

JOINT CHILDREN'S SERVICES AND FINANCE AND PROCUREMENT PORTFOLIO

DECISION SCHEDULE



Tuesday 9th August 2011

at 9.30 am

in Committee Room C, Civic Centre, Hartlepool

Councillors C Hill and R Payne, Cabinet Members responsible for Children's Services and Finance and Procurement will consider the following items.

1. **KEY DECISIONS**

- 1.1 Local Authority Childcare Settings – Oscars Out of School Service, Bushbabies Daycare and Chatham House Daycare – *Director of Child and Adult Services*

2. **OTHER ITEMS REQUIRING DECISION**

No items

3. **ITEMS FOR INFORMATION**

No items

JOINT CHILDREN'S SERVICES AND FINANCE AND PROCUREMENT PORTFOLIO

Report to Portfolio Holder
9th August 2011



Report of: Director of Child and Adult Services

Subject: LOCAL AUTHORITY CHILDCARE SETTINGS -
OSCARS OUT OF SCHOOL SERVICE,
BUSHBABIES DAYCARE AND CHATHAM
HOUSE DAYCARE

SUMMARY

1. PURPOSE OF REPORT

- 1.1 To seek approval for the future delivery of local authority daycare settings – Bushbabies daycare and Chatham House daycare
- 1.2 To consider the options for the future delivery of OSCARs out of school service and decide on the future delivery of this setting.

2. SUMMARY OF CONTENTS

- 2.1 The council currently provides childcare through three settings – OSCARs out of school service, Bushbabies daycare and Chatham House daycare. These settings are all currently subsidised by the council. Due to the current financial situation for the council these settings can no longer be sustained and therefore the delivery of these settings needs reviewing. The following report sets out the current budget positions for the settings and sets out recommendations for their future delivery.

3. RELEVANCE TO PORTFOLIO MEMBER

- 3.1 This report covers children and family issues but also explores procurement of the services through external organisations.

4. TYPE OF DECISION

4.1 Key decision CAS 94/11

5. DECISION MAKING ROUTE

5.1 Joint Children's Services and Finance and Procurement Portfolio Holder meeting 9th August 2011.

6. DECISION(S) REQUIRED

6.1 To consider the options and make a decision on the future delivery of OSCARs, Bushbabies daycare and Chatham House daycare.

Report of: Director of Child and Adult Services

Subject: LOCAL AUTHORITY CHILDCARE SETTINGS -
OSCARS OUT OF SCHOOL SERVICE,
BUSHBABIES DAYCARE AND CHATHAM
HOUSE DAYCARE

1. PURPOSE OF REPORT

- 1.1 To consider the options for the future delivery of local authority daycare settings – Bushbabies daycare and Chatham House daycare and decide on the future delivery of these settings.
- 1.2 To consider the options for the future delivery of OSCARs out of school service and decide on the future delivery of this setting.

2. BACKGROUND

- 2.1 The council currently operates three childcare settings – OSCARs out of school and holiday service, Chatham House daycare and Bushbabies daycare.
- 2.2 OSCARs is an out of school service that provides childcare to children aged 4-16 years olds on two sites – Miers Avenue Sure Start building and Owton Manor Community Centre. OSCARs has been in operation since 1993. The service offers after school care between 3pm and 6pm and holiday care from 8.30am – 5.45pm. The service has a capacity of 50 children for each site and on average offers care for 34 children on a typically average day. OSCARS currently employs 10 staff.
- 2.3 Bushbabies is an all year round 0-5 daycare facility operating from the Rossmere Sure Start Children's Centres. The nursery has been operating for approximately five years and services parents from across the town. It operates from 8am – 6pm for 51 weeks a year. There are currently 98 children on the register. These children access various sessions across the week. Bushbabies currently employs 17 staff.
- 2.4 Chatham House daycare is an all year round 0-5 daycare facility operating from the Chatham House Sure Start Children's Centre. The nursery has been operating for approximately five years and services parents from across the town. It operates from 7.45am – 5.45pm for 51 weeks a year. There are currently 69 children on the register. These children access various sessions across the week. Chatham House daycare currently employs 12 staff.

