

## CABINET ITEM COVERING SHEET PROFORMA

### **AGENDA ITEM**

### **REPORT TO CABINET**

**13 JULY 2006**

### **REPORT OF CORPORATE MANAGEMENT TEAM**

## **CABINET DECISION**

**Children and Young People – Lead Cabinet Member – Councillor Cunningham**

### **NEIGHBOURHOOD NURSERIES**

1. Summary

The report summarises the situation regarding Stockton's Neighbourhood Nursery programme and proposes an alternative management structure with which to ensure their future long term viability.

2. Recommendations

Members are requested to agree the process to commission the management of Stockton's five Neighbourhood Nurseries.

3. Reasons for the Recommendations/Decision(s)

The Neighbourhood Nursery Initiative is currently supported through the Neighbourhood Nursery subsidy grant which will not be available after 2007. The future availability of nursery places created through the NNI programme is 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 are to continue to be provided and are not to become a financial liability for the Authority after government funding ceases.

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.**

**AGENDA ITEM**

**REPORT TO CABINET**

**13 JULY 2006**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**NEIGHBOURHOOD NURSERIES**

**SUMMARY**

The report summarises the situation regarding Stockton's Neighbourhood Nursery programme and proposes an alternative management structure with which to ensure their future long term viability.

**RECOMMENDATIONS**

Members are requested to agree the process to commission the management of Stockton's five Neighbourhood Nurseries.

**DETAIL**

**Background**

1. The national Neighbourhood Nursery Initiative (NNI) was 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.
2. 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.
3. 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 has 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 |
4. 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 makes them fundamental to the core offer and to the delivery of integrated children's services and will itself help to ensure their survival. However, in order to secure their future viability, changes must be made to the way they are managed and operated if they are to continue to be available to local families.

5. During the course of 2004 after an extensive staff recruitment campaign, each nursery became 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.
6. 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.

## Options

7. 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 are:

|          |  |
|----------|--|
| 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. |

8. 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.
9. 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.
10. 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.

## Future

11. We are required to retain the nursery places as part of the Children's Centres core offer and childcare must 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 is necessary to ensure that

they are able to compete fairly within the local childcare market and this cannot be achieved if they remain within Local Authority control. Successful nursery provision depends upon good quality childcare being provided at affordable prices, the advantage of using a private provider will ensure that costs can be minimised in order to enable fees to be competitive and within reach of local parents. As current fee levels to parents are slightly above the average for the borough, it is envisaged that fees would remain the same or possibly reduce as a result of this proposal.

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

## **FINANCIAL AND LEGAL IMPLICATIONS**

13. The revenue deficit for the nurseries in 2005/2006 was £374,649, which represents 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 is estimated that the actual cost of operating the 5 nurseries is 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 are taken into consideration.
14. Financial projections for 2006/2007, based upon nursery growth targets of fee paying customers against cost estimates, have been re-profiled to create an NNI subsidy surplus with which to finance this proposal. Also, until the reaction of the private nursery sector to this proposal is known, it is 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.

## **RISK ASSESSMENT**

15. The development of a proposal for the future of the Neighbourhood Nurseries is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.”

## **COMMUNITY STRATEGY IMPLICATIONS**

16. The proposal outlined within this report aims to continue the provision of nursery services delivered from within Children’s Centres. New management arrangements for this delivery will not impact upon levels of service and will therefore have a neutral effect on the Community Strategy.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

17. A Communication and Consultation plan will be developed as part of the process which will include consultation with Ward Councillors, parents and partner agencies. In addition the Communication plan will include the preparation of a presentation brief, letters for distribution and a general press release.

18. Communication and consultation with staff will be in accordance with relevant Council Policies and will include trades union consultation and staff briefings etc.
19. Staff are aware of the proposals and initial briefings have commenced, including trade unions.

**Contact Officer:** Dave Adams  
**Post Title** SureStart Strategic Manager  
**Telephone No.** 01642 527209  
**Email Address:** [dave.adams@stockton.gov.uk](mailto:dave.adams@stockton.gov.uk)