope of the free entitlement, over time, to 3 and 4 year-olds and some two year olds, is of significant value to parents who cannot currently afford childcare. For those childcare providers who regard low-income families as their priority, additional funding, at the supply end, to extend and develop services, to create support systems for parents entering employment and to develop a strong business model, would be of clear relevance.

DCSF has remained neutral in the face of competing arguments about the relative merits of different delivery models but might now want to consider the particular value of social enterprise as a model for the development of the National Childcare Strategy. It may also want to consider the feasibility of funding some pathfinders, in a manner similar to the Department of Health Social Enterprise pilots, designed to test and evidence the effectiveness of a stakeholder model.

This would be consistent, not only with cross-government support for social enterprise, but with a more assertive and concentrated effort

to reduce and eliminate child poverty. In London, where delivery agencies will have a particular responsibility to address the needs of poorest families, the nurseries described in this report are already there on the front-line, sharing those aims.

Acknowledgment

In the course of this study, we met with a large number of staff, practitioners and parent users whose work and values were a source of inspiration and example. Our thanks to them for the help and assistance supplied.



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This new report from Capacity provides an analysis of community nurseries in London. Supported by the LDA and by Brent, Hackney, Lewisham and Westminster local authorities, the study set out to explore the relevance of social enterprise for delivering affordable quality childcare.

The main findings of the study are that community nurseries offer, potentially, an added-value model both for the delivery of childcare places and for the reduction of child and family poverty in London. Recommendations are made for commissioning and funding arrangements to support the development of this type of social enterprise, including charging policies for council property. Government is asked to invest more resources in business support for childcare providers and to consider funding social enterprise pathfinders.