

23 August 1995

Your Ref:

To: Chief Executives
New Councils

Our Ref: E/18-DRF/HT

Dear Chief Executive

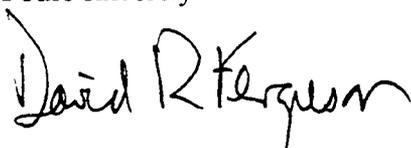
SOED CONSULTATION PAPER ON PRE-SCHOOL EDUCATION IN SCOTLAND

I wrote to you on 10 August enclosing my note of a meeting between COSLA representatives and Scottish Office on the Government's plans for pre-school education in Scotland.

As you will be aware, Scottish Office has now issued a consultation document on this issue and, as is COSLA's practice, I have sought adviser's views on the proposals with a view to preparing a COSLA response to the document. I have also sought the views of a number of Directors of Education in the new councils who attended the meeting with Scottish Office.

Whilst I understand the difficulties you may have in responding to the document, I would be pleased to hear from you if you wish to make any comments which might be included in the COSLA response. I have asked advisers for comments by 22 September and would be grateful if you could respond to me by that date if you do wish to make comments.

Yours sincerely



David Ferguson
Assistant Secretary

WHEN CALLING PLEASE ASK FOR: David Ferguson



Convention of Scottish Local Authorities
Rosebery House 9 Haymarket Terrace Edinburgh EH12 5XZ
Telephone 0131 346 1222 Fax 0131 346 0055
DX No. ED407 Edinburgh

NORTH LANARKSHIRE COUNCIL : DEPARTMENT OF EDUCATION

THE FUTURE OF SCOTTISH PRE-SCHOOL EDUCATION.

A SCOTTISH OFFICE EDUCATION DEPARTMENT CONSULTATIVE
DOCUMENT ON A VOUCHER BASED SCHEME FOR NURSERY EDUCATION

REPORT BY DIRECTOR

1. INTRODUCTION

1.1

The Government issued a consultative document on the 15 August 1995 which indicated that a decision had been taken to implement a voucher scheme in order to finance and expand nursery provision for children in their immediate pre-school year. Basically the scheme proposes to provide every parent of a child in that category with a voucher valued at £1,100 which they would redeem with whichever provider they saw fit in exchange for three terms of part time nursery education. The document does not seek views on the principle of a voucher system, nor on the fact that the proposed funding will be directed at a single age group. Instead it invites comments on 13 specific questions related to the implementation of the scheme.

1.2

The purpose of this paper is to offer both general comments on the voucher system and specific responses to the questions posed which it is recommended that the council instruct the Director to convey to the Scottish Office as the authority's response to the consultation.

1.3

It is clear that a more rapid and cost effective expansion of pre-5 services could be achieved by directing additional finances towards local authorities. Thus while welcoming the government's commitment to pre-5 and the provision of additional resources, the Council's response will reject the voucher system. Nevertheless, the Government's commitment to the voucher concept is clear. It is thus prudent for the Council to comment on the details of the proposed scheme in order to ensure that if it is implemented, its worst excesses are reduced and it is more responsive to social and educational needs.

2. GENERAL COMMENTS

2.1 TIMESCALE

It is to be regretted that the consultation period on a document of such significance is only 7 weeks. This is compounded by the timing of the consultation, coming as it does during Local Government re-organisation. The existing Regional Councils have not been requested to respond to the proposals since they will cease to exist prior to the scheme's commencement. However at this relatively early stage in the shadow year North Lanarkshire, in common with all other new councils, lacks the internal structures and essential management information which would allow it to make a full and considered response. The council would wish to express its objection to both the timing and the timescale of the consultation.

2.2 THE VOUCHER PRINCIPLE

It would have been desirable for the consultation to have been directed at the principle of a voucher driven scheme in the first place. Once acceptance or otherwise of the principle had been established, it would then have been appropriate to move to consult on details of implementation. While the document does not require comments on the principle, the council would wish to record its fundamental opposition to such a scheme. Many of the reasons for this opposition are indicated in the undernoted responses to the various questions in the document; however it is worth emphasising

three broad areas of objection :

2.3 STRATEGIC PLANNING

Under a voucher system the amount of funding available to an authority would vary from year to year depending on the number of parents who decided to redeem their vouchers with the authority. Moreover the movement of parents and their decisions as to the nature of nursery provision which they wished could have significant effects on the resources available to the authority in any given year. Since staffing , property and other related costs tend to be less flexible , the ability to plan the coherent and progressive expansion of pre-5 provision would be severely hampered. It is obvious that a more rapid and cost effective expansion of provision could be achieved by allocating additional resources directly to local authorities. The council would wish to urge the Secretary of State to adopt this more efficient and effective approach.

