

## APPENDIX A

Full Business Case (FBC)			
1. General Information			
Directorate	Children and Young People	Portfolio/Committee	Children's Wellbeing
Project Title	Council Run Day Nurseries	Project Code	
Project Description	<p><b>Background</b></p> <p>Birmingham City Council run nursery provision was introduced in 1994 by Social Services and was formally known as community day nurseries. The service was developed to provide consistency of service provision across the city, and to support Council employees and our vulnerable children ages 0 to 5 years. Included in this was the introduction of 150 full time fee paying places, and priority for these places was given to children of staff who worked for the council.</p> <p>This policy was continued when nurseries transferred from Social Services to Education in 1998 when the nurseries were either designated as children's centres or became linked to local children's centres since 2007. They now form part of a complex landscape in Early Years.</p> <p><b>Current Position</b></p> <p>Council run nursery provision now operates from fourteen sites across Birmingham, and provides a range of fee-paying and Early Education Entitlement (EEE) funded places for children under 5 which are grant funded (Appendix 1 &amp; 2). All 3 to 4-year-olds in England can access 570 hours of free early education entitlement or childcare per year. If this is taken during term-time only, this works out as 15 hours a week over 38 weeks of the year. From September 2017, the Government increased the free early education or childcare for families who meet certain criteria to 30 hours a week (if used over 38 weeks a year).</p> <p>The council's nurseries currently employ 120 staff, 70 are employed directly by the council, 18 by schools and the remainder (32) by partner organisations - Spurgeons and South &amp; City College. On average 400 children attend the 14 nurseries each week with 570 places available.</p> <p>The current service has always been budgeted on the basis that it covers its costs from fees and the EEE grant. In reality it runs at a deficit with the forecast deficit for 2018/19 approximately £965k after allowing for one-off funding of £500k.</p> <p>Over the last two years a number of actions have been taken to improve the current business model:</p> <ul style="list-style-type: none"> <li>• Review of current staffing models and staff deployment;</li> <li>• Review occupancy levels and vacancies;</li> <li>• Financial efficiency review of each nursery to better understand fixed and variable costs;</li> <li>• Increase in fees and EEE funding rates;</li> <li>• Review of Ofsted arrangements and centralising responsibilities for this, to ensure consistency of oversight and quality;</li> <li>• Working closely with the unions to look at alternative delivery models.</li> </ul> <p>None of these actions has enabled the service to become financially sustainable.</p>		

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Performance of the services is judged externally by Ofsted, with additional support provided to settings where improvement is required, by the Early Years, Childcare and Children's Centres Service. Current Ofsted ratings are as follows:

*Fig 1- Ofsted ratings for Council run nurseries*

	Nursery	District/Ward	Ofsted Rating
1	Bertram	Ladywood/Nechells	Good
2	Birchfield	Perry Barr/ Lozells and East Handsworth	Good
3	Cherry Tree	Perry Barr/ Lozells and East Handsworth	Good
4	Golden Start	Ladywood/Nechells	Good
5	Kitts Green	Hodge Hill/Shard End	Good
6	Ladywood	Ladywood/Ladywood	Good
7	Lime Tree	Perry Barr/ Lozells and East Handsworth	Outstanding
8	Oaklands	Yardley/South Yardley	Good
9	Park Road	Hall Green/Springfield	Good
10	Reameadow	Selly Oak/Bournville	Good
11	Soho	Ladywood/Soho	Good
12	Summerfield	Ladywood/Soho	Good
13	St Benedicts	Small Heath/Bordesley Green	Good
14	Sunshine	Hodge Hill/ Washwood Heath	Good

Service occupancy data between Jan 2018 and April 2018 has been collated. Analysis of occupancy data showed that use of the service averaged **70%** against a benchmark of **80%** occupancy, a figure considered to be the sectors average expected level achieved. Occupancy for each nursery is as follows:

