

## Agenda Item 9.1 (c)

**BACKGROUND PAPER TO SUPPORT HCFE'S VERBAL EVIDENCE/PRESENTATION (NB – Appendices/supporting documents to this background paper are available in hard copy format only. Should you wish to obtain copies please contact the Authority's Democratic Services Team on 01429 523568).**

### **Background to Hartlepool College of Further Education's Board decision to close the First Steps Nursery**

At the end of July 2005, shortly after the Board had approved the 3 year Financial Plan for 2005-2008, the College received notification from Job Centre Plus of the national withdrawal of New Deal contracts. The College, whose financial year begins on August 1<sup>st</sup>, had budgeted for a minimum income of £500k per annum from New Deal contracts in each of the 3 years of the Plan and with small operating surpluses also planned the College budget was immediately thrown into deficit. Government policy was shifting in emphasis and it was becoming clear that the areas in which the College had traditionally been able to 'grow' and generate increased income were being capped and some areas were forecast to be cut in the years ahead.

It was against this background of a potential significant shortfall in income for the College as a whole of around £1million that the Board and senior management began to consider all of the options available and the actions that may need to be taken. In the first instance, at a Principal's briefing on September 9<sup>th</sup> 2005 all staff in the College were asked to assist in identifying, obtaining and generating increased income from other sources. If the College could generate increased income from 'growth' as traditionally had been the case, then the shortfall in income could be made up. As stated above, this in the circumstances would be a considerable challenge and the Principal's briefing outlined the following assessment of the position.

#### **September 2005: Assessment of HCFE 'Growth Potential'**

<b>Contract</b>	<b>Assessment</b>	<b>Comment</b>
<b>Further Education Contract</b>		
16-19	Growth Potential	LSC encouraging growth. However, the take up rate of further education and training in Hartlepool is high and competition fierce – 4 post 16 establishments
Adults	Capped	Traditionally the major growth area for the College as a large % of the adult population lack qualifications. Virement of 16-19 funds no longer permitted
Additional Learning Support	Capped	Students requiring additional learning support (ALS) – a high % of HCFE students - could be given ALS to meet their need. It was now to be capped at a lower level than that being delivered.
<b>Work Based Learning Contract</b>		
Apprentice Training	Capped	The College operates the biggest apprentice training scheme in the town which had been allowed to grow. It was now to be capped
Entry to Employment (E2E)	Growth	The E2E programme is intended to meet the needs of those not in education and training (NEET).

	Potential	Growth possible but market limited
<b>Higher Education Contracts</b>		
University of Teesside (UoT)	Growth Potential	UoT is happy to fund growth in higher education provision in Hartlepool. However, recruitment is difficult and the fees situation adds to the difficulties
University of Sunderland	Capped	Teacher training numbers that cannot be exceeded
<b>New Deal Contracts</b>		
	Withdrawn	
<b>EQ8 (Employer Training Pilots)</b>	Competitive	Funding that had been allocated to 'adults' was being redirected to those in employment and government policy was/is ensuring 'contestability'
<b>Business Development Centre</b>	Growth but Competitive	Full cost delivery to employers – growth potential but the introduction of free training for employers through EQ8, and Train2Gain makes it very difficult
<b>Sub Contracts, NETA, JTL, etc</b>	Competitive	Private training providers and employer representatives were themselves being squeezed and sought efficiency savings via the College
<b>Grant Income</b>	Growth Potential	Growth potential but highly competitive and contribution marginal. All public sector organisations were/are being squeezed and competition for reducing grant pots is fierce

It became clear in October and November of 2005, that the College would not be able to make up the shortfall in income for 05-06 and the Board approved a revised Financial Forecast for 05-06 in November of £14.551 million as against £14.981 million approved in July 2005. Unfortunately, in December 2005, six members of staff delivering the New Deal contract had to be made redundant.

It should be stressed that all members of staff in the College were made fully aware at the beginning of the 05-06 year of the financial difficulties the College was facing initially as a result of the withdrawal of New Deal Contract and the difficulties we would be facing in future years as a result of the changes in Government policy. The Joint Consultative Committee which is the means by which College management and staff consult formally on all issues, meets fortnightly and the financial position and its implications were regularly discussed throughout.

