

## Executive Scrutiny Committee

A meeting of Executive Scrutiny Committee was held on Tuesday, 2nd September, 2008.

**Present:** Cllr Robert Gibson (Chairman), Cllr Mrs Ann Cains, Cllr Dick Cains, Cllr Mick Eddy, Cllr David Harrington, Cllr Colin Leckonby, Cllr Mrs Liz Nesbitt, Cllr Mrs Jean O'Donnell, Cllr Maurice Perry, Cllr Mrs Maureen Rigg, Cllr Mrs Allison Trainer, Cllr Bill Woodhead

**Officers:** Jane Humphreys (CESC); Sarah Connolly, Nigel Hart, Fiona Shayler, Kirsty Wannop (LD).

**Also in attendance:** Mr Frank (Diocesan Representative), Mr P Connaughton (Parent Governor Representative).

**Apologies:** Cllr Lynne Apedaile, Cllr Lee Narroway, Cllr Andrew Sherris, Cllr Michael Smith, Cllr Mick Womphrey.

### **EXC 34/08**      **Declarations of Interest**

Cllr Robert Gibson declared a personal/non prejudicial interest in relation to Agenda Item No. 4 Neighbourhood Nurseries further to being a the Director of SMASH and left the meeting room during consideration and voting.

### **EXC 35/08**      **Minutes - 5th August, 2008**

The draft minutes of 5th August were agreed as a correct record.

### **EXC 36/08**      **Neighbourhood Nurseries**

Members were provided with a report that outlined the process which took place to commission the neighbourhood nurseries.

The National neighbourhood nurseries 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 to young children in areas of deprivation so their parents could return to training or employment.

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 centre programme and developed as part of the core offer.

Five neighbourhood nurseries were subsequently established creating the potential for over 300 places in areas that previously had little or no provision.

By 2004 and after an extensive recruitment campaign each nursery became fully operational. 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 was intended to enable the nurseries to become self financing by 2007. The government subsidy was no longer available after March 2007.

After less than a year of operational delivery it became apparent that the necessary growth targets were not being achieved coupled with that significant

sickness absence levels also increased the running costs of the nurseries.

One of the neighbourhood nurseries ceased in 2004 due to the small number of children attending. All children and staff were offered alternative provision and relocated into the four remaining nurseries.

In July 2005 an options appraisal was carried out to examine alternative arrangements for the operation of the nurseries and a report was taken to Cabinet in July 2006.

The Cabinet report of July 2006 outlined the financial implications of the NNI provision including the fact that the revenue deficit funding for the nurseries was as high as £500,000 a year taking into account true costs. The option to retain the nurseries within the local authority would have therefore required an additional funding allocation of approximately £500,000 per year of Local Authority money.

Agreement was therefore sought from Cabinet to commission an external provider to deliver the nursery provision. The report also highlighted the fact that the NNI budgets had been reprofiled to create a surplus with which to finance the proposals. It was also highlighted that until the reaction of the private sector to the proposal was known it was necessary to establish a contingency fund to accommodate any delay to the timescale and additional costs that may arise as a result of any contract with an external provider.

Following Cabinet, expressions of interest were invited from suitably qualified and experienced child care providers and by November 2006 the local authority had received twelve expressions of interest. At the time of inviting expressions of interest the local authority was still seeking to commission the NNI provision at no additional cost.

In December 2006 a shortlist of four providers who fulfilled the necessary criteria was agreed and they were invited to submit full tenders with a tender presentation and selection date agreed for March 2007. By March 2007 two of the shortlisted providers withdrew from the tender process.

In March 2007 the appointment of a preferred provider and a reserve provider was agreed.

Between March 2007 and September 2007 ongoing discussions took place initially with the preferred provider but subsequently with the reserve provider as it became apparent that the preferred provider was unable to meet the requirements of the Council to submit a viable financial plan for the nurseries.

During July 2007 a report to Cabinet re: "Financial Position Update" agreement was given to use some of CESC managed surplus which included NNI money to fund the externalisation of neighbourhood nurseries subject to approval by the elected Cabinet Member.

In September 2007 Pre-school Learning Alliance [PSLA] (a not for profit organisation) was approved as the preferred provider. PSLA had long standing experience of managing childcare provision and has 53 nurseries across the UK.

During the autumn of 2007 it became apparent that a subsidy would be required in order to enable PSLA to “break even” over a period of time. Further work was therefore required from PSLA. PSLA were still proposing to look to deliver all of the neighbourhood nursery provision but by January 2008 they indicated that they felt only two would be viable. There were still concerns about the occupancy levels of the other two nurseries which meant that PSLA felt these were not viable options.