*Fig 2 Occupancy level for council run day nurseries*

	Nursery	Registered numbers	Full time equivalent children April 18	Percentage Occupancy
1	Bertram	46	35.4	77%
2	Birchfield	48	23.5	49%
3	Cherry Tree	30	16.1	54%
4	Golden Start	50	40	80%
5	Kitts Green	40	34.7	87%
6	Ladywood	24	0	0%
7	Lime Tree	45	39	87%
8	Oaklands Park	50	41.4	83%
9	Park Road	50	24.6	49%
10	Reameadow	40	26.4	66%
11	Soho	32	29	91%
12	St Benedict's	16	16	100%
13	Summerfield	42	33	78%
14	Sunshine	57	44.1	77%
	<b>TOTALS</b>	<b>570</b>	<b>403.2</b>	<b>(Avg) 70%</b>

### Demographics

There are currently **86,601** children under the age of 5 in Birmingham, of which 61.21% are from Black, Minority or Ethnic (BME) groups.

### Market Providers

The child care market in Birmingham consists of 1,379 private, voluntary and independent (PVI) childcare providers. Currently there are more than 33,000 under 5

childcare places available in Birmingham. 23,420 of these are PVI and 9,623 maintained.

The council run nursery provision (14) equates to 4% of the overall day nurseries in Birmingham (352).

In Birmingham there are 27 maintained nursery schools and 173 nursery classes managed by school governing bodies.

Over the past 12 months 123 new providers have opened and 171 have closed (predominantly childminders)

*Fig 3 – Area where sufficiency has been identified in council run day nurseries*

Nursery	Sufficiency Assessment (Represented as part-time places for the Spring Term 2018)	
	0-4 year olds	2 year olds
Park Road	75 undersupply	87 undersupply
Reameadow	232 undersupply	6 oversupply
Soho	35 oversupply	102 undersupply
Summerfield	35 oversupply	102 undersupply
St Benedict's	176 oversupply	9 undersupply
Oaklands Park	80 oversupply	17 undersupply

Across the city there is generally an oversupply of 13,620 Part-time Equivalent (PTE) for under 5 places, with relatively few wards in the city having a gap or undersupply of places. There is also a general oversupply of 2,232(PTE) 2 year old EEE places, with relatively few wards in the city having a gap or undersupply of places.

There are generally vacancies across all sectors for 2, 3 and 4 year old EEE places.

As of January 2018, 94% of PVI day nursery providers, 82% of schools with nursery classes and 100% of nursery schools inspected by Ofsted were rated Good or Outstanding.

All of the fourteen council run day nurseries are rated Good or Outstanding.

### Need for Change

The current position for council run day nurseries is that they should ensure they maximise income generation for full cost recovery therefore there is no identified budget to support them.

The nurseries have had the following deficits over the last three years:

- 2015/16 = £688,695
- 2016/17 = £638,719
- 2017/18 = £712,809

These deficits have been previously been funded from a centrally held sustainability pot and from the trajectory grant for two-year olds which was fully utilised. These resources were not available to fund the shortfall in 2017/18 with these costs covered by compensatory in-year savings identified within the EYCC to cover this pressure,

