

## Little Owls Nurseries Review

Date: 16<sup>th</sup> October 2024

Report of: Director of Children and Families

Report to: Executive Board

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

Little Owls is a day care provision delivered by the Council for children aged 3 months to 5-years old. Currently, taking into account the recent withdrawal of services at three locations there are 21 Little Owls Nurseries at various locations across the city.

In 2022/23 the Council provided a budget of £1,935,000 for the provision of Little Owls but the allocated budget was overspent. The outturn position for 2022/23 reflected an overspend by £1,969,000, giving a total annual cost in 2022/23 of £3,904,000. In 2023/24, a reduced overspend of £841,000 was been reported, linked to work to improve the financial position.

As the financial position of Leeds City Council becomes increasingly challenging, Little Owls current ongoing deficit, exacerbated by the Covid pandemic has come under additional scrutiny and has stimulated a full business review.

Executive Board at its meeting in June 2024 agreed for the withdrawal of service from three settings and further agreed that a 'market sounding exercise' should be instigated to consider the potential arrangements at a further twelve settings. This report seeks to update Executive Board on these two area of activity.

Executive Board is recommended to:

- a) Note the activity taken to withdraw from service provision at three settings as agreed by Executive Board in June 2024.
- b) Note the work undertaken to date in relation to the agreed a 'market sounding exercise' in relation to the following settings:
  - Shepherds Lane
  - Meanwood
  - St Mary's Hunslet
  - Hawksworth Wood
  - City & Holbeck
  - Parklands
  - Quarry Mount
  - Bramley
  - Hunslet Rylestone
  - Osmondthorpe
  - Rothwell
  - Burley Park

- c) Agree the recommendations set out for each setting detailed in recommendation b) as set out below:
- ci) Agree the overarching proposal, that subject to a successful outcome of detailed discussion with schools and alternative providers, that none of the 12 settings identified in recommendation b) will be retained by Leeds City Council for direct delivery. In the event that those detailed discussions do not progress to a satisfactory conclusion the Council's default position will be that settings are retained by the Council and directly delivered.
  - cii) Agree the recommendation to engage in detailed conversations with neighbouring schools around their interest in operating Little Owls nurseries at St Mary's Hunslet, Parklands, Hawksworth Wood, Quarry Mount and if required, agree to a procurement process and other statutory consultation processes with the individual neighbouring schools
  - ciii) Agree the recommendation to enter a formal procurement process with alternative providers for the future provision at the following settings, Shepherds Lane, City and Holbeck, Hunslet Rylestone, Rothwell, Meanwood, Bramley, Osmondthorpe and Burley Park
- d) Note that the Director for Children and Families has delegated authority to make the operational decision to move forward with individual providers for the settings set out in ciii).

## What is this report about?

- 1 Little Owls is a day care provision delivered by the Council for children aged 3 months to 5 years. The Council's statutory obligation in relation to nursery provision is, by way of the Childcare Act 2006 and the Childcare Act 2016, a duty to secure sufficient childcare to ensure parents can work/train. This does not mean the Council has to provide it themselves but must ensure that it is in place. The Council can deliver childcare if no other provider is willing to or, where another provider is willing, it is deemed appropriate due to circumstances for the local authority to be the provider instead.
- 2 At the start of the 2024/25 Financial Year there were 24 Council run nurseries for which the Council provided a budget of £1,935,000 in 2022/23 but the allocated budget was overspent. The Service had overspent its budget provision for a number of years despite investment into the settings and activity including reviews of management capacity, approaches to recruiting and retaining staff and marketing the service offer. Executive Board at its meeting in June 2024 agreed following an initial review which included consideration of sufficiency, the need to continue to support children with additional needs and children open to Children's Social Work Savings and the Council's overriding financial challenges that three settings would close (further detail on that is detailed below), that nine settings would be retained due to the Council's need to ensure it met its duty of ensuring sufficiency of provision and further agreed that a 'market sounding exercise' be undertaken in relation to a further twelve settings:

- Shepherds Lane
- Meanwood
- St Mary's Hunslet
- Hawksworth Wood
- City & Holbeck
- Parklands
- Quarry Mount
- Bramley
- Hunslet Rylestone
- Osmondthorpe
- Rothwell
- Burley Park

- 3 This 'market sounding exercise' was based upon a principle of exploring at each of these Little Owls settings if the Council could consider potential amalgamation of individual settings and/or to consider potential and viable interest from alternative providers (such as schools, voluntary or independent sector or private providers) so that the Council's obligations in relation to ensuring sufficiency of childcare places was maintained whilst not delivering at the scale previously maintained.

