



## **NEIGHBOURHOOD NURSERY CHILDCARE PROVISION**

### **SUMMARY**

- 1.1 The Council manages three Neighbourhood Nurseries, which provide childcare facilities for children aged 0-5 years. The three nurseries are based in the three Sure Start buildings; Rosehill, Osmaston Allenton and Austin Sunnyhill (Homelands).
- 1.2 The nurseries are heavily subsidised and highly resource-intensive due to the nature of their activity. In addition, whilst the Council has a statutory duty to ensure sufficient childcare places in the City, this does not mean direct provision.
- 1.3 The nurseries were therefore identified for potential outsourcing during the budget setting process in March 2011.
- 1.4 We have therefore undertaken a tender process to identify a suitable provider and this report provides detail of the tender process and criteria against which the bids were assessed and recommends acceptance of the tenderer who scored highest against this criteria.

### **RECOMMENDATION**

- 2.1 To approve the appointment of the "4 Children" organisation as the preferred provider for nursery services at Austin Sunnyhill, Osmaston Allenton & Rosehill Children's Centres.
- 2.2 To delegate authority to the Strategic Director of Children & Young People to award the contract to "4 Children" for a five year period after the statutory standstill period.

### **REASONS FOR RECOMMENDATION**

- 3.1 The 2011/12 budget approved by Full Council in March 2011 included savings of £200,000 from the elimination of the subsidy to Neighbourhood Nurseries.
- 3.2 Efficiency savings have already been made in-house from this service - the historic subsidy was in the region of £350,000.

## SUPPORTING INFORMATION

- 4.1 The three Neighbourhood Nurseries were established under the SureStart programme and are located at Sure Start Children's Centres;
- Homelands – located at Austin/Sunnyhill Children's Centre, locality 3
  - First Steps – located at Osmaston/Allenton Children's Centre, locality 2
  - Big Building – located at Rosehill Children's Centre, locality 3
- 4.2 The nurseries were set up to support the Council's statutory duties under the Childcare Act 2006 (section 6) to ensure sufficiency of quality, affordable childcare within the localities and to meet the Children's Centres core offer.
- 4.3 The three nurseries were chosen for outsourcing because of the more sustainable business model they have in place due to a price increase and by offering childcare for children aged 0-5 as opposed to a more limited age group. In addition, all three nurseries have increasing occupancy rates and waiting lists in place.
- 4.4 The total subsidy to the three nurseries in 2010/11 was £270,000. The expected total subsidy required for 2011/12 was £200,000, and although changes to the pricing structure (bringing it into line with Private nursery providers) and elimination of non-essential spend will reduce the subsidy further, the impact of these on demand will need to be taken into account. Levels of bad debt and the infrastructure costs of managing these nurseries in-house have also added to the costs.
- 4.5 The tender will not generate profit for the Council, but ensure there are no costs or further risks to the Local Authority whilst continuing to meet childcare statutory duties – ie reduce the subsidy to zero.
- 4.6 Additional benefits for the Council from tendering out include the:
- Elimination of the bad debt direct cost, and indirect cost of officer time spent following these up,
  - Reduction in the risk of handling large amounts of monies at outreach sites,
  - Freeing up of capacity for Children's Centres co-ordinators who currently have overview of the day-to-day management of the nurseries and line management of the Nursery Managers,
  - Freeing up of capacity of central finance staff who currently spend a disproportionate amount of time on nursery finances (including managing bad debt),
  - Reduction in support costs (ie from caretaking and cleaning), and
  - Potential in three/five years' time to implement a rental charge on top of the service charge to generate income for the Council.

### **Tender Process**

- 4.7 The Council openly advertised for tenders from suitable childcare providers to take over the delivery and management of the childcare provision on 20<sup>th</sup> July 2011. This included the option to bid for some or all of the nurseries, for a period of 3 or 5 years. 20 providers requested and downloaded information from the Procurement Portal (website).

- 4.8 The last date for tender submissions was 2<sup>nd</sup> September 2011, and 5 applications were submitted from a range of providers, including charitable, private, micro, local and national providers.

**Tender Evaluation**

- 4.9 The applications were assessed by a multi-disciplinary team in line with Council procurement processes which included representatives from procurement and operational teams.
- 4.10 The following criteria was used to assess the bids to ascertain the most economically advantageous tender for each nursery and 4 Children scored highest against the criteria.