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	<p>despite an increase in fees from January 2017.</p> <p>On 28<sup>th</sup> December 2017 the Council's Cabinet gave permission to consult on three options for change to the council run day care nurseries. The option of no change was not proposed given that the unfunded liability of approximately £0.75m each year is not sustainable. Therefore the following three options proposed were as follows:</p> <p><b>Idea 1</b> – Continue to operate any nurseries that are financially self-sustaining and close the remaining nurseries.</p> <p><b>Idea 2</b> – Close all nurseries and release the buildings for the childcare market to continue provision of a service and generate a rental income.</p> <p><b>Idea 3</b> – Continue to operate any nursery that is situated within an area of need for sufficiency where an alternative provider to the Council cannot be identified (provider of last resort) and close the remaining nurseries where they are either not required, or there is an appetite for the childcare market to deliver.</p> <p>A comprehensive review has been undertaken to assess the suitability of the options. As part of the review, work has been undertaken to assess the childcare sectors appetite to take on the running of the existing Council provision. Each nursery was considered in its own right against data on their financial performance, sufficiency and market provider interest; as well as other overarching considerations such as pressures on the assets and Department for Education (DfE) Capital Clawback considerations for most of the buildings.</p> <p>Ideas 1 could not demonstrate an alternative financially sustainable model, (see Appendix C) and option 3 demonstrated that there is suitable market interest in areas where there is a sufficiency duty.</p> <p>Both models proposed to streamline the existing workforce, increase places, renegotiate service contracts and increase fees. In both models it has not been possible to identify a cost-effective alternative delivery model that is shows a sustainable budget position.</p> <p>The following recommendations have been identified in light of the review of the above options:</p> <ul style="list-style-type: none"><li>• The council to withdraw from running all of the day nurseries;</li><li>• Maintain the council ownership and running of none of the day nurseries;</li><li>• Seek alternative market providers to take on the current staff via TUPE Transfer and enter in to lease agreements for them to run the day nurseries. (Appendix 5)</li></ul>
<b>Commissioning Approach</b>	<p>As part of the review on the existing operation of the council run nurseries work has been undertaken to assess the childcare sectors appetite to take on the running of the existing Council provision. Each nursery was considered in its own right against data on their financial performance, sufficiency and market provider interest; as well as other overarching considerations such as pressures on the assets and Department for Education (DfE) Capital Clawback considerations for most of the buildings.</p> <p><b>Sufficiency Duty</b></p> <p>Section 8 of the Childcare Act 2006 describes the 'Powers of local authority in relation to the provision of childcare' as (3) An English local authority may not provide childcare for a particular child or group of children unless the local authority are satisfied that (a) that no other person is willing to provide the childcare (whether in pursuance of arrangements made with the authority or otherwise), or (b) if another</p>

person is willing to do so, that in the circumstances it is appropriate for the local authority to provide the childcare.

This does not affect the provision of childcare by the governing body of a maintained school, or the provision of day care for children in need in accordance with section 18 of the Children Act 1989.

### Commissioning Process

The commissioning process for the day nurseries project followed a staged approach to ensure the most appropriate outcome for each day nursery. The four stages are detailed below in the table at Fig 4.

*Fig 4 Commissioning process*

Stage	Description of Stage
1. Options selection	All thirteen options for service reviews were analysed for suitability with the day nurseries project. Options that were suitable for future delivery were progressed to Stage 2.
2. Development of decision process & options appraisal for recommendations	A decision making process was developed to determine the appropriate treatment of each day nursery, depending on their performance against criteria of financial viability, market provider interest and Sufficiency Duty. An option appraisal template was created in case a nursery had more than one viable option – i.e. the nursery could be run by the council or a market provider.
3. Market sounding exercise	Market providers were invited to express their interest in taking on the running of the day nurseries through a market sounding questionnaire. Providers that expressed sufficient interest were invited to a meeting for further discussion.
4. Completion of recommendations	The financial and Sufficiency Duty data, as well as the findings from the market sounding exercise were applied to the process developed in Stage 2.

### User Consultation

Between 18<sup>th</sup> January 2018 and 23<sup>rd</sup> March 2018 the Council carried out public consultation on the three ideas identified above. Service users, staff and a range of other stakeholders were encouraged to share their views through a number of different channels including completing printed questionnaires, online surveys, attending consultation meetings or getting in touch by email or telephone; twitter or Facebook. Analysis of the completed questionnaires and other comments received has been carried out. The full report and findings are detailed in (Appendix 4).

Detailed below are a summary of responses:

- Idea 1 – 67.7% of survey respondents did not support this option;
- Idea 2 - 81% of survey respondents did not support this option;
- Idea 3 – 52% of survey respondents agreed and 32.6% did not agree with this option.

Idea 2 - closing all nurseries, had the highest active disagreement, with over four-fifths of respondents strongly disagreeing or disagreeing.

- Key themes from the face to face events were:
  - The council should find funding/budgets to continue the council run day nursery provision at all fourteen sites;
  - Negative comments about the private and independent (PVI) providers, particularly in terms of their motivation for providing services, and lack of confidence by parents in the quality of provision they provide.

On 15<sup>th</sup> March 2018 the council carried out an information event to consult with the day care provider market about the proposals for change, map out the council run day nursery provision across the city and the sufficiency requirements; and identify providers with plans to expand their services or develop new provision.

The key themes from the provider event were:

- Requirement of additional detail about the financial breakdowns and lease costs for each nursery;
- Timescales for decision-making about the future availability of the nursery provision or buildings.