2.4 BUREAUCRACY

While accepting the Government's commitment to minimising the bureaucracy and administration related to the voucher system , it is undoubtedly the case that a voucher system will inevitably involve complex and costly organisational arrangements. The figures emerging from the debate on the scheme in England and Wales suggests that the administrative costs for those areas is likely to be as high as £20 million. On that basis the Scottish figure will be in the order of £2 million. Using the Government's own figure of £1,100 per nursery place , this sum would finance more than 1, 800 additional places for needy children in younger age groups who are excluded from the proposed scheme. In addition to the financial costs there will also be the human cost in terms of the frustrations and delays inevitably associated with bureaucracy.

2.5 PARTNERSHIP V COMPETITION

The paper puts considerable emphasis on the fostering of competition via a voucher system. It is the Education Department's view that a continuation of the effective partnerships formed by Strathclyde Region with the wide range of voluntary organisations currently operating within North Lanarkshire's boundaries offers a more cost effective method of expanding provision . The existing partnerships have a good record of delivering pre-school services within a very limited budget. Moreover they have also encouraged and facilitated the empowerment of local communities. A market driven voucher system would endanger the existence of many voluntary organisations and would limit the expansion of provision in areas of deprivation where the limited market forces released by vouchers would have little effect.

2.6 ENTITLEMENT

The document indicates that all children in Scotland will be eligible for vouchers for the three school terms before the date on which they would normally start primary school. This means in practice that vouchers will be issued to 4 year olds and to a small number of slightly older and slightly younger children. While acknowledging that there will be demand for entitlement to be extended to younger children the paper indicates the view that it is practical and deliverable to start with 4 year olds. There is thus a hint that a future extension is possible but for the time being the focus is on those in the pre-school year.

2.6.1

The Council would obviously wish to support and endorse the view that all children in the pre-school year should have the opportunity of good quality nursery provision. However there is serious concern that the nature of the proposals would lead to the maintenance and expansion of services for 4 year olds at the expense of younger children many of whom are at risk or with special needs. North Lanarkshire has not yet had the time to consider and agree on its policy for admissions to pre-5 establishments. It is moreover the case that the Council will inherit a structure where there will be an expectation of continued provision for many younger children who currently enjoy a nursery place. In these circumstances a voucher scheme which will , in effect, introduce a national admissions policy

focussed on children in the immediate pre-school year , will lead to significant difficulties.

2.6.2

Under the proposals every 4 year old will bring in £1,100 funding through the voucher scheme.Places provided for other priority groups will bring no Government funds.While the government will presumably continue to reflect in its grant allocations the need to support a limited level of social work type provision , grants for education type provision will disappear , being replaced by the voucher scheme.The council will thus be placed under a degree of financial pressure to admit 4 year olds rather than younger children regardless of needs.Similarly , there will be pressure to convert full time places allocated to children in need into part time places in order to redeem two vouchers instead of one.

2.6.3

The vouchers will not be taxable nor will they be means tested.The consequence of these two factors will have a major effect on the possibilities of the scheme generating additional nursery places.On the one hand, families who are both willing and able to pay for private nursery education will receive a tax free bonus of £1,100 .On the other hand , many poorer families will not be able to top up the value of their vouchers to the actual cost of provision and thus will not be able to take advantage of private providers as opposed to voluntary or public sector provision.There will , of course, be a number of middle income families who are presently not able to finance private nursery provision, but who will be able to top up their vouchers to enable them to do so.This may lead to some new private nurseries opening but it would seem obvious that their numbers would hardly justify the costs and bureaucracy in the proposed voucher scheme .In addition , a flat rate voucher will also work to the disadvantage of children for whom, for one reason or another it is more expensive to provide a place.The most obvious problem will relate to children with special educational needs who are placed in mainstream nurseries. The voucher value of £1,100 which is insufficient for much standard provision will be wholly inadequate for such young people. Similar issues may arise in rural and remote areas where costs per pupil are likely to be well above the average.

2.6.4

The proposed voucher scheme will thus disadvantage poorer families and vulnerable children.While a system which took into account income and the differing needs of children would obviously be preferable it would also increase yet again the associated bureaucracy.The application of such a costing criteria to a direct funding of local authorities would be welcomed as the most cost effective method of providing value for money provision.