### **Withdrawal of Service at Settings**

- 4 Executive Board also agreed the withdrawal from three settings located at Little Owls Gipton North, Little Owls Chapel Allerton and Little Owls Kentmere. An update on the current position for each of these settings is set out in summary below:

- The nursery provision has now ceased at the 3 settings as of 31 August 2024.
- In total, 80 children have successfully transitioned to an alternative Little Owls of their choice.
- In total, 34 staff have transferred to posts at an alternative Little Owls. Following a preference process, all but 4 received their 1st choice & the remaining 4 received their 2nd choice – the majority transferred with the children to ensure continuity of care. There were no voluntary or compulsory redundancies for any staff and the retained staff are providing much needed resilience in staffing arrangements given the ongoing recruitment and retention issues faced within the childcare sector generally.
- Work is now underway to close down the buildings as bases for delivery of Little Owls nurseries. Family Services will continue to be delivered at Kentmere & Chapel Allerton.

### **Market Sounding Exercise**

- 5 The Service has moved forward with the Market Sounding Exercise, which has two distinct but complementary work programmes, one focussed on existing parents and carers which seeks to gain initial feedback on what is important to them in terms of provision and one focussed on potential interest from alternative providers.
- 6 The two work programmes reflect that intelligence, data and insight is required from both parents/carers and potential alternative providers but until initial data is collected it is impossible to progress any form of assessment of the ability of potential providers to deliver upon the provision that parents/carers would wish to see. The Service has attempted to reduce delay in this activity by running both elements concurrently and will upon the completion of the initial phase of activity, be able to align needs of parents and carers (wherever possible) with the 'offer' of potential providers. The alternative position would have required a consecutive rather than concurrent approach with two separate sets of engagement leading to an elongated timescale.

Activity undertaken so far is detailed below:

- Expressions of Interest sought - This phase of activity ran until 27<sup>th</sup> September, providers had until this date to submit any expressions of interest in any setting. This process is being managed via the Council's normal procurement portal which allows for a standardised approach to documentation, providers queries and service responses etc.
- 21 submissions were received from interested parties, each individual setting received a minimum of three responses. The Expressions of Interest were not detailed proposals to operate settings and that work would follow an initial analysis of interest.
- Two provider briefings have taken place on 22<sup>nd</sup> August 2024 (17 providers attended) & 5<sup>th</sup> September 2024 (23 providers attended).
- Parent/ Carers: 5 x focus groups have been arranged as follows. The Service has attempted to vary the days, times & offer a combination of face to face or online sessions as well as a survey to ensure the engagement is as accessible as possible. The letter to parents also advises that managers will be happy to assist if anyone has any individual requirements:

Location	Date/Time	Method	Booked	Attended
Online	Wed 28 August 10am	Online	3	2
Dewsbury Rd community hub	Friday 6 Sept 10am	In Person planned but delivered online .	1	1
Chapelton CC	Tues 10 Sept 1pm	In Person	6	5
West Leeds Activity Centre	Thurs 19 Sept 4pm	In Person	5	5
N/A Online	Mon 23 Sept 6pm	Online	10	3
Total				16

- A letter has been distributed to every family at each of the 12 settings detailing the focus group sessions along with a QR code to book onto a session & / or to complete a survey. This has also been distributed via the Family app which settings use to communicate with families.
- The questionnaire was made available to all parent/carers of the 12 Little Owls nurseries subject to the market sounding exercise and was live from 20<sup>th</sup> August to 26<sup>th</sup> September 2024. 62 completed surveys were submitted.
- A detailed summary report of the information gathered from the parent/carer focus groups and questionnaire can be found at Appendix 1.