### **Market Sounding Exercise**

During the consultation process the council was approached by a small number of organisations who identified their interest in taking on either the existing nursery provision or the buildings in which they are currently delivering with a view to providing alternative provision. This has been followed up through the market sounding exercise; the full report is at (Appendix 5).

The market sounding exercise was carried out in June 2018 to:

- Understand the appetite of existing or emerging market providers to take on the running of the fourteen day nurseries in Birmingham on a case-by-case basis;
- Understand the different market offers that are available to customers in Birmingham and how market providers can meet the needs as defined by the council and its current customers;
- Understand any new or innovative approaches to providing childcare that improve outcomes for children;
- Understand any potential barriers and challenges for market providers in taking over the running of the council day nurseries;
- Start a dialogue with the market about their potential takeover of the running of the council day nurseries;
- Understand any alternative uses of the buildings where there is no market interest in running a day nursery, where the council is unable to continue to run the Nursery due to financial constraints and where there is no Sufficiency Duty in an area.

### **Options Appraisal**

An options appraisal was undertaken using data for each nursery on a case by case basis which highlighted that there are no alternative financially sustainable models for the council run nurseries. There is however an appetite in the childcare market to provide services either using the existing staff via TUPE or by taking on any vacant buildings to deliver provision.

### **Recommendations**

Following the options appraisal below are the recommendations. For further information and detail see (Appendix 5).

Following the completion of a market sounding exercise and individual assessment of day nurseries, the following recommendations are made:

- The council will cease running and funding all fourteen of its day nurseries.
- Ten of the day nurseries have sufficient market interest for the council to invite proposals from the Private, Voluntary and Independent (PVI) provider market, which will include TUPE of existing staff. If there is no viable provider for a nursery following this process, then it will be decommissioned and the asset will be subject



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	<p>to the usual asset disposal process;</p> <ul style="list-style-type: none"><li>Cherry Tree and Ladywood nurseries have been temporarily closed due to low demand for places. The staff have been relocated to alternative sites where there is currently agency staff or existing vacancies. There will be a permanent decommission of the service and the asset will be subject to the usual asset disposal process;</li><li>One day nursery is owned by St Benedict's Primary School and staff are in the councils early years, childcare and children's centre service structure. The nursery provision will be offered to the school in the first instance with staff transferred internally. The service will be offered to the market if there is no interest from the school and the asset will be subject to the usual asset disposal process;</li><li>One day nursery's staff and building are employed and owned by South &amp; City College (S&amp;CC) and leased to early years. The service will be offered to the College in the first instance and then to the market if there is no interest from S&amp;CC.</li></ul> <p>An Equality Impact Assessment - EA002394 has been carried out to identify the impact of the proposed changes on the nurseries. Details of the full assessment and a summary of the report can be found in (Appendix D).</p> <p>A Project Implementation Plan (Appendix 6) sets out the next steps for the nurseries. This document is supported by a Communications Plan (Appendix 7) detailing the relevant stakeholders and communication process throughout the project.</p>		
Links to Corporate and Service Outcomes	<p>The project is intended to deliver the following outcomes:</p> <ul style="list-style-type: none"><li>To ensure the councils statutory duty to ensure sufficient nursery provision for working parents is met;</li><li>To ensure the Early Years, Childcare and Children's Centre Service budget is balanced.</li></ul> <p>The council of the future will be much smaller, more strategic, less about direct service delivery and more about supporting a wider range of partnerships with providers, including social enterprises and the contribution of voluntary effort and the community.</p> <p>It also contributes to the council plan 2018-2022 for children: Birmingham is an aspirational city to grow up in.</p>		
Options Appraisal Approved by	Sarah Sinclair	Date of Approval	
Benefits Quantification- Impact on Outcomes	Measure		Impact
	List at least one measure associated with <b>each</b> of the outcomes above		What the estimated impact of the project will be on the measure identified
	To provide a full cost recovery day nursery service in some or all of the council run day nurseries		Reduction in the unfunded budget liability
	Total number of places provided for under fives in each ward		Possible reduction of places in some of the wards
Project Deliverables	<ul style="list-style-type: none"><li>Reduction/removal of unfunded budget pressure of 0.75m per annum.</li><li>Minimal impact of sufficiency duty as ten of the fourteen nurseries is in areas where there is an oversupply of places for 0-4 year olds.</li><li>Children placed in suitable alternative provision. This could affect 403 children.</li></ul>		