7. RESPONSES TO SCOTTISH OFFICE QUESTIONS

Question 1 :

Views are sought on whether these [the curricular] outcomes , which are taken from a report by Her Majesty's Inspector of schools " The Education of Children Under 5 in Scotland " can be an agreed framework for the curriculum for pre-school education for four year olds "

Response :

The abstract from the report contained in the consultation document does not reflect the full scope of the original report.The curriculum has been further condensed from the summary in the report and thus lacks depth, content and perspective.It is the Council's view that a more rigorous set of objectives is required if a high standard is to be guaranteed by prospective providers.It is the Council's intention to continue to use the Strathclyde curriculum document " Partners in Learning " which provides a comprehensive curriculum guide from birth to five and dovetails with the national 5-14 programme. This document is used by all nurseries within North Lanarkshire and has also been distributed to all voluntary and private sector establishments.The guidelines also relate to the Open University packs for parents.Both the original HMI report and the "Partners in Learning " guidelines give a more

rounded and more demanding picture of what should be asked of high quality nursery education. It is thus suggested that the guidelines contained in the consultative document should be expanded or replaced by one of the above documents before any firm contract specification is drawn up.

Question 2:

Views are sought on whether there should be different voucher values to meet the needs of children in different parts of Scotland.

Response :

The question presumes that the only reason for attaching different values to vouchers is geographical. There are other more important factors which should be taken into account. Firstly children with special educational needs benefit greatly from high quality nursery provision but the cost is far more than the proposed £1,100 voucher. Unless a higher value is given to the vouchers of children with special needs, independent sector nurseries and voluntary groups will find it difficult to cater for their requirements. In addition while local authority nurseries will continue to cater for such children they will find themselves penalised in financial terms. The Council would therefore urge that if vouchers are introduced they should be enhanced for those children with special educational needs and that the level of enhancement should reflect the anticipated cost of providing an appropriate service in each case. A precedent already exists in the differentiated payments currently made to Skillseekers.

A second area of concern relates to rural and remote areas where provision will be more expensive particularly where transport costs have to be met. In these areas vouchers will simply not be redeemed because of lack of available providers and / or difficulty of access to facilities. Again the Council would urge that the value of any vouchers should reflect the real costs of provision in such areas.

On a more general point it should be emphasised that the standard voucher is itself inadequate to fund a nursery place. Experience in Strathclyde suggests that provided suitable accommodation is already available, an additional part time place can be created in a nursery class for a sum close to the £1,100 proposed voucher value. However if provision has to be made in a free standing nursery school or in a community nursery with extended hours the costs are considerably more. Moreover these figures take no account of capital costs which would be incurred where no suitable accommodation exists nor of the adaptation costs where surplus places can be converted.

These cost comparisons indicate that while there is some scope for expansion under the scheme in terms of nursery classes, all other forms of provision will incur greater expenditure than can be recouped via the vouchers. This fact probably accounts for the emphasis in the document on the possibility of topping up the value of the voucher. In the private sector this topping up is to be achieved through charging fees. In the public sector, local authorities are to be allowed to spend more on each nursery place than is reclaimed through the voucher. However fees are not to be charged and the additional expenditure will thus represent a subsidy to families to whom the service will be free at point of delivery. This approach would seem to rest on the belief that local authorities are not allowed to make charges for nursery education. In terms of the Education (Scotland) Act 1980, an education authority has the power "to charge fees for school education { including nursery education } in some or all of the classes in a limited number of schools under their management ". This power which has obviously not been exercised in recent years would appear to conflict with the premises underpinning the voucher scheme. It is also worth noting that authorities south of the border already make charges for nursery provision while Strathclyde Region, in common with other Scottish authorities, is indirectly responsible for fee paying nurseries managed by voluntary organisations. The Council would therefore suggest that there is scope for doubt about the legality of the approach set out in the consultative paper and would urge that in any voucher system local authorities were allowed the option of topping up through subsidy or by charging or a combination of both as appropriate.

Question 3 :

Views are sought on the practicability of what is proposed under the hypothetical model for the operation of vouchers

Response :

The paper makes it plain that the government's preference is to see the voucher scheme operated by a private company which has tendered successfully for the contract. As indicated earlier, such a scheme will inevitably lead to increased bureaucracy and layers of administration which are currently unnecessary. It must be recognised that such costs are not necessary and that it would be perfectly possible to channel additional resources through local authorities, possibly on a specific grant basis, without incurring the considerable costs involved in the bureaucracy required to deliver a voucher system. The Council would therefore urge the government to reconsider the voucher approach to funding pre 5 provision.

