

AGENDA ITEM 4

REPORT TO EXECUTIVE SCRUTINY COMMITTEE

2ND SEPTEMBER 2008

REPORT OF CORPORATE DIRECTOR CHILDREN, EDUCATION AND SOCIAL CARE

NEIGHBOURHOOD NURSERIES

SUMMARY

This report has been requested by Executive Scrutiny and outlines the process which took place to commission the neighbourhood nurseries.

RECOMMENDATIONS

- (a) That the overall report is noted.

DETAIL

1. The National neighbourhood nurseries initiative (NNI) was launched in 2000 to expand childcare provision in the 20% most disadvantaged areas in England.
2. 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.
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 centre programme and developed as part of the core offer.
4. Five neighbourhood nurseries were subsequently established creating the potential for over 300 places in areas that size previously had little or no provision.
5. 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.

6. 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 on 13th July 2006.
7. 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.
8. 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.
9. At the time of providing the report to Cabinet in 2006 there had been considerable interest from external providers who were aware that the NNI subsidy was ceasing to Local Authorities and that any tendering processes would generate significant interest in providing these services it was felt.
10. 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.
11. 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.

12. 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.
13. 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.
14. In September 2007 Pre-school Learning Alliance [PSLA] (a not for profit organisation) was approved as the preferred provider. PSLA has 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.

15. 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.

16. As part of the contract, and as a result of financial forecasts from PSLA, 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.
17. As a result of the transfer of the services to PSLA a number of staff (13) chose to take ER/VR on 30th June 2008, the remaining staff transferred to PSLA.
18. The cost of running the nurseries and the ER/VR costs have all been managed within the subsidy carried forward each year since 2006.
19. The three vacant NNI establishments whilst not functioning currently as nursery provision are still registered with Ofsted and CESC will in due course 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.
20. The appropriate delegated decision have been signed and agreed with the Lead Cabinet Member.

FINANCIAL IMPLICATIONS

The proposals to outsource the neighbourhood nurseries is funded from within Children, Education and Social Care managed surplus as previously identified in Cabinet report.

LEGAL IMPLICATIONS

There are no legal implications.

CORPORATE PARENTING

None.

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Background Papers

July 2006 Cabinet Report.
July 2007 Cabinet Report.

Ward(s) and Ward Councillors:

All.