- 7 An exercise considering the viability of further potential amalgamations of settings has been concluded and it is deemed that there are no opportunities for mergers to take place. To maintain sufficient child care places in all areas of the city; amalgamations of existing Little Owls can only be considered where there are 2 or more situated within the same Child Care Planning area (CPA).
- Rothwell, Bramley, Meanwood and Osmondthorpe are the only Little Owls located in their individual CPA and therefore amalgamation is not an option.
  - Shepherds Lane is in the same CPA as Harehills. However, Harehills Little Owls is a well used provision and the building is not large enough to absorb the Shepherds Lane places. This position is mirrored in the Holbeck CPA involving City & Holbeck and New Bewerly Little Owls,; the Seacroft CPA, involving Parklands and Seacroft and the Woodhouse CPA involving Quarry Mount and Little London.
  - St Mary's Hunslet and Hunslet Rylestone are both situated within the Hunslet CPA. However, neither site is large enough to accommodate all of the 0-4yr old places that are required to maintain sufficiency in that area.
  - Hawksworth Wood and Burley Park are both situated in the Kirkstall/Burley/Hawksworth wood CPA. The building that Burley Park Little Owls is currently delivered from is in a state of disrepair and unsuitable for longer term use so the only option would be for all of the Burly Park places to move to Hawksworth Wood. As with other sites, the building is not large enough to be able to do this.

## 8 **Analysis of Expressions of Interest**

All 12 settings subject to the market sounding exercise were named in at least three separate expressions of interest submissions. The Council's overriding duty relates to ensuring that sufficient provision exists. It is therefore reasonable to assume that, where alternative providers are found to be suitable via the next round of detailed discussions with schools and a full legally compliant procurement process, it will not be necessary for the Council to continue delivering childcare at any of the settings.

We want to ensure that, as well as the statutory duty to ensure sufficient childcare, future provision reflects the particular needs of communities along with the requirement to ensure that children with additional needs and supporting children looked after. The Council's default position will therefore be, should alternative provision not be viable, that the Council will continue to directly deliver nursery provision at the settings.

A total of 21 individual providers submitted an expression of interest via Yortender. These submissions included Multi-Academy Trusts, school, childminder, private and 3<sup>rd</sup> Sector providers. Based upon the submissions received by potential alternative providers and considering the Council's statutory duty to ensure suitable provision exists the potential outcomes set out below may be possible:

### Operation of nursery provision by neighbouring school

Four individual settings (St Mary's Hunslet, Parklands, Hawksworth Wood, Quarry Mount) have received an expression of interest from an individual school co-located on the same site as the current nursery provision. It is recommended that the Service engages with the school and parent/carers in relation to the viability of the expression of interest moving forward. This will include matters of due diligence by the school and by the Council. The Council and the school will seek to engage jointly with the parents/carers around provision and any matters of detail. The rationale for this recommendation principally relates to the ability to better ensure continuity of education provision should nurseries be operated by neighbouring schools given that the most likely outcome is that children at these nurseries will transition to that school. The issue of effective and appropriate transition was also raised by respondents in the earlier engagement as a key issue for the Council to consider.

In addition, schools have extensive experience of supporting children with additional needs and this remains a key consideration for the Council and an issue where the Council would be keen to support an inclusive approach to meeting need. Any transfers of assets delivering Little Owls functions located on school sites would require permissions from the individual schools (if not community schools) and any proposal for delivery requiring use of the existing asset, by alternative providers would require Secretary of State approval which would prolong any such potential transfer, accordingly the transfer to schools, if supported by those schools, is the recommended option.

Subject to approval of this approach, it may be necessary to enter a formal procurement process with individual schools to effect any potential transfer of undertaking and alongside this to undertake any necessary associated processes around statutory consultation.

### Operation of nursery provision by alternative provider

The eight settings set out below, based upon the expressions of interest received would appear to have a viable opportunity for continued operation by alternative providers and have no adjacent or neighbouring school setting interest which the Council would deem viable. Whilst the Expressions of Interest were not detailed submissions focussing on future operation they did cover matters such as experience of operating nursery provision, ability to support children with additional needs, length of time of operating in this sector, a range of employment matters including TUPE and supporting staff development, quality standards and value for money. Given this, it is recommended that the Service now engages with the potential alternative providers via a formal procurement exercise in relation to the viability of the expression of interest moving forward. This will include fuller consideration of matters highlighted in the Expression of Interest stage and further matters of due diligence by the potential alternative providers and by the Council. This exercise will consider the ability of the provider to appropriately reflect the needs of local communities and will also consider the ability of the provider to support children with additional needs and children who are looked after. Subject to the outcome of those considerations the Council and the alternative provider will seek to engage jointly with parents/carers around provision and any matters of detail and this will be reflected in any required procurement process. It should be noted however that to ensure compliance with procurement requirements parents/carers will not participate in the actual assessment of any resultant exercise which will need to follow strict objective legal processes. Should those considerations not reach a satisfactory conclusion the Council's default position will be that nursery provision by the Council will continue.

