

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting13th July 2006

1. Title of Item/Report

Neighbourhood Nurseries

2. Record of the Decision

Members considered a report that summarised the situation regarding Stockton's Neighbourhood Nursery programme and proposed an alternative management structure with which to ensure their future long term viability.

Members were informed that the national Neighbourhood Nursery Initiative (NNI) had been launched in 2000, to expand childcare provision in the 20% most disadvantaged areas in England. The intention was to reduce child poverty by providing high quality childcare and early learning for young children in areas of deprivation, so their parents could return to training or employment.

The funding allocation for Stockton was £714,440 capital with which to create new nursery provision and a total of £1,786,000 revenue to support the setting up and revenue costs for the first few years, until the nursery became self-sustaining through fee paying customers.

In Stockton the decision was made to develop the provision by retaining and expanding Council provision. This had the advantage of allowing the development to be included within Stockton's Children's Centre programme and developed as part of the core offer. This had produced:

Redhill Children's Centre Nursery	50 places
Bath Lane Children's Centre Nursery	50 places
High Flyers Children's Centre Nursery	70 places
Riverbank Children's Centre Nursery	50 places
Footsteps Children's Centre Nursery	50 places

This has enabled the creation of 270 new nursery places in areas that previously had little or no provision. Including them within each Children's Centre made them fundamental to the core offer and to the delivery of integrated children's services and would itself help to ensure their survival. However, in order to secure their future viability, changes

must be made to the way they were managed and operated if they were to continue to be available to local families.

It was explained that during the course of 2004 after an extensive staff recruitment campaign, each nursery had become fully operational and capable of taking a limited number of children from 0 to 5 years old. Growth levels were calculated which planned to ensure a decreasing NNI revenue subsidy, matched by an increase in the numbers of fee paying children, which would enable the nurseries to become self-financing by 2007.

Although extremely competitive fee levels were set, after 6 to 8 months of operation it became apparent that the necessary growth targets were not being achieved.

In July 2005, an options appraisal was carried out to examine alternative arrangements for the operation of the nurseries. This considered the advantages and disadvantages of retaining the service within the Local Authority, commissioning the service from independent providers or creating a charitable organisation. The options were:

- Option 1 Retain the management of the nurseries within the Local Authority
- Option 2 The creation of a charitable organisation to operate the nurseries
- Option 3 To commission an external nursery provider to deliver the nursery provision.

Option 1 to retain the nurseries within the Local Authority, would require a funding allocation of approximately £500,000 per year. The present government subsidy will not be available beyond 2006/07, and no other resources are available.

Option 2 would create a Non-Profit Distributing Organisation (NPDO), with either charitable or non-charitable status. One of the main advantages of this kind of structure could be the access this may give to other external funding. However, it must be noted that this kind of funding is usually time limited and opportunities for the voluntary sector to access funds are diminishing. Similar difficulties may also arise in attracting people with the necessary specialist skills and experience to lead the nursery business.

Option 3 proposes to commission the management of the nurseries by an external provider. This could be from the independent or voluntary sector. This option would require a Service Level Agreement with the provider to ensure the nursery operates within the Children's Centre offer.

Staff would be transferred under TUPE regulations.

It was explained that the Council was required to retain the nursery places as part of the Children's Centres core offer and childcare had to continue to be at the heart of the community to enable parents to access training and employment. The decision to commission the management of the nurseries was necessary to ensure that they were able to compete fairly within the local childcare market and this could not be achieved if they remained within Local Authority control. Successful nursery provision depended upon good quality childcare being provided at affordable prices, the advantage of using a private provider would ensure that costs could be minimised in order to enable fees to be competitive and within reach of local parents. As fee levels, to parents, were slightly above the average for the borough, it was envisaged that fees would remain the same or possibly reduce as a result of the proposal.

As a result of the NNI programme, nurseries had been established in areas that had not attracted the private investment necessary to establish high quality childcare. This provision could be offered to the private childcare market under agreement from the Local Authority, to ensure that good quality childcare could remain in those areas as part of a local integrated package of provision. The terms and conditions to be agreed by the Local Authority would ensure that the nursery places would continue to be available as long as there was adequate demand in that area.

Members noted that the revenue deficit for the nurseries in 2005/2006 was £374,649, which represented the difference between the annual running costs of all 5 nurseries less the fee income. This deficit was met from the NNI subsidy budget. It was estimated that the actual cost of operating the 5 nurseries was nearer £500,000 pa when the true costs of management, Human Resources and Finance etc as a result of being a part of the Local Authority were taken into consideration.

Financial projections for 2006/2007, based upon nursery growth targets of fee paying customers against cost estimates, had been re-profiled to create an NNI subsidy surplus with which to finance the proposal. Also, until the reaction of the private nursery sector to this proposal was known, it was necessary to establish a contingency fund to accommodate any delay to the timescale or additional costs that may arise as a result of any contract with an external provider.

Members noted the concerns of Unions in terms of the affect the proposals may have on the Service, staff employed at the Nurseries and the method of consultation.

RESOLVED that the process to commission the management of Stockton's five Neighbourhood Nurseries be agreed.

3. Reasons for the Decision

The Neighbourhood Nursery Initiative was currently supported through the Neighbourhood Nursery subsidy grant which would not be available after 2007. The future availability of nursery places created through the NNI programme was essential to the successful delivery of the Children's Centre core offer. New structures must be developed and in place in 2006/2007 if the nursery facilities were to continue to be provided and were not to become a financial liability for the Authority after government funding ceased.

4. Alternative Options Considered and Rejected

Option 1 Retain the management of the nurseries within the Local Authority.

Option 2 The creation of a charitable organisation to operate the nurseries.

5. Declared (Cabinet Member) Conflicts of Interest

Councillors Cunningham, Kirton, Cains, Leonard and Coleman declared personal,/non prejudicial interests in respect of this matter as they served on Sure Start Management Boards in the Borough. Councillor Gibson also declared a personal,/non prejudicial interests in respect of this matter.

6. Details of any Dispensations

Not Applicable

7. Date and Time by which Call In must be executed

By no later than midnight on Friday 21st July 2006

Proper Officer
21 July 2006