#### **Ofsted ALI, PFA Inspection January 2006**

In January 2006 the College was inspected by Ofsted, by the Adult Learning Inspectorate (ALI) and by the LSC's Provider Financial Assurance (PFA) auditors. The Ofsted/ALI Inspection Report was published in March stating that:

- The Principal and senior managers provide inspirational leadership and have begun to create effective teams
- The meeting structure, staff briefings and shared staff rooms support good communications across the College
- Governors are knowledgeable about the key issues facing the college

Whilst the PFA findings in identifying strengths states that:

- The College's finance division is led by well-qualified and experienced staff. The Assistant Principal: Finance has been at the College for thirteen years and is an associate of the Chartered Institute of Management Accountants (CIMA). The finance manager is AAT qualified and CIMA part-qualified

- The senior management team and the College governors are provided with a comprehensive set of management accounts on a monthly basis, which gives them the opportunity to monitor the College's financial performance
- Detailed contribution analysis by each College division is undertaken and reported on a monthly basis. Budgetary responsibilities have been successfully devolved to heads of division.

It is also worth noting the comments of the Investor in People assessor for the college who concluded in his report in May 2006 that:

- There is a very strong commitment to people development ... supported by a very strong and transparent leadership approach
- People believed that the success of the College is attributed to clear leadership style that is demonstrated by the Principal and executive group
- The transparency, approachability and willingness to meet people on their level were described as some of the positive leadership behaviours presented by the Principal and other executive group members

On the issue of the closure of the nursery, in recent months statements in the press and in Council meetings by some councillors and letters received by the College from officers of the Council, the Member of Parliament and the First Steps Nursery Parent's Group have questioned the integrity and financial probity of the Board and the College's executive, without any substantiated evidence to support the claims. In addition these statements were made without any prior consultation with College to verify or otherwise the claims made. These assertions are totally inconsistent with the statements from a raft of inspectors, auditors and assessors above, that professionally and utilising first hand evidence collected inside the College formed their judgments during the year. The statements are completely at variance with the reality in the College and the approach that has been adopted by the Board and the Executive in dealing with the very difficult financial problems being faced. The approach has been transparent, open and consultative.

The staff had worked extremely hard to ensure the College had a good inspection and quite rightly they were proud of their efforts and wished to enjoy the brief period of public recognition of their achievements that follows publication of a good report. However, by March 2006 it was evident that the College would need to make significant savings if the financial plans for 06-07 onwards were to be sustainable and the College was to return to having a sound financial base.

### **Reviews of All Areas of the College's Work**

Thorough reviews of the operation of all areas of the College's work were undertaken by senior managers with a view to identifying areas where savings could be made. In addition the College needed to take into consideration the changing Government policy on further education and its potential impact on the shape of the organisation in the future in order to meet and address the Government's Skills Agenda. The reviews were undertaken in relation to :

- Business Support Staff - Divisions
- Curriculum Delivery Staff – Divisions
- Executive Functions

Interim Reviews were completed towards the end of April 2006 and they were used to inform the joint discussion on the way forward between members of the College's Executive and the Chair, Vice Chair and members of the Board's Finance and Audit sub committees that took place at Hall Garth Hotel on 5<sup>th</sup> May 2006.

These proposals were presented, discussed and agreed at a Special Board meeting on Wednesday 17<sup>th</sup> May 2006 and the Principal then presented the proposals to all staff on Friday 26<sup>th</sup> May emphasising that the savings were essential and that due to the financial situation, difficult and unpalatable decisions would have to be made. Throughout this process all staff were kept fully informed as and when the information became available and the Joint Consultative Committee membership also assisted in keeping staff up to date through email, meetings and other communications.

During the early part of June 2006, the reviews were completed and the proposals were finalised in consultation with the College's legal advisers and the Learning and Skills Council.

