

Policy Committee

12 June 2023



Reading
Borough Council
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Title	The Lodge at Coley Pre-School
Purpose of the report	To make a key decision
Report status	Public Report
Report author	Lara Patel, Director of Children's Services
Lead councillor	Cllr Graeme Hoskin
Corporate priority	Not applicable, but still requires a decision
Recommendations	<p>The Committee is asked to:</p> <ol style="list-style-type: none">1. Agree that the current service model for the pre-school nursery presents quality and financial risks and delegate the Director of Children's Services to commence consultation on the impact of its potential closure.2. Delegate authority to the Director of Children's Services to discuss with the headteacher of St Mary's and All Saints Primary school possible use of the provision for a SEND facility within the school.3. Delegate authority to the Director of Children's Services in Consultation with the Lead Councillor for Children's Services to decide on the future of the facility based on the outcomes of the above two actions.

1. Executive summary

- 1.1. This report presents the findings from viability analysis of The Lodge at Coley pre-school nursery in Reading. This analysis was initiated following the inadequate Ofsted inspection in June 20220 and concludes that, in its current configuration, there remain significant risks around both the quality of day-care and financial viability of the service both of which would require considerable additional ongoing investment. As a result, the report proposes that the Director of Children's Service is given permission to go to external consultation on the proposal for its closure and that permission is also given for discussions with the head teacher of the St Mary and All Saints primary school (in whose room the service is currently located) for the possible use of the facility as additional provision for children with SEND. The report further proposes that the Director of Children's Services is given delegated authority in consultation with the Lead Councillor to consider the pre-school nursery's closure dependent on the results of the consultation.

2. Background

- 2.1. In Reading, Early Years provision is delivered by a mixed economy of Maintained Nursery Schools (MNS), Nursery Classes, Private, Voluntary and Independents (PVIs), pre-schools and childminders. At any one time there are approximately 4,000 available places although these are subject to significant seasonal variation. Ofsted inspections measure the quality of practice in safeguarding and early learning for children under five.
- 2.2. Brighter Futures for Children provides the following in-house early years provision for children 0-5 years in Reading:

- Two-day nurseries, Surestart Whitley day nursery and The Lodge at Southcote offering approximately 114 places
 - Two pre-schools The Lodge at Coley and Sunnyside pre-school providing early education to disadvantaged two-year-old children offering up to 24 places.
- 2.3. The aim of the nurseries is to support young children to access their free entitlement to early education and to support parents to access employment by providing childcare. The nurseries help support the Local Authority's statutory duty to ensure there is a sufficiency of early years places in Reading.
- 2.4. The nurseries operate on zero budgets relying on government early years funding entitlement and parental income in the day nurseries to cover all costs of running the settings.
- 2.5. The Lodge at Coley is a pre-school nursery opened in 2017 to provide for funded 2-year-old children only and although registered with Ofsted as a stand-alone provision falls under the management of The Lodge at Southcote. The pre-school is based in the children's centre in the grounds of St. Mary's and All Saints primary school. The pre-school operates from one room and can accommodate up to 16 funded 2-year-old children opening Wednesday -Friday for 15 hours term time only, 9.30-2.30. Children attend the pre-school for one year and then transition to another setting when they turn three years to access their universal entitlement to 3 and 4 year old funding.
- 2.6. The Lodge at Coley was the subject of an Ofsted inspection in June 2022 and was graded overall as inadequate. It was then subject to an intensive programme of support and improvement over the Autumn term which involved managers from the Lodge at Southcote being seconded to provide additional support. It was re-inspected in December 2022 and graded good in all areas.
- 2.7. Despite having capacity for up to 16 children, the unit has never had more than 14 children, for one term in 2021, and, in reality numbers have fluctuated. The table below indicates the average attendance of the unit over the last 4 years which is generally in the 8-11 children range. The inadequate grading in June impacted parental confidence and the pre-school only had four children for the autumn term 2022. Despite moving to a good grading, there have been no children registered to attend the nursery since the end of March 2023 and as a result it has been temporarily closed. There are three children currently on the waiting list for the nursery, two of whom are only eligible until July '23 and one who is eligible until December '23. There is another child who will become eligible for a place in September '23. There are approximately 10 spaces available currently for children under 5yrs within 2 miles of Coley, through a combination of child-minders and day nurseries. This number will increase from September when current children move up into reception classes.