**Cost (Financial Model) – 40%**

**Quality – 60%**

The quality aspect was broken down into the following elements:

Quality Criteria	Quality Aspect
1	Demonstrates the outcomes and service delivery requirements of the service specification will be achieved monitored, reported and developed
2	Demonstrates high quality childcare will be provided to meet OfSTED welfare requirements and improve outcomes for children
3	Demonstrates ability to work in partnership with the Children’s Centres, Users and professionals to deliver the childcare to meet the needs of the local community
4	Demonstrates ability to meet the operational requirements of the contract in terms of Capacity, Resource and Skills
5	Demonstrates the service supports equality of access
6	Demonstrates ability to mobilise the service within short timescales
7	Demonstrates ability to manage safeguarding processes within a multi agency team and commitment to safeguarding children
8	Demonstrate ability to identify, manage and mitigate risk throughout the delivery of the service

**Standstill Period**

- 4.11 Following Cabinet approval all tenderers will be notified of the Council’s intention to award the contract to 4 Children. They will then have a 10 day standstill period within which to challenge this decision. Should no challenges from unsuccessful bidders be received the contract will then be formally awarded to “4 Children” by the Strategic Director.
- 4.12 “4 Children” would then take over the management responsibility and delivery of the childcare within the nurseries from January 2012 which will enable realisation of a partial year saving in 2011/12 and thereafter.

## OTHER OPTIONS CONSIDERED

- 5.1 The Local Authority continues to manage childcare provision in these nurseries and incurs substantive costs associated with the ongoing subsidy.
- 5.2 The nurseries are not sustainable and the local Authority meets its statutory duties to ensure sufficient quality, affordable childcare by alternative means, allowing closure of the nurseries. Further consideration would also be needed on the requirement of capital grant repayment.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Service Director</b> <b>Procurement officer</b>	Charlotte Hutton/Stuart Leslie Alison Parkin Ben Ward Rita Silvester, Service Director - Commissioning Laura Halom
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<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Lisa Melrose 01332 642717 e-mail <a href="mailto:lisa.melrose@derby.gov.uk">lisa.melrose@derby.gov.uk</a> None Appendix 1 – Implications
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**IMPLICATIONS****Financial and Value for Money**

- 1.1 The neighbourhood nurseries were historically funded from a specific grant called the Neighbourhood Nursery Initiative (NNI). This funding had a capital allocation for the building of those nurseries and also a revenue funding stream to subsidise the nurseries given the nature of the provision i.e. they were aimed at disadvantaged areas. This funding ceased a number of years ago and the authority has since funded the subsidy.
- 1.2 The Council's approved budgets over the past three years has included reductions in the Neighbourhood Nurseries subsidies and generally these have been achieved through reviews of pricing policies and general efficiencies within their operations. However as part of the 2011/12 approved budget the final subsidy was to be removed at a value of £200,000.
- 1.3 To remove this subsidy, the additional infrastructure costs supporting the nurseries and to minimise the risk of bad debts falling to the Council a transfer to another provider was sought through a competitive tendering exercise.
- 1.4 The nurseries remain the assets of the Council and will not transfer to the successful provider. All appropriate staff and liabilities will transfer to the new provider(s) subject to the risks outlined in paragraph 8.1

**Legal**

- 2.1 The Local Authority has a statutory duty under the Childcare Act 2006 (section 6) to ensure sufficiency of quality, affordable childcare within localities.

**Personnel**

- 3.1 Relevant staff will transfer under TUPE to the new provider.
- 3.2 The cost of staff pensions was considered carefully prior to the tender being issued and a fair 'risk sharing' provision was put into the contract, whereby any increase in employer contributions required above the current level would be contributed to by the Council. However, issues were still raised during the procurement process about the ability of the Community and Voluntary Sector to absorb the pension provision for staff.

**Equalities Impact**

- 4.1 The tender aims to ensure continued high quality affordable childcare and therefore minimises the impact on the local community. Specifically the provider must ensure that the childcare fees are affordable and structured flexibly to ensure and promote

access to childcare from vulnerable children and families in local communities. The provider is expected to consult with the Local Authority and will need to justify any proposed rise in fees if this is greater than the rate of inflation.

### **Health and Safety**

5.1 n/a

### **Environmental Sustainability**

6.1 n/a

### **Asset Management**

7.1 Under the terms of the contract a service charge will be paid by the provider(s) to the Local Authority and lease agreements for the premises will be put in place.

### **Risk Management**

8.1 Key risks relate to the transfer of staff under TUPE; risk of challenge from unsuccessful providers and tight implementation timescales in order to realise some savings in 2011/12.

### **Corporate objectives and priorities for change**

9.1 The project is part of the 'one Derby, one council' Transformation Programme.

There are links to the Council's Priorities, in particular 'giving you excellent services and value for money'.