Furthermore a number of specific issues such as the splitting of the value of a voucher between two providers, the transfer of a voucher upon the movement of a child and the relative value of different forms of part-time provision will all have to be addressed and will inevitably lead to further administrative complexity.

Question 4 :

Views are sought on the method of identifying eligible parents and notifying them of their eligibility. It is recognised that some parents may be difficult to contact and that others, for example, may have visual impairments.

Response :

The paper recognises the considerable difficulties which will be involved in the identification process. The council views this as yet another example of the practical problems and logistics which make the scheme unworkable. In addition the Council would wish to express its concern at the potential dangers in placing a significant amount of information about families in the hands of a private firm. The issue of confidentiality and potential misuse of information will clearly have to be addressed.

Question 5 :

Views are sought on the flexibility which might be incorporated into the vouchers themselves. For example, should parents be able to use the voucher for different types of provision? If so should a booklet of voucher stubs be issued, allowing a different provider to be used on each day or part of a week? However, the more complex the arrangements, the greater the costs of administering the scheme.

Response :

The very nature of this question amply illustrates the difficulties referred to in the earlier part of this paper. If parents are to be allowed to use two or more providers, there clearly requires to be a mechanism whereby each provider can redeem part of the voucher. It will also be necessary to attach a value to each different form of provision. Were the scheme to be administered through local authorities, it would be possible to build on the basis of the Children Act Register in order to compile a database of providers authorised to participate in the scheme. This database could then be used to maintain a record of each pupils use of different forms of provision and to authorise appropriate payments without the need for elaborate sub-division of paper vouchers. In the absence of such an approach, the use of booklets of mini-vouchers seems inevitable. This will lead to bureaucracy and inefficiency.

Question 6 :

Views are sought on possible alternative arrangements for the issue and redemption of vouchers, including possible alternatives to the use of a private company.

Response :

The most obvious alternative to the use of a private company would be to locate the responsibility with local authorities. Given the opposition to the principles of a voucher driven approach, there may be some reluctance to take up this option. If, however, the scheme is introduced such an approach has several advantages. Firstly, authorities already have significant responsibilities under the Children Act for quality assurance in the pre-school sector. An improvement in the funding for this aspect of authorities' work would allow them to assume sole responsibility for the registration of providers authorised to redeem vouchers. This would bring together the two quality assurance processes since it seems logical to assume that a provider who could not meet the standards required for the voucher scheme should not be deemed suitable for registration under the Children Act.

Secondly, as outlined above, the use of local authorities for this purpose would reduce the need for some of the more complex administrative arrangements required if a private company is involved.

Question 7 :

Views are sought on which of these funding arrangements should be adopted

Response :

In the paper the government estimates that the total cost of issuing vouchers to all Scottish children in their pre school year would be around £70 million. This figure assumes that all of the vouchers issued will be redeemed. Given that the nature of the scheme makes this highly unlikely, the real cost, particularly in the early years, will be considerably less. Of this maximum cost of £70 million, it is proposed that £39 million should be found by reducing grants currently paid to local authorities. Thus only some 43% of the potential cost of the scheme is new money. It should be noted that since most authorities will sustain their existing provision and recoup their share of the £39 million, it is the new money element which will remain underspent.

The consultation paper puts forward two options by which the existing local authority grant might be top sliced to help fund the voucher initiative. The first option suggests that a sum equal to £1,100 multiplied by the total number of eligible children actually being educated in education authority nursery schools in the previous year would be deducted from the total grant before it is divided up among individual authorities. This approach would disadvantage an authority currently taking less than the national average of 56% of the 4 year olds since they would reclaim less than they lost. The converse would be true of an authority giving places to more than 56%. The position in North Lanarkshire is unclear for two reasons. Firstly accurate information is not yet available from Strathclyde Region on a new authority basis. Secondly it is uncertain as to what the Scottish Office will choose to regard as "non-educational provision". If the Council is able to redeem vouchers in respect of children attending family centres, childrens centres, day nurseries and community nurseries, the overall percentage will probably be around 50% to 53%, which is slightly less than the amount of grant lost. If only nursery class provision is deemed eligible then the figure will fall to around 44% leading to severe damage to pre 5 provision.