Children attending	Spring	Summer	Autumn
2019	11	11	8
2020	8	Closed due to lockdown	8
2021	12	8	14
2022	10	12	4

3 Policy context

- 3.1 Nationally the early years sector is a mixed model of delivery ranging from full day care, pre-schools, childminders, home carers and schools. It is subject to an Ofsted inspection framework. The sector plays an important role in the government's employment agenda enabling the workforce to access childcare for their children supporting a stronger economy.
- 3.2 The sector is however quite financially fragile, largely due to the low levels of agreed funding for free places for 2, 3 and 4 yr olds. The sector received an uplift in April '23

which for Reading realised the maximum increase of 4.9% for three- and four-year-olds and 10% for 2-Year-olds from April 2023. Although this was a positive settlement, the current inflation rate impacted the increase.

- 3.3 Currently, all three- and four-year-old children are entitled to free childcare for 15 hours per week increasing to 30 hours per week for working families. Disadvantaged two-year-olds (approximately 40% nationally) are also eligible for 15 hours free entitlement. The current hourly rate of funding paid per three- and four-year-old is £5.33 plus an additional £1.69 when a child is eligible for Early Years Pupil Premium. The rate for two-year olds is £6.51.
- 3.4 In response to pressures from within the sector, the government's spring budget (which was after the April 23 uplifts identified in paragraph 3.2), the chancellor announced reforms to childcare which included additional entitlements and funding investment for early years. These included new entitlements for working parents of 2-year-olds starting in April 2024 and extending to working parents of children aged 9 months from September 2024. From September 2025, all working parents of children aged 9 months up to school age will be funded to access 30 hours free childcare per week. Hourly rates will rise to around £8 for two-year-olds and £5.50 for three- and four-year-olds from September 2023. The sector is still waiting for those changes to be confirmed at the time of writing
- 3.5 There is no doubt that the changes will impact the market, affecting both supply and demand for places. However, it is much too early to fully understand the scale of the changes and until the details have been confirmed they are unlikely to become any clearer.

4 Sufficiency of places

- 4.1 The Reading Childcare Sufficiency Assessment 2022-2023 concluded that there are currently sufficient childcare places for all under-fives where there is a demand and this includes funded early education and paid spaces, albeit not always in the preferred area. The Sufficiency Assessment examines likely future patterns of demand accounting for changing birth rates and any planned new housing developments. The Office of National Statistics reports a national long-term trend of decreasing live births. Reading follows this trend with a 22.2% decrease in live births when comparing 2018-19 and 2021-22 data. A further decrease is expected for 2022-23 of around 15% based on current figures. Live births for Minster Ward have also decreased with an 11% decline when comparing 2018-19 and 2021-22 data. Again, a further decrease is expected for 2022-23 of around 10% based on current figures. In terms of building growth, there were 107 planning permissions granted for new accommodation in Minster ward in 2022. A small number of these are building conversions set to increase the number of flats in the area which may have some impact on the number of families living in the ward.
- 4.2 If there is no provision available in the immediate area, families are directed to the nearest provision where there are available places. There are however recent local challenges, and the spring budget announcement will create further changes in demand. Sufficiency of early years places is largely determined by market forces with parental demand driving the market. This has remained fairly stable over recent years although 2022 did see two pre-schools and one PVI provider close with an additional pre-school due for closure in July 2023, this equates to a loss of about 100 places. There are four new providers opening in 2023 offering approximately 300 places, three situated centrally and, one in south Reading. The three nurseries will be large with robust management structures and considered to be more economically viable to strengthen the sufficiency of the early years sector in Reading.
- 4.3 It is difficult to accurately determine the actual number of places available at any one time as this fluctuates throughout the year and is dependent on staffing levels in individual settings. The summer term is more challenging for accessing spaces due to the high number of children starting school in September. An average of 4000 places are available in Reading across the range of provision.