### **Formal Consultation Process**

On the 22<sup>nd</sup> June 2006, the advanced notification of redundancies (HR1) – (**Doc.1**) was sent to the Department of Trade and Industry. The regional representatives of the recognised trade unions UCU and UNISON had been made aware of the situation and were expecting Section 188 letters from the College. In addition all members of staff had been informed that following the reviews, the College would be issuing individual letters to indicate those staff who would be 'at risk of redundancy' and all other staff whose employment 'may be affected' by the proposed re-organisation. In advance of these letters being distributed and not wishing the staff in the nursery to be informed of the potential closure of the nursery in a letter, on Friday 23<sup>rd</sup> June 2006 the Principal and Assistant Principal customer services met personally with the nursery manager to explain the situation and that in the communications that were to about to go to all staff, one of the proposals was consideration of the closure of the nursery. The nursery manager indicated that she had anticipated that this would be the case. The Principal and Assistant Principal then walked across to the nursery with the nursery manager to also inform personally the staff who were in attendance on that Friday.

On the 27<sup>th</sup> June 2006, Section 188 Notices – see (**Doc.2**) were issued to UCU and UNISON and they were also issued to all branch officials and staff representatives. On the same date individual letters were sent to all members of staff informing them if they were 'at risk' (125 members of staff) or 'an affected employee' (260 members of staff). A copy of the letter sent to staff 'at risk' - see (**Doc.3**) is provided. This letter again outlines:

- the background to the Academic and Business Support reviews
- the outcomes including the proposal to consider the closure of the nursery
- the potential redundancy situation
- the intention to consult with recognised trade unions and employee representatives on the proposals
- that the letter was not a formal notification that the employee would be made redundant, and that accordingly the employee should not take any action that could affect their livelihood or employment with the college at that time
- and that to clarify any questions or concerns regarding the information contained in the letter individuals were invited to contact any member of the Executive, including the Principal and Vice Principal.

### **Consultation with Unions and Staff Representatives**

Consultation with unions and staff representatives addressed all of the potential job losses and their implications and not simply those associated with the operation of the nursery.

On 30<sup>th</sup> June 2006 the first formal consultation meeting with UCU and UNISON took place. At that meeting the regional union representatives agreed to the College consulting with the First Steps Nursery Parent's Group. The College was advised that a meeting with the parents in advance of the formal consultation period commencing and without the approval of union representatives could lead to suggestions of preference being given to one group of employees over another. However, whilst union representatives agreed to consultation with the Parent's Group, they did not agree to non-recognised trades union staff representatives being part of the formal collective consultation process. The College therefore arranged additional meetings with these staff representatives following their election by the staff who were either not a member of a trade union or not a member of a recognised trade union. These meetings are identified in the spreadsheet accompanying this report. It was also agreed at this time that the Joint Consultative Committee would meet each week throughout the formal consultation period. All of these consultation meetings were about identifying ways of avoiding dismissals, reducing the numbers of employees to be dismissed and mitigating the consequences of any dismissals. In the case of the nursery the sourcing of additional funding was critical.

At the end of the process, the UNISON official commented in the notes of the final meeting that:

*"relationships had not been hostile which meant that industrial relations in the College were well and that there had been no need to fight tooth and nail for things. He said that he thought that this was a good basis on which to build going forward and that staff moral must be high"*

### **Consultation, Specifically on the Proposed Nursery Closure**

Following the receipt of an undated letter from Peter King, Alison Martin and Jo Hill, who stated they represented all First Steps Nursery parents, (Doc.4) a meeting took place between senior managers of the College and the parent representatives on the 3<sup>rd</sup> July 2006. The parent's letter made it clear that it was their intention to ensure that "the First Steps Nursery should remain open permanently" and that the parents believed that the "financial reasons given were not sufficient". No suggestions were made by the parents for solving the financial problems facing the nursery other than a willingness to discuss 'realistic fee increases'. It is without question that fee increases would not address the financial problems of the nursery nor would they address the other underlying issues such as the excess of child care provision in the town and the more convenient location of other nurseries for the vast majority of students attending the College. The College proposed that Ward Jackson School, where Peter King is head teacher, may wish to take over the running of the nursery as the school buildings and the nursery are in close proximity. The College also offered to provide the nursery facility rent free for this purpose but although this is consistent with the Council's Children's Centres and Extended Schools Strategy, the offer was not taken up. The same offer was made to the First Steps Nursery Parents Group but again the offer was not taken up.