The second option involves the abatement of each authority's grant based on the actual provision in that authority's geographical area. While some of the same implications in relation to "non educational provision" it is presumably more equitable to deal with new authorities based on existing provision rather than on a calculation which relates to the actions of previous regional councils.

North Lanarkshire would urge the Government to take account of all existing local authority provision in any calculations of the mechanism to reduce grants in order to fund the new initiative. In particular it would draw attention to the potential damage to existing provision if the definition of "non educational provision" is too broad.

Question 8 :

Views are sought generally on the proposed funding arrangements

Response :

The Council would re-iterate that a more rapid expansion of provision could be secured through a

specific grant scheme to local authorities with a requirement that the expansion take place in collaboration with the voluntary and independent sectors. Comments on the inadequacy of the proposed funding levels are dealt with in the response to other questions.

Question 9 :

Views are sought on whether local authorities will be able to make use of, or adapt where necessary, existing surplus school accommodation. Alternatively, could such surplus accommodation be rented out to the private and voluntary sectors to meet local demands for accommodation for new nurseries or playgroups?

Response :

While recognising that North Lanarkshire has an element of surplus accommodation, particularly in the Cumbernauld area, the paper over-estimates the amount of such surplus and under-estimates the costs of conversion. It is also the case that the location of surplus accommodation does not necessarily match the geographical spread or need for pre 5 provision.

In addition, surplus accommodation where it exists often requires considerable adaptation in terms of toilet facilities, play areas, health and safety matters and alterations to the layout of corridors and stairs. The cost of adapting a single classroom for nursery use would be in the area of £20,000, while the installation of a small two unit toilet would be about £25,000. The adaptation of surplus accommodation { where it exists } thus carries a significant cost which is not recognised in the paper. The council would welcome an allocation of funds which would allow it to make increased use of surplus school accommodation to expand nursery provision. It will be important that these costs are allowed for in any proposed voucher system.

Question 10 :

Views are sought on whether other factors should be added to the quality threshold expected from providers.

Response :

The process currently used in pre 5 establishments in Strathclyde is based on a comprehensive set of over 200 quality pointers set out within a Quality Process document. In addition the "day care" minimum standards guidelines are available and the Scottish Office's own "Using performance indicators in nursery schools, classes and pre-5 units" is widely distributed. The Council would suggest that all of these, along with the summary version of the Partners in Learning curriculum as used in the voluntary sector should be taken into account.

Question 11 :

Views are sought generally on the proposed measures for quality assurance and inspection

Response :

If the scheme succeeds in expanding provision it will lead to an increase in the number of providers registered in terms of the Children Act. This in turn will lead to an increased burden on the resources of local authorities in terms of registration and inspection procedures. The proposals take no account of this and it is to be recommended that this aspect be recognised in the funding arrangements.

In addition the suggestions on quality assurance do not seem to fully take account of the existing demands of the Children Act. If unnecessary duplication is to be avoided it would seem evident that the procedures laid down under the Act should be the main mechanism for securing quality. The Council would commend this approach if the scheme is initiated.

Question 12 :

Views are sought on the desirable frequency of inspections.

Response :

A bringing together of the Children Act procedures with those required for the new scheme would suggest that inspections should be on an annual basis. There should also be powers to allow for visits without prior notification.

Question 13 :

Views are sought on whether the local government changes due to take effect in 1996 will mean that the new authorities would have difficulty in participating immediately and whether piloting should be deferred - perhaps to August 1996 - to co-incide with the new school year.

Response :

Regardless of the changes in local government, it would seem appropriate for any pilot scheme to have a start date co-inciding with that of a school session. North Lanarkshire will clearly face a major task in ensuring the smooth transition of services from Strathclyde Region. 1996/97 will obviously be a year of consolidation and of the development of council structures and procedures. To expect a new authority to take on a major initiative at this difficult time is unreasonable. Moreover, given North Lanarkshire's fundamental opposition to a voucher system, the Council would have no desire to participate in a pilot initiative but rather would urge the government to reconsider the scheme and instead to use the available funds to deliver an expansion of provision via a specific grant allocation to local authorities as indicated earlier in this paper.

RECOMMENDATIONS

The Council is asked to :

1. Note and approve the contents of the above paper.
2. Instruct the Director of Education to convey the views expressed in the paper to the Scottish Office as North Lanarkshire's response to the consultative paper on the future of Scottish pre-school provision.

Members wishing further information should Michael O'Neill Director of Education on 01698 454919