5. The proposal to close the Lodge at Coley

5.1 We have analysed the economic and structural viability of the pre-school in the light of the low occupancy rates, the findings from the Ofsted inspection around the quality of provision and the impact of the inspection on occupancy. There was a range of factors identified that impacted on the poor inspection performance and whilst these were addressed in preparation for the re-inspection, they remain a risk to the effective functioning of the unit going forwards. These factors were:

- The setting is small, accessing only one room and garden area as part of the children's centre building. There is no option to increase capacity (child numbers) due to the physical constraints of the building. This means we are limited to a theoretical maximum capacity of 16 places, albeit as the report notes this averages between 8-11 places. This number (with their associated income) then limits the number of staff we can afford to employ within an economically viable model.
- The staffing establishment is for a room leader (RG4) and an early years practitioner (L3) for every four children. There are no senior staff onsite and no daily management presence. This presents a major risk to the quality of the service, as we are not able to provide the level of senior on-site support that is required to run the unit to the standard that we believe is appropriate. This view is clearly supported by the findings of the Ofsted inspection. The fact we had to second two senior staff from another unit to bring the Lodge up to standard following the poor inspection illustrates this point clearly. Whilst seconding those staff was the correct thing to do in that context, it also risked weakening the situation at the Lodge at Southcote, the unit from which they were seconded.
- There is a national shortage of early years staff and small units such as this are more vulnerable to this situation. Whilst we have been able to manage to date across our nurseries this is because we have relied on agency staff and have benefitted from the economies of scale that are associated with larger capacity units. It is noteworthy that the new providers which are due to open in Reading in 2023 are all part of much larger structures and will be running larger (30 place plus) units.
- The pre-school is isolated within the grounds of the primary school.

5.2 In conclusion, this is a small unit, which has never run at capacity. The size and structure mean that we have not been able to operate the unit with the number of senior staff that are required to ensure that it is delivering a safe, high-quality service. This situation was at the heart of the poor inspection result in 2022. On that basis, without additional ongoing investment the unit represents a major risk in terms of quality of provision and financial viability. Our initial analysis suggests that the financial breakeven point for the unit is 16 children, an occupancy level that has never occurred.

5.3 The only caveat to this position is that the changes around places for 2yr olds announced by government earlier this year mean that there may be an increase in demand from this group. This does pose a small risk to the proposal to close the unit, however, we believe this should be offset by the four additional providers that will be coming online later this year offering approximately 300 additional places across Reading. St Mary and All Saints' school has also expressed an interest in expanding its early years provision and this will potentially create more local provision. Furthermore, the availability of places for children under 5's is largely market driven, meaning that if there is evidence of more demand in a specific area, the market is highly likely to respond positively to this.

6 Alternative options for the building

6.1 The building is owned by St Mary's and All Saints primary school. We are seeking permission to initiate formal discussions with the school around the possibility of using the space as a specialist facility for primary aged children with SEND. This could amount to an additional 16 places. This is an area where there is considerable pressure, where we are struggling to identify suitable educational provision for children with SEND. Based

on provisional discussions with the school we are confident that they are interested in such an option. The school has also expressed an interest in expanding their own early years offer, which would reduce the risk of a loss of early years places.