On 10<sup>th</sup> July 2006, the Principal met with Mayor Stuart Drummond at the Mayor's request. The background to the decision to consider closure of the nursery was discussed, but the Mayor was unable to suggest any sources of funding or other ways of making up the substantial financial shortfall.

On 12<sup>th</sup> July 2006, the Principal and Vice Principal of the College met with Sue Johnson, Assistant Director Children's Services and Joe Dickinson, Business Support Officer, HBC. Again, the background to the decision to consider closure of the nursery was discussed, but

again the officers could not offer any suggestions as to how the funding shortfall could be bridged. Reference was made to the offer made to Ward Jackson School and the Parent's Group to take over the running of the nursery and the discussion turned to the possibility of the nursery being taken over by a private provider. The Principal indicated that this would be considered and indeed suggested that if the provision proved sustainable the College would aim to provide nursery facilities on a franchise basis in any future new building development. Subsequently, Jo Dickinson contacted the College by email, dated 14<sup>th</sup> July 2006, see **Doc. 5**, stating that William Guthrie, owner of the Great Expectations Nursery in Middlesbrough was keen to talk further and had been given the College's telephone number. Mr Guthrie made no further contact.

During the course of a number of informal meetings that took place between representatives and officers of the Council and College staff it was stated that the Council may have to give consideration to the closure of nursery facilities as the supply was considerably in excess of the demand. Indeed, it was suggested that closures were likely within the next year or two.

It has been suggested that the College 'timed' the announcement of the potential closure of the nursery at the end of the academic year so that it did not allow for consultation. It can be seen from the paperwork which supports this report that the College did in fact enter into extensive consultation with all the staff of the College, their representatives and other stakeholders. The timetable was not driven, as has been suggested by a covert plot to close the nursery, but by the substantial savings the College needed to make to in order re-establish a sound financial base. In the ten week period since the announcement of consideration of closure of the nursery no individual, politician, group or organisation has suggested any means of providing additional resources to enable the nursery to function and still at this time that remains the case.

Additionally, it has been suggested that the timing of the potential closure of the nursery did not allow parents sufficient time to make alternative arrangements as places in other nurseries were not available and/or they were of inferior quality. It is now 11 weeks since the parents were informed of the consideration of closure and this period of time is surely reasonable notice, especially given the scale of vacancies and high quality of the nurseries across the town. Further to have commenced the formal consultation procedures with unions and to have made the announcement of consideration of nursery closure earlier in the year may well have resulted in the there being no staff to deliver the nursery service and the young peoples and parents lives being even more adversely affected. It was the College's strategy to give as much time as possible to consider all of the possibilities of other funding for the College as a whole before any decisions were made. In reality this had been the only way by which it had been enabled to underwrite the funding of the nursery over a number of years.

### **Strategy, Demand and the Market**

As stated above, parents have suggested that it was impossible to access other provision given the timing of the college's announcement as other nurseries were either full or of inferior quality. It was the College's view that this was not the case. Information that has come to light as a result of the Borough Council determining to scrutinise the College's decision to consider closure of the First Steps Nursery clearly indicates that this is not the case.

The document 9.2 APPENDIX A, in the papers provided to inform the scrutiny (**Doc.6**) identifies the day care provision currently available in Hartlepool and provides a snapshot of the places vacant in August 2006. The document makes it clear that:

- All nurseries have HCFE students using their provision
- 56% (449) of the registered places are vacant
- 68% of these (307) are available term time only
- 72% of the 90 registered childminders in Hartlepool have places vacant
- The quality of childcare provision in Hartlepool is good in 11 out of 13 nurseries inspected – the remaining nursery is still to be inspected

There is clearly an over supply of high quality nursery provision in Hartlepool and the majority is available term time only. This explains the College's difficulty in making the nursery (at the very least) break even and it also serves to emphasise that day care is not the College's core business. Much has been said, again by borough councillors, officers and others about the impact the decision of the College's Board would have upon students wishing to attend the College. The Council's own figures indicate that HCFE students utilise every nursery across the town (in far greater numbers than use the First Steps Nursery) and the College's own figures show that nearly 80% of the First Steps nursery usage is by non student professional/commercial clients – **(Doc.7)**.