3. CHILDCARE REQUIREMENTS

- 3.1 The council has a duty through the Childcare Act 2006 to ensure that there are sufficient childcare places for parents to access employment and training. The council is not required to deliver the childcare. The expectation from government is that the voluntary and private sector should provide the childcare for an area using a sustainable business model.
- 3.2 In order to ascertain if there are sufficient places the council carries out a childcare sufficiency assessment every three years and refreshes the information annually. The most recent full childcare sufficiency assessment was published in April 2011. The assessment showed that the supply of 0-5 year old childcare was significantly higher than the demand for these places and there were slightly more out of school childcare places than demand suggested. In contrast the assessment indicated that the supply of holiday places only just met the demand for places therefore implying that a small reduction in holiday provision would be of concern to working parents in Hartlepool.
- 3.3 Previously there has been a requirement for children's centres to deliver childcare. The current government has withdrawn this requirement therefore there is no statutory need for the council to deliver daycare in a children's centre.
- 3.4 The childcare market in Hartlepool is predominantly provided by the private sector, schools and the voluntary and community sector.

4. CURRENT BUDGET POSITION

- 4.1 The tables below show the amount of funding needed to deliver the three childcare settings:

	Deficit for 2010/11	Allocated council Budget 2011/12	Therefore potential gap in funding giving a budget pressure for 2011/12
OSCARs out of school	£29,000	£10,000	£19,000

The Service Delivery Review for out of school care increased the prices for OSCARs out of school and holiday care in order to attempt for the service to break even. Therefore the level of allocated council budget for OSCARs is lower than the 2010/11 deficit. It is expected that income generated will allow the service to operate within this council funding but there is a risk that this income is not received therefore giving a budget pressure for 2011/12.

	Deficit for 2010/11	Projected budget required for 2011/12
Bushbabies daycare	£80,000	£85,000
Chatham House daycare	£122,638	£110,000

4.2 This shows that the settings are not currently sustainable and therefore decisions need to be made on the future delivery of these services.

4.3 Bushbabies and Chatham House daycare settings have previously been funded through the General Sure Start Grant but this grant is no longer available. An Early Intervention Grant is now being received by the council from government but this grant needs to focus very clearly on early intervention services to ensure improved outcomes for children and young people. The number of children accessing the daycare is a small proportion of the total under 5s population in Hartlepool but the subsidy being spent on the settings is high. This highlights a disproportionate amount of funding being spent on a small cohort of children.

5. MARKET TESTING

5.1 In order to understand potential options for the future delivery of the settings a market testing exercise took place. This was to determine whether private or voluntary providers would be interested in delivering the three childcare services. This would also be in line with current government thinking on childcare.

5.2 A market testing event was held on 3rd March 2011. Invites were sent to:

- All childcare providers in Hartlepool;
- Individuals who had previously contacted the Families Information the Service expressing an interest in operating a childcare service;
- Local voluntary and community sector groups that work with children and young people;
- National providers of childcare;
- An invite was also placed in the Hartlepool Mail.

5.3 The market testing event was well attended with a range of attendees from the public, private and voluntary sector. Information was presented giving details of each setting and an outline budget position. The attendees had an opportunity to ask questions.

5.4 Potential providers were asked to express an interest in providing the childcare by 11th March 2011.

5.5 There were expressions of interest received as below:

OSCARs	4 expressions of interest
Bushbabies	10 expressions of interest
Chatham House	8 expressions of interest

The above includes a national organisation that has expressed interest in delivering all three settings.

6. OPTIONS FOR OSCARs

6.1 Option One – The Council to continue to provide OSCARs out of school service and continue to provide the £10,000 subsidy.