7 Contribution to strategic aims

- 7.1 As set out above, closure of the pre-school nursery will reduce the capacity for 2yr old places in the local area, although the scale of that reduction is very minor, especially in the light of its historic under- use. It would mean approximately 10 less places against an overall number of approximately 4,000 under-fives places in Reading. St Mary's and All Saints primary school has also expressed an interest in expanding their own early years offer, which would reduce the risk of a loss of these 10 places.
- 7.2 Against this reduction, the potential for increasing SEND provision for primary aged children would assist us in addressing a real shortage which at the time of writing has resulted in 8 children who we are unable to place in suitable primary settings. If we can do more to support those very young children with SEND at the earliest stage, we will be making a major contribution to giving them the best possible start in their educational lives.

8 Environmental and climate implications

- 8.1 The decision to consult on the future of the Lodge at Coley will not have any significant environmental or climate implications. It is possible that a very small number of children may have to travel slightly further for a nursery place, but this would be more than offset by children with SEND accessing more local provision.

9 Community engagement

- 9.1 Consultation should take place after this committee's decision to proceed.

10 Equality impact assessment

- 10.1 We have initiated an Equality Impact Assessment into the proposed closure and change of use. This will be further informed by the community consultation exercise. Any equalities implications which emerge during the process of making the changes to this nursery will be considered as part of the statutory process. Any equalities impact on staff will be considered through the normal consultation processes which include one to one meetings for staff during which any concerns can be discussed. The completed Equality Impact Assessment will be available to the Director of Children's Services when any decision is made.

11 Legal implications

- 11.1 The Local Authority must comply with the School Organisation legislation, (the Education and Inspections Act 2006), and statutory guidance, "Making 'prescribed alterations' to maintained schools" published by the Department for Education. As set out in the body of the report this statutory process requires the Local Authority to carry out consultation on the proposed changes, to publish statutory notices which are followed by a four-week representation period, and to make a final decision within two months of the end of the representation period.

12 Financial implications

- 12.1 The nursery will not financially breakeven while numbers are low and will require additional support and resources that will increase expenditure. Brighter Futures for Children have picked up these pressures over the last few years and this is unsustainable going forward.
- 12.2 The financial risk of this proposal is minimal as staff can be moved to other internal nurseries within BFfC due to the struggles in finding nursery staff nationally, meaning there is no proposed compensation/redundancies required.

- 12.3 Due to the current sufficiency around the area, closing down this resource will direct more children to other alternative settings, this will help those settings to stay open and risk any future sufficiency in early years places.
- 12.4 Increased government grant funding has been announced but this increase is far short of inflation in the last 12 months and future inflation (including payroll inflation) means that the deficit position will continue.

13 Timetable for implementation

- 13.1 If the Policy Committee were to agree with the recommendations, we would start the Community Consultation immediately. This would last for the statutory 30 days, allowing a final decision to be made within 2 weeks from the end of consultation. This means we would be able to provide the school with a decision prior to the summer holidays. Any timetable for the school's work on a SEND unit would start immediately following the final decision.

14 Background papers

- 14.1 There are none.

FINANCIAL IMPLICATIONS

The financial implications arising from the proposals set out in this report are set out below:-

1. Revenue Implications

	2023/24 £000	2024/25 £000	2025/26 £000
Employee costs (see note1)	25	0	0
Other running costs	10	0	0
Expenditure	35	0	0
Income from: Fees and charges (see note2)			
Grant funding (specify)	5	0	0
Other income			
Total Income	5	0	0
Net Cost(+)/saving (-)	30	0	0

Note 1: No one-off early retirement and redundancy costs. All staff will be re-deployed due to known vacancies. Staffing for Summer term with other running costs included.

Note 2: Dedicated Schools Grant will fund universal early years entitlement funding.

2. Capital Implications

No capital implications regarding this proposal

3. Value for Money (VFM)

Currently the nursery is not at capacity and is not likely to be in the future, so the value for money benchmark would not be achieved and future deficit forecasts will continue.

4. Risk Assessment.

Financial risk and ongoing deficits will be created if the proposal is rejected.