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	<ul style="list-style-type: none"> <li>Buildings are fully utilised and risk of claw back and redundancy minimised where possible.</li> </ul>
<b>Scope &amp; Implementation</b>	<p>The project is concerned with the fourteen council run day nurseries attended by approximately 400 children under 5 years each week:</p> <ol style="list-style-type: none"> <li>Bertram Day Nursery</li> <li>Birchfield Day Nursery</li> <li>Cherry Tree Day Nursery</li> <li>Golden Start Day Nursery</li> <li>Ladywood Day Nursery</li> <li>Lime Tree Day Nursery</li> <li>Kitts Green Day Nursery</li> <li>Oakland's Park Day Nursery</li> <li>Park Road Day Nursery</li> <li>Reameadow Day Nursery</li> <li>Soho Day Nursery</li> <li>St Benedict's Day Nursery</li> <li>Summerfield Day Nursery</li> <li>Sunshine Day Nursery</li> </ol> <p>Ladywood and Cherry Tree Day Nurseries are not currently operating services due to lack of take up of places, which is in part due to an oversupply of provision in these wards.</p> <p>Implementation of the Full Business Case will include:</p> <ul style="list-style-type: none"> <li>Closure of fourteen council run day nurseries;</li> <li>Transfer staff and entering into lease agreements with market providers;</li> <li>Disposal of any surplus buildings through the usual asset disposal process.</li> </ul>
<b>Scope exclusions</b>	<p>The full business case has the following exclusions from its scope:</p> <ul style="list-style-type: none"> <li>It is not about children's centres;</li> <li>It is not about the twenty-seven nursery schools;</li> <li>It is not about removing current third party occupants;</li> <li>It is not about Birmingham City Council procuring a day nursery service.</li> </ul>
<b>Procurement Implications</b>	<p>Delivery of the project will not include a formal procurement process.</p> <p>Details of competition framework to decide providers.</p> <p>Cover off lease agreements required.</p>
<b>Taxation Implications</b>	<p>None are anticipated but will be kept under review.</p>
<b>Accountable Body</b>	<p>Birmingham City Council is not looking to be the accountable body.</p>
<b>Dependencies on other projects or activities</b>	<p>The following our project or other services/activities that have a dependency on the council run day nurseries:</p>



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	<ul style="list-style-type: none"> <li>• Asset Management;</li> <li>• Birmingham Forward Steps - children's centre services. Seven of the council run day nurseries are co-located on sites that are either Hubs or Outreach sites;</li> <li>• NHS – Maternity services – six of the nurseries have midwifery services operating from the building;</li> <li>• DfE Claw back is possible where council run day nurseries are based within existing children's centre provision. Costs associated with each site are listed at Appendix 2;</li> <li>• The readiness of high quality, child care places in various locations across the city to take up demand - should there be a recommendation to withdraw from running one or more of the day nurseries;</li> <li>• The readiness of the council to continue funding and be a provider of day care for under 5's to meet the councils statutory duty around sufficiency and as the 'provider of last resort'.</li> </ul>		
<b>Achievability</b>	<p>There is currently adequate capacity, capability and availability of internal resources. This may be reduced by September and could impact on the achievability of the project outcome.</p> <p>Delivery of similar projects has been undertaken by members of the project team. This included the restructuring of staff teams, in some cases closure of services and the associated relocation of children to alternative provision through close support for parents.</p> <p>Subject Matter Experts (SME) have been involved and consulted throughout the process of the review of the service and the development of the report. The addition of relevant specialist support from finance, commissioning, legal and business analysts have also been fully utilised.</p>		
<b>Project Lead</b>	Chris Atkins		
<b>Project Manager</b>	Morvia Innis		
<b>Budget Holder</b>	Lindsey Trivett		
<b>Sponsor</b>	Sarah Sinclair		
<b>Project Accountant</b>	Anil Nayyar		
<b>Project Board Members</b>	Sarah Sinclair (Chair), Lindsey Trivett, Claire Ward, Richard Rees, Anil Nayyar, Mohammed Farooq, Jaswinder Didially, Chris Atkins, Elaine Austin		
<b>Finance Business Partner (FBP)</b>		<b>Date of FBP Approval:</b>	