In his letter to the College dated 29<sup>th</sup> June 2006 – **(Doc.8)** Ian Wright MP states that:

*"I am of the opinion that the nursery would be a suitable incentive for single parents and others to recruit for courses at the College. I might have thought that nursery provision could have been provided as a 'loss leader' to attract students to the College."*

The conclusion that can be drawn from this is that the College should use around £100k provided for the purpose of delivering education and training to young people and adults (and earned by the efforts of teaching and business support staff in the College) to underwrite the deficit of a service that meets primarily the needs of a commercial market. In funding terms, £100k provides for the delivery of education and training to 25-30 full time students or 150-180 part time students. The First Steps Nursery in 05-06 provided child care for a mixture of 12 full and part time students.

With the need to identify savings of around £900k in a potential redundancy situation, the College would have also had to identify an additional 6-8 teaching and/or business support staff to be made redundant. Quite apart from this not making sense from a student perspective, the College would have been exposed to 'unfair dismissal claims' from every member of staff made redundant as part of this process.

### **The Borough Council's Children's Centres and Extended Schools Strategy**

On the 19<sup>th</sup> June 2006, Hartlepool Borough Council's Cabinet approved the above strategy **(Doc.9)**. It highlights the importance of the Childcare Bill currently going through parliament and it states that it "reinforces the local authority role as strategic leader of children's trusts, market manager and commissioner of services. It states also that 1200 copies of the draft strategy were sent to a wide range of partners.

- A copy was not received by the Principal of Hartlepool College of Further Education
- A meeting did not take place with the Principal to discuss the draft strategy – although meetings did take place with primary and secondary school heads – page 2
- No reference is made to the First Steps Nursery in the 'localities' – 'clusters' that are intended to develop and manage services – page 10

Page 15 provides details of the Central Government funding that is being made available via the Local Area Agreement (LAA) to support the developments. It was stated during the College's First Steps Nursery consultation discussions with officers and council representatives that no funding was available.

- It states that the LAA funding is not 'ring fenced'
- It states that Children's Centres and Extended School Centres remain a Council priority, the assumption being that this is where the funding will be directed
- It states that the funding will be used to 'expand the free offer' for three and four year olds
- It states the intention to build two new Children's Centres.

In a letter to the Principal dated 28<sup>th</sup> July 2006 (**Doc.10**) the Chief Executive of the Borough Council states:

*"The decision reached by your Board to close the on-site nursery facility, has severe implications for those young people and families within Hartlepool, to achieve their full potential through educational attainment. Effectively closure of this facility restricts access of young parents wishing to achieve their full potential and meet their aspirations."*

It is abundantly clear that this is not the case and as can be seen from the information that has been provided in this report and the presentation to the Scrutiny Committee, the College Board and Executive has made a substantial contribution to the childcare of students and indeed others over a numbers of years. For students, it will continue to do so in the future (although not on site) by enabling and providing – as it always has done – funds to allow students to access other nurseries in the town.

In the light of the background information provided, had it been the Council's wish to ensure the continuance of the First Steps Nursery service, then they might have considered more carefully the strategy they were developing to expand childcare places in schools and other locations and their management of the supply market, which quite clearly is growing in excess of the demand. Finally, in commissioning services, they could have assisted with funding or providing 'free places' at the First Steps Nursery to ensure the ongoing viability of the service. None of these were proposed.

It is extremely disappointing to the Board, the Principal and Executive of the College that councillors and the town's MP should have responded in this way to the considered and informed approach the College has taken on this issue. It is vitally important that we work together to ensure that we provide the best possible post 16 education and training services for the people and employers of the town making the best use of the resources available.