Shepherds Lane  
Meanwood

City and Holbeck  
Bramley

Hunslet Rylestone  
Osmondthorpe

Rothwell  
Burley Park

It is important to note that the Council has committed to the principle that where it may not directly operate settings moving into the future that the Council will seek assurances that provision will be of high quality, that it will acknowledge issues of additional need and deprivation and will also consider the potential level of fees charged by potential operators and in particular if fee levels would be a barrier to parents and carers taking places at a particular setting (subject to any Subsidy Control assessment).

Subject to approval of the recommended approach to each setting set out in paragraph 8, continued engagement will be held with parents/carers and where possible potential parents/carers known to the service, around future provision. This engagement will continue to reflect the emphasis that the Council is placing on making sure that high quality provision exists, is child centred and reflects the need to ensure that the most vulnerable children in the city are well catered for and these requirements will form an element of assessment in the proposed procurement exercise.

### Decision Making

- 9 The Executive Board decision on 19 June on the review of Little Owls was subject to a Call-In in accordance with the Council’s constitutional arrangements. Resolution 7(g) was referred back to Executive Board and on 24 July Executive Board subsequently resolved that future decisions on the 12 Little Owls settings be taken by Executive Board. It is considered that this report, subject to approval, discharges that resolution in that Executive Board has agreed the arrangements for the 12 Little Owls Settings to be progressed as set out in the body of the report. There will, by necessity, be a series of up to twelve consequential decisions relating primarily to the selection of potential future deliverers of provision and associated HR/asset matters and these decisions will be undertaken in accordance with the existing scheme of delegation by the Director of Children and Families.

### **What impact will this proposal have?**

- 10 Will /could the proposal have implications for any of the following?

Service users / customers	Yes	Legal / regulatory requirements	Yes
Council staff	Yes	Contracts / procurement	Yes
Partners	Yes	Capital programme	Yes
Other LCC services / stakeholders	Yes	Work location / building	Yes
Information technology & IDS capacity	Yes	Equalities	Yes

- 11 The overall impact of this proposal is to achieve a reduction of in-year and future budget pressures whilst maintaining sufficiency of nursery places throughout the City. The work to review settings will aid the future overall sustainability of the Service and will assist in the ongoing issues around securing and retaining suitably qualified staff to operate the service at retained settings.
- 12 Subject to approval of the proposed recommendations, a detailed impact assessment will be undertaken around any potential change of delivery.

- 13 HR and Finance and Asset Management colleagues have been fully involved in the review process and provided support and guidance on staffing, financial and asset related issues and implications. There will be specific workforce, procurement, facilities and asset management implications associated with the future operation of each setting. The Council's standard approaches to each issue will be followed. TUPE may apply dependent upon the circumstances at each particular setting.

### How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 14 There is a clear and direct link to the Best City Ambition related to Health and Well Being which states that 'in 2030 Leeds will be a healthy and caring city for everyone: where those who are most likely to experience poverty improve their mental and physical health the fastest, people are living healthy lives for longer, and are supported to thrive from early years to later life.' It is believed that the ambition to ensure everyone can thrive from early years would continue to be supported by retained provision and by ensuring that provision remains sufficient in individual areas. It should be noted that the Council will remain a key provider of nursery provision across the city and will provide capacity that is not delivered by local authorities in other areas of the county. The partnership working approach and value of it will be maintained in any new arrangements and the importance of this will be considered as part of future discussions with potential alternative providers.
- 15 Local Authorities have, by way of the Childcare Act 2006 and the Childcare Act 2016, a duty to secure sufficient childcare to ensure parents can work/train.
- 16 Little Owls work in partnership with the Infant Mental Health Service, Health Visitors, physiotherapy, the child development unit, Special Educational Needs and Inclusion Team (SENIT), Specialist Training in Autism and Raising Standards (STARS), and dental and public health services to ensure a healthy start and supports access to healthcare provision that families may not already be accessing. The potential for this work to continue, where direct provision potentially ceases to be undertaken by the Council will be considered on a setting-by-setting basis.
- 17 Should the current proposals proceed, an 'Early Years Improvement Model' would be developed with the Little Owls teachers, aiming to support the market with a free offer of learning to ensure quality in provision. A key objective of this would be to help maintain the good quality in the Little Owls settings that may be taken on by an alternative provider following the MSE, subject to further approvals.
- 18 The provision of high-quality daycare aligns with the Children and Families plan priorities and the Child Friendly Leeds ambition by giving children the best start in life, providing a safe and supportive environment for children at risk of child protection issues and supplying sufficient, high quality childcare places for all children particularly those with SEND.