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2. Budget Summary (Detailed workings should also be supplied)					
	Voyager Code	Financial Year 18/19	Financial Year 19/20	Later Years	Totals
Capital Costs & Funding		£	£	£	£
Expenditure: Development costs already approved	N/A	£0	£0	£0	£0
Other Costs to complete project (Please itemise) -Capital Clawback		£3.2m	£0	£0	£3.2m
Totals		£3.2m	£0	£0	£3.2m
Funding Development costs funded by: (Please itemise)	Specify codes where budget is found on Voyager	N/A			
Other Costs Funded by: (Please itemise)					
Totals					
Revenue Consequences					
Expenditure -Redundancy costs -Pension strain (Council staff only) -Forecast operating costs to point of closure (March 2019)		£479,355.31 £145,163 £965,000	£0 £0 £160,000	£0 £0 £0	£479,355.31 £145,163 £1,125,000
TOTAL EXPENDITURE		£1,589,518.31			£1,749,518.31
Income		£	£0	£0	£0
Savings Nursery expenditure		£187,000	£0	£0	£187,000
Totals		£	£	£	£
Funded By:					
Current Budgetary Provision	Specify codes where budget is found on Voyager				
Other revenue resources identified: (Please itemise)					
Totals					
Planned Start date for delivery of the project	DECEMBER 2018		Planned Date of Technical completion		JUNE 2019
Key Milestones for Delivery	45 Days for staff consultation Closure of existing provision Procurement of buildings Placing children in alternative early years provision				

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<b>3. Checklist of Documents Supporting the FBC</b>		
<b>Item</b>	<b>Mandatory attachment</b>	<b>Number attached</b>
<b>Financial Case and Plan</b>		
<ul style="list-style-type: none"> <li>Detailed workings in support of the above Budget Summary (as necessary)</li> </ul>	Mandatory	
<ul style="list-style-type: none"> <li>Milestone Dates/ Project Critical Path (set up in Voyager or attached in a spreadsheet)</li> </ul>	Mandatory	
<ul style="list-style-type: none"> <li>Partnership Funding Proposal</li> </ul>		
<ul style="list-style-type: none"> <li>Specific Funding (Grant) outline</li> </ul>		
<b>Project Development products</b>		
<ul style="list-style-type: none"> <li>Appendix A - Populated Issues and Risks register</li> </ul>	Mandatory	
<ul style="list-style-type: none"> <li>Appendix B - Stakeholder Analysis</li> </ul>	Mandatory	
<ul style="list-style-type: none"> <li>Technical Feasibility Assessments</li> </ul>		
<ul style="list-style-type: none"> <li>Partnership Agreement</li> </ul>		
<ul style="list-style-type: none"> <li>Non-Financial Benefits</li> </ul>		
<b>Other Attachments (list as appropriate)</b>		
<ul style="list-style-type: none"> <li>Appendix 1 - Citywide map of council run nurseries – old ward boundaries</li> </ul>		1
<ul style="list-style-type: none"> <li>Appendix 2 – Citywide map of council run nurseries – new Ward boundaries</li> </ul>		2
<ul style="list-style-type: none"> <li>Appendix 3 – Council run day nursery – Data Overview Table</li> </ul>		3
<ul style="list-style-type: none"> <li>Appendix 4 - Consultation Questionnaire analysis report</li> </ul>		4
<ul style="list-style-type: none"> <li>Appendix 5 - Day Nurseries Commissioning Report</li> </ul>		5
<ul style="list-style-type: none"> <li>Appendix 6 - Implementation Plan</li> </ul>		6
<ul style="list-style-type: none"> <li>Appendix 7 – Communications Plan</li> </ul>		7
<ul style="list-style-type: none"> <li>Appendix 8 – Nursery Information Sheets</li> </ul>		8
<b>Background Documents</b>		
<ul style="list-style-type: none"> <li>Proposed new Financial Models 2019-20 GR2</li> </ul>		