## Sequence of Events Hartlepool College of Further Education Restructure

14. 07. 2005	HCFE Board approves Development Plan and 3 year Financial Forecast Target Income £14.981 million – Target Surplus £110k
29. 07. 2005	Notification of withdrawal of the New Deal Contracts £500k New Deal income forecast in each of 3 years of Financial Plan
01. 08. 2005	New principal commences duties
09. 09. 2005	Principal's briefing to all staff outlining the challenges to be faced in 05-06 First challenge – could we make up the shortfall in the Forecast for 05-06?
19. 09. 2005	Meeting with Board members Chair of Finance (Frank Rogers) and Deputy Chair (Mike Ward) to discuss implications  Joint Consultative Committee (JCC) meetings fortnightly
24. 11. 2005	Board approves revised 05-06 Financial Forecast – Target £14.551million
08. 12. 2005	Six members of staff delivering New Deal made redundant
12-15. 01. 2006	Provider Financial Assurance (PFA) – Inspection of College
16-20. 01. 2006	Full Ofsted, ALI - Inspection of College
March 2006	Inspection Reports Published  Reviews commence in all areas of the College to identify potential savings: <ul style="list-style-type: none"> <li>• Business Support Staff - Divisions</li> <li>• Curriculum Delivery Staff - Divisions</li> <li>• Executive Functions</li> </ul>
End of April 2006	Interim reviews completed
05. 05. 2006	Special Governor, Executive Conference to determine the way forward, Hall Garth Hotel, Darlington
17. 05. 2006	Special Board Meeting to present, discuss and agree the proposals
26. 05. 2006	Principal's briefing to all staff on the proposals agreed by the Board
June 2006	Reviews completed and detailed proposals drawn up Consultation with legal advisers Consultation with Learning and Skills Council
22. 06. 2006	Advance notification of redundancies (HR1) to Department of Trade and Industry. <b><u>Date of first and last proposed redundancy 31<sup>st</sup> August 2006</u></b>
23. 06. 2006	Principal and Assistant Principal (Carol Gibson) met with Nursery Manager to explain the proposals Principal and Assistant Principal met with staff in the nursery to explain the proposals
27. 06. 2006	Section 188 notices issued to recognised trade unions: <ul style="list-style-type: none"> <li>• University and College Union (UCU formerly NATFHE) and</li> <li>• UNISON</li> </ul> commencing the formal consultation process  Individual letters sent out to 125 members of staff 'at risk' of redundancy and 260 members of staff not at risk but who may be affected
29. 06. 2006	Letter from Iain Wright, MP

- The College's Joint Consultative Committee (JCC) met on a weekly basis throughout the consultation process
30. 06. 2006 First formal consultation meeting with recognised trade unions  
Unions agree to the College consulting with parent representatives  
Formal consultation with non-recognised trade union staff representatives commences
03. 07. 2006 Consultation meeting parent representatives, Peter King, Jo Hill and Alison Martin
10. 07. 2006 Formal consultation meeting with recognised trade unions  
Formal consultation with non-recognised trade union staff representatives  
Consultation meeting with Stuart Drummond, Mayor HBC
12. 07. 2006 Consultation meeting with Sue Johnson, Assistant Director Children's Services and Joe Dickinson, Business Support Officer, HBC
21. 07. 2006 Formal consultation meeting with recognised trade unions  
Formal consultation with non-recognised trade union staff representatives
28. 07. 2006 Formal consultation meeting with recognised trade unions  
Formal consultation with non-recognised trade union staff representatives  
Letter from Paul Walker, Chief Executive HBC
09. 08. 2006 Final formal consultation meeting with recognised trade unions  
Final formal consultation meeting with non-recognised trade union staff representatives
21. 08. 2006 Last date identified for receipt of voluntary severance applications from staff
31. 08. 2006 Date of proposed redundancies as originally stated in the 'Advanced notification of redundancies' sent to the DTI on the 22<sup>nd</sup> June 2006