The deficit for 2010/11 was £29,000. It is hoped through the increase in prices that this deficit will be reduced to £10,000 and this amount of funding has been allocated to the service for 2011/12. It must be noted that there is a risk that the income generated will not be sufficient which may give a budget pressure in 2011/12.

6.2 Option Two – The LA to continue to provide OSCARs out of service through one delivery site instead of two.

This option could potentially reduce costs through the amalgamation of OSCARs 1 at Miers Avenue and OSCARs 2 at Owton Manor Community Centre with a new site being found. Ofsted regulations require at least a Level 3 qualified member of staff to be in charge on a day to day basis. If the two sites were to merge this would enable staffing costs to be reduced due to only one leader needing to be in place. A staff restructure would need to be implemented which would include redundancies. Redundancy costs would therefore need to be found. The number of childcare places available would need to be reviewed based on possible accommodation. Initial calculations have been carried out and it showed that the amalgamation would still leave an approximate £8,000 deficit. These calculations must be met with caution as it is unknown as to whether parents would continue to use the service if it was based at one site. Transport costs must also be taken into account as children are currently picked up from school. There is a risk that transport costs could continue to rise which would place more pressure on the budget.

6.3 Option Three – Carry out a tender process for an external provider to provide the out of school service.

The market testing has shown that there is significant interest from alternative providers in taking over delivery of this childcare service. This option would save the £10,000 of council funding allocated to OSCARs and reduce any risk of budget pressure as the external provider would be responsible for all costs. Staff currently employed by

the council would need to be transferred to the new provider through TUPE. This option would ensure that the service continues to be delivered allowing families to access the childcare they need.

6.4 Option Four – Closure of the OSCARs out of school service.

This would save the council £10,000 and remove any risk of overspend which would lead to a budget pressure but could pose difficulties in relation to childcare sufficiency. The childcare sufficiency assessment for 2010/11 indicated that the supply of holiday care was just adequate for the demand therefore if OSCARs were to close a large number of families would struggle to find childcare. This may have an affect on the ability of parents to maintain their employment which may ultimately impact on child poverty levels.

7. OPTIONS FOR BUSHBABIES

7.1 Option One – The Council to continue to provide Bushbabies daycare as part of the Rossmere Children's Centre.

Bushbabies daycare has been subsidised through the General Sure Start Grant since opening. In April 2011 the Sure Start grant was removed and a reduced Early Intervention Grant was received from the government with a 22% cut. This grant is expected to develop early intervention services. The council would need to find £85,000 to continue to subsidise the setting.

7.2 Option Two – Carry out a tender process for an external provider to provide the daycare service.

As stated above Bushbabies daycare has been subsidised using the General Sure Start grant. This grant has been removed. This option would allow the £85,000 subsidy currently being allocated via the Early Intervention Grant to be spent on early intervention services for vulnerable children as the external provider would be responsible for all costs. Staff currently employed by the council would need to be transferred to the new provider through TUPE. This option would ensure that the service continues to be delivered allowing families to access the childcare they need. The market testing exercise indicated that there are potential providers interested in delivering the provision.

7.3 Option Three – Closure of Bushbabies daycare.

There are no requirements for daycare to be delivered in a children's centre but it needs noting that a number of vulnerable children access the setting and these children would need to be placed at other childcare settings across the town. The childcare sufficiency assessment for 2010/11 indicated that there are more daycare places across the town than parental demand. This option would mean that

staff would have to be made redundant and therefore redundancy costs would need to be found.

8. OPTIONS FOR CHATHAM HOUSE

- 8.1 Option One – The Council to continue to provide Chatham House daycare as part of the Chatham House Children's Centre.

Chatham House daycare has been subsidised through the General Sure Start Grant since opening. In April 2011 the Sure Start grant was removed and a reduced Early Intervention Grant was received from the government with a 22% cut. This grant is expected to develop early intervention services. The council would need to find £110,000 to continue to subsidise the setting.

- 8.2 Option Two – Carry out a tender process for an external provider to provide the daycare service.

