

REPORT TO: Executive Board

DATE: 14 July 2016

REPORTING OFFICER: Strategic Director, People

PORTFOLIO: Children, Young People & Families

SUBJECT: Daycare Provision

WARDS: Broadheath and Halton View

1.0 PURPOSE OF THE REPORT

- 1.1 To outline the financial challenges faced by Ditton and Warrington Road Daycare and request permission to seek alternative providers to take responsibility for running both settings.

2.0 RECOMMENDED: That the Board consider the Council cease to be a provider of Daycare and seek an alternative provider from within the Private, Voluntary and Independent Sector for Ditton Daycare and Warrington Road Daycare.

3.0 BACKGROUND INFORMATION

- 3.1 Halton Borough Council became a direct provider of Early Years and Childcare services as part of the Neighbourhood Nurseries Initiative in 2004. This national programme required local authorities to create additional Early Years and Childcare places for 0-5 year olds for 50 hours per week and operate for 51 weeks per year. The target set for Halton was 204 new places and declarations of interest were sought from existing childcare providers both locally and nationally. To incentivise the private and voluntary sector to deliver these places they were offered a limited capital contribution and 3 years of pump-prime revenue funding. Following this process, an insufficient number of places were created and as such the local authority became the provider of "last resort" on the site of three nursery schools, Ditton, The Grange and Warrington Road. The Grange Daycare setting closed in 2011, due to low levels of occupancy and high costs.
- 3.2 Financial and non-financial support has been provided to Ditton and Warrington Road Daycare settings, but it has now become apparent that the current business model will not deliver sustainable provision, as the two Daycare providers had a combined cumulative deficit of £274,491 at the end of 2015/2016. Warrington Road Daycare was responsible for £164,238 of the deficit and Ditton Daycare £110,253.

- 3.3 Ditton Daycare is a council-run daycare centre, located in Broadheath ward in Widnes. It has a good Ofsted judgement and delivers daycare for children aged 0-5 years old, including funded places for 2 year olds, it is co-located with Ditton Nursery School. The future viability of Ditton Daycare is a concern due to high costs, and consistently low occupancy levels. Ditton Daycare Centre can accommodate 54 FTE children, but in the financial year 2015-16 it only had an average occupancy rate of 50%.
- 3.4 Warrington Road Daycare is a council-run daycare centre, located in Halton View ward in Widnes. It has a good Ofsted judgement and delivers daycare for children aged 0-5 years old, including funded places for 2,3 and 4 year olds, it is co-located with Warrington Road Nursery School and Warrington Road Children's Centre. The future viability of Warrington Road Daycare is a concern due to high costs, including building and service costs, but particularly staff costs. The high costs have resulted in year on year deficits. Warrington Road Daycare Centre can accommodate 53 FTE children and currently has 78% occupancy. Currently Warrington Road Daycare facility contributes 27% of all building and utility costs within the Warrington Road building.

3.5 Alternative Model

- 3.5.1 It is proposed that the Local Authority cease to be a direct provider of daycare and instead seek alternative providers for the daycare provision from the private, voluntary or independent sector
- 3.5.2 Halton has a vibrant and sustainable private and voluntary Early Years sector that is able to operate more flexibly than local authority-run provision and therefore is better able to meet the needs of parents. The level of quality in the private and voluntary sector is also comparable with the maintained sector, with 84% of providers having a good or better Ofsted grade.
- 3.5.3 Halton has a good record of attracting private sector early years investment. Since 2012 two new private day nurseries and one pre-school, providing a total of 215 additional places, have opened in Widnes. A new private day nursery that will provide a further 66 places is due to open in Broadheath ward in Widnes in September 2016, a 72 place nursery is also due to open in Mersey ward in Runcorn in September 2016.
- 3.5.4 The expansion of the early years market from 2017 will require additional capacity, but as local authority-run provision has proven to be less flexible and unsustainable, requiring increasing subsidy, this may be the best opportunity to harness the Government's package of incentives to attract further private and voluntary sector providers into the Borough to provide the additional places.