Between January and June 2008 ongoing discussions with staff, trade unions, parents and carers took place which allowed the formal contracts to be finally agreed in July 2008.

The transfer of staff and children was also successfully completed during this time in relation to the two nurseries that were not going to be managed by PSLA.

As part of the contract, and as a result of financial forecasts from PSLA, the Children, Education and Social Care Service Group (CESC) agreed to pay deficit funding of up to a maximum aggregated of £350,000. Any funds would only be agreed upon delivery to the Council of cash flow projection setting out the amount of losses. If PSLA made any profit this would be reinvested into the nurseries.

As a result of the transfer of the services to PSLA a number of staff chose to take Early Retirement/Voluntary Redundancy on 30th June 2008, the remaining staff transferred to PSLA. The cost of running the nurseries and the staffing costs had all been managed within the subsidy carried forward each year since 2006.

The three vacant NNI establishments whilst not functioning currently as nursery provision were still registered with Ofsted and in due course it was intended to go out to tender for expressions of interest from childcare providers who may wish to relocate within the Children Centre buildings (paying commercial rent) and thus providing childcare within the establishments. Members queried whether or not the council could take this route given that New Opportunities Funding (NOF) had been used and requested further information on this matter.

The occupancy levels were not to full capacity but a marketing plan was being considered to endeavour to gain maximum occupancy levels. The Director CESC stated that an audit of nursery provision within the borough had been undertaken to identify any gaps in nursery provision.

Members discussed the occupancy levels of the two nurseries that were still operating and requested that their current occupancy figures be provided. It was also requested that a breakdown of the occupancy levels together with detail on the area the children attending lived, be provided for the two nurseries that were closed where the children were transferred to the two remaining nurseries.

Discussion was held on staffing and sickness absence which had been poor due to persistent short term absences, this matter had since been addressed.

Members discussed the subsidy for the nursery places and felt that the cost of

accessing was still a problem for low income families. Members wished to receive a breakdown of the costs incurred by the Council together with any future deficit spend which had been allocated to allow upto £350k. The Director of CESC stated that any monies would only be paid to the PSLA following their cash flow forecasts indicating any losses.

Members felt that the issue of childcare provision within the Borough was an issue that should be forwarded to the Scrutiny Liaison Forum as a future scrutiny review topic.

RESOLVED that the information requested by Members be provided and that the issue of Child Care Provision within the borough be forward to the Scrutiny Liaison Forum as a possible scrutiny review topic.

**EXC  
37/08**      **Forward Plan**

Members were provided with a copy of the Statutory Forward Plan from 1st August to 30 November 2008.

Members requested that a presentation be made to a future meeting of the Committee regarding the changes made to the Planning Appeals Protocol once it had been considered by Cabinet; and that a summary of the regulations on phone masts be also included within the presentation.

Members discussed the Tees Valley Joint Waste Management Strategy and Implementation Plan and raised the issue of the changes to community skips. It was stated that the Environment Select Committee would be considering this matter as part of their monitoring process.

RESOLVED that the Statutory Forward Plan be noted and the information as requested be sent to all Members.

**EXC  
38/08**      **Report on Chairs Updates**

The Chairman/Vice Chairman of the following Select Committees provided an update on their current reviews/work programme:-

Arts Leisure and Culture - Review of Tees Active. River Users Group update. HMS Kellington update - future planning application for its dismantle was anticipated.

Housing and Community Safety Select Committee - Review of Registered Social Landlords.

Environment Select Committee - Review of Customer First and Dog Fouling and Animal Welfare Service.

Regeneration and Transport Select Committee - Review of Highway Network Management.

Children and Young People Select Committee - Review of Obesity - Changes to the project plan would delay the final report until January 2009.

Health Select Committee - Review of Momentum - Formal evidence gathering had been completed with a unanimous decision to choose Site A for the proposed siting of the new hospital. A joint meeting with Hartlepool, North Yorkshire and Durham would be held to provide a joint response. Review of Audiology was due to commence. The Committee would also be meeting with representatives of the Shaw Trust, chosen as the Host organisation for the LINK. Health Scrutiny training had been arranged for Friday, 26th September 2008, Members from Children and Young People Select Committee and Corporate, Adult Services and Social Inclusion Select Committee had also been invited.

RESOLVED that the Chair's updates be noted