As stated above Chatham House daycare has been subsidised using the General Sure Start grant. This grant has been removed. This option would allow the £110,000 subsidy currently being allocated via the Early Intervention Grant to be spent on early intervention services for vulnerable children as the external provider would be responsible for all costs. Staff currently employed by the council would need to be transferred to the new provider through TUPE. This option would ensure that the service continues to be delivered allowing families to access the childcare they need.

- 8.3 Option Three – Closure of Chatham House daycare.

There are no requirements for daycare to be delivered in a children's centre but it needs noting that a number of vulnerable children access the setting and these children would need to be placed at other childcare settings across the town. The childcare sufficiency assessment for 2010/11 indicated that there were more daycare places across the town than parental demand. This option would mean that staff would have to be made redundant and therefore redundancy costs would need to be found.

9. BUSINESS TRANSFORMATION FEEDBACK

- 9.1 The above options were presented to the Business Transformation Board on 1st June 2011 and a comprehensive discussion took place. Concerns were raised about the amount of subsidy needed for the council to continue to operate these settings. It was agreed that due to the council not having a statutory duty to deliver the provision that the subsidy could not be continued. In light of this there were major concerns raised about the staff working in these settings and their future.

- 9.2 A number of delivery options, such as a staff co-operative and mutuals, were discussed and it was agreed that it would be worthwhile for staff to be consulted on potential staff delivery options.

10. STAFF CONSULTATION

- 10.1 All staff from Bushbabies daycare, Chatham House daycare and OSCARs out of school service were invited to a meeting on 24th June 2011. Unions, HR and child and adult services managers were in attendance along with a representative from Association for Public Service Excellence (APSE). The representative from APSE gave a presentation to the staff affected on the different types of service delivery models including the main considerations, advantages and disadvantages. All staff were unanimous that they would not move forward with any interest in operating these services in a co-operative or mutual service delivery model. The staff were keen that the Members considered the options for each service separately, which is reflected in this report.

11. RISK IMPLICATIONS

- 11.1 There are a number of risks associated with the options set out above
- Continuing to provide the childcare places a significant budget pressure on the council of over £200,000
 - Closure of the settings could on some occasions lead to families not being able to access childcare in order for them to work. It needs to be noted that the greatest risk is holiday care as the market is only just covering demand with OSCARs included in the places.
 - Closing the settings would lead to potential redundancy costs for a total of 39 staff.
 - The market testing exercise showed that there are providers potentially interested in delivering the childcare. This must be taken with caution as these were only initial discussions.

12. LEGAL AND FINANCIAL CONSIDERATIONS

- 12.1 The settings as stated above are in deficit as above:
- | | |
|---------------|---|
| OSCARs | £10,000 (this may be higher as the projected deficit is approx £30,000) |
| Bushbabies | £85,000 |
| Chatham House | £110,000 |
- 12.2 Legal, HR and procurement advice and guidance will need to be sought if portfolio holders decide to go out to the market. TUPE regulations will need to be followed if this decision is taken.

13. RECOMMENDATIONS

- 13.1 The recommended option is for the council to carry out a tender process whereby external providers are sought to provide the three types of childcare.

14. REASONS FOR RECOMMENDATIONS

- 14.1 The three local authority childcare settings are not currently sustainable and need significant subsidy from the council to continue to deliver the service. If an external provider were able to provide the childcare staff would be protected through TUPE regulations and parents would continue to be able to use this care.

15. BACKGROUND PAPERS

Three appendices are included with this report. These appendices are the detailed financial reviews which are undertaken each year by the Business Support Officer that specialises in childcare. Information contained in these reports includes significant financial data including information on staffing.

These items contain exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3) Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Appendix A – Financial report 2010/11 Chatham House daycare

Appendix B – Financial report 2010/11 Bushbabies daycare

Appendix C – Financial report 2010/11 OSCARs out of school service

16. CONTACT OFFICER

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