3.6 Impact on staff

- 3.6.1 Ditton Daycare and Warrington Daycare both currently employ 16 members of staff, all are employed by Halton Borough Council and as such standard HBC employment terms and conditions apply. Any interested alternative provider will need to consider the TUPE implications of the transfer in provision.

4.0 POLICY IMPLICATIONS

- 4.1 The Local Authority is statutorily required to secure and sustain sufficient childcare provision to meet the needs of parents in its area.
- 4.2 Section 6 of the Childcare Act 2006 states that “an English local authority must secure, so far as is reasonably practicable, that the provision of childcare (whether or not by them) is sufficient to meet the requirements of parents in their area who require childcare in order to enable them –
- (a) take-up or remain in work, or
 - (b) to undertake education or training which could reasonably be expected to assist them to obtain work”.
- 4.3 Section 8(3) of the Childcare Act 2006 restricts the local authority power to deliver childcare directly, stating that “*a local authority can only provide childcare if it is satisfied that nobody else is willing to provide childcare or if someone is willing, that in the circumstances it is more appropriate for the authority to do so*”.

5.0 FINANCIAL IMPLICATIONS

- 5.1 In 2012/2013 the Ditton Daycare provision had a deficit of £13,581 the cumulative deficit has increased to £110,253 by the end of 2015/2016. Each year the budgets have been scrutinised to look for areas where savings can be made and attempts have been made by the setting to increase take up. Despite the efforts of staff and support from the local authority occupancy rates remain low, at 55% in April 2016. However, the costs of provision are high and although economies have been made the areas where the costs are the greatest cannot be reduced. Staffing ratios must be maintained, however staffing costs in Local Authority settings are currently much higher than those run by the PVI sector.
- 5.2 Ditton Daycare setting employs 16 members of staff and is operating significantly under capacity, with occupancy rates rarely exceeding 55%. As such the current business model is not sustainable.
- 5.3 In 2012/2013 Warrington Road Daycare provision had a deficit of £29,124 the cumulative deficit has increased to £164,238 by the end of 2015/2016. Each year the budgets have been scrutinised to look for areas where savings can be made and attempts have been made by the setting to increase take up, which is now in-line with the sector average. However, the costs of provision are high and although

economies have been made the areas where the costs are the greatest cannot be reduced. Staffing ratios must be maintained, however staffing costs in Local Authority settings are much higher than those run by the PVI sector. In addition, the level of the contribution to building costs, supplies and services at Warrington Road are a major barrier to sustainability.

- 5.4 The Daycare setting employs 16 members of staff. Despite occupancy levels of 78% by the end of 2015/2016 the cumulative deficit was £164,238. As such the current business model is not sustainable.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People

Research has proven that the earliest years of a child's life are crucial to their development by laying the foundations for success at school and in later life.

6.2 Employment Learning and Skills in Halton

High quality sustainable childcare available to all parents or carers that need it allows them to return to work or training and improve their quality of life.

6.3 A Healthy Halton

Child Development is one of the five key priorities for the Health and Wellbeing Board in Halton

6.4 A Safer Halton

N/A

6.5 Halton's Urban Renewal

N/A

7.0 RISK ANALYSIS

- 7.1 As the current model of provision has proved unsustainable as an alternative to closure the proposal is to go to the market and to see if there is any interest from the Private, Voluntary and Independent Sector in running these settings.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 Good quality sustainable daycare can ensure all children to have the best possible start to life.

9.0 REASON(S) FOR DECISION

- 9.1 The current arrangements are no longer sustainable.

10.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10.1 The Local Authority continue as a provider for daycare at Warrington Road and Ditton. This option was rejected at the daycare at both provisions is not sustainable.

11.0 IMPLEMENTATION DATE

11.1 August 2016

12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Child Care Act 2016	legislation.gov.uk	Ann McIntyre Operational Director Education, Inclusion & Provision Rutland House