### What consultation and engagement has taken place?

Wards affected: Chapel Allerton, Gipton & Harehills, Killingbeck & Seacroft, Hunslet & Riverside, Burmantofts & Richmond Hill, Rothwell, Bramley & Stanningley, Kirkstall, Headingley & Hyde Park

Have ward members been consulted?       Yes       No



- 19 All elected members with a Little Owls setting contained within the scope of the Market sounding exercise have been informed of the latest activity and any resultant queries from elected members have been responded to by the Service. This activity has taken place since the May local elections to ensure that any change in elected members has been picked up.
- 20 Details of consultation and engagement with parents and carers is set out in paragraph 6 above.
- 21 Officers, along with the Executive Member, have met with a campaign group opposed to the closure of Little Owls settings and there is a commitment to continue that engagement
- 22 Trade Union representatives have continued to be briefed on the Review's progress during the monthly Service and Trade Union update meetings.
- When a direction of travel is established for any setting where LCC will no longer be the direct provider of services further consultation with Trade Unions and engagement with staff will be undertaken.
- 23 The Executive Member for Children and Families has been consulted on these proposals and is supportive of proceeding with the recommendations detailed within this report.

### **What are the resource implications?**

- 24 The proposal, taken in conjunction with the agreed withdrawal of services from three settings aims to deliver a full year saving of £900,000 in 2024/25 in addition to eliminating the overspend. This saving has been assumed in the budgeted position for 2024/25 that was approved by full council. There are expected to be limited costs associated with any HR changes and any building related issues which may need to be addressed.
- 25 At this stage, and until further detailed work is undertaken at an individual setting level, there is no allowance for any issues associated with clawback of grant which may have been used to initially bring the provision on stream, however this is expected to be a relatively low risk given the length of time that existing provision has been in place as clawback arrangements (if in place) generally reflect a tapering approach and reduce over time.
- 26 It is expected that the saving set out in paragraph 21 will be delivered in full should the recommendations set out in this report be agreed.

### **What are the key risks and how are they being managed?**

- 27 There is a risk of reputational damage to the Council by ceasing to provide direct provision to families. However, it is expected that the detailed work on factors affecting any provision, most notably sufficiency, will mitigate this risk.
- 28 There is a risk that staff and Trade Unions are not supportive of the proposed actions. This will be mitigated through early engagement and consultation and compliance with relevant legislation and the Council's HR policies and processes.
- 29 There is a risk that the uncertainties resulting from these proposed changes will further exacerbate existing staff recruitment and retention issues, the ability for the Council to set out a clear direction of travel for all settings in scope will help to mitigate that risk and the Council will consult with Trade Union colleagues and engage with staff as set out in paragraph 27 around any proposed changes and the implications for potentially impacted staff. The Council's overall approach to Managing Staff Reductions will apply and every opportunity will be taken to reduce and mitigate any compulsory redundancy situations.

### **What are the legal implications?**

- 30 The Council's principal legal duty is to ensure sufficiency of provision for parents/carers in employment and training, it has the ability to directly provide services should it feel appropriate

to do so. The proposals set out within this report are in accordance with that duty. Any necessary legal issues arising from the proposals as set out in the main body of the report relating to any potential employment changes, asset management changes etc. will be considered and discharged in accordance with the Council's standard procedures which reflect the overarching legal frameworks that may apply. The full extent of these implications is dependent on the outcome of the market sounding exercise.

- 31 No other legal issues have been identified, although work with Legal, and Procurement and Commercial Services colleagues continues in relation to ensuring that any next steps are legally compliant and follow procurement best practise.
- 32 This report does not contain exempt information under Access to Information. This decision is not a Key decision as it is exempt from the definition in accordance with Article 13.6.2 (b) of the Council's constitution as it is a decision which in part is a direct consequence of implementing a previous Key Decision and was in the contemplation of the decision maker at the time the decision was taken as well as a decision which is the result of varying a previous Key decision following a call-in of that decision.
- 33 This decision is not eligible for call-in as it is a direct consequence of implementing the previous key decision which in itself was subject to call-in.

## **Options, timescales and measuring success**

### **What other options were considered?**

- 34 This report seeks to take forward the previous decision of Executive Board and therefore there are no alternative options presented in this report other than the outcome of the agreed market sounding exercise. For each of the settings the options available, based upon the expressions of interest received are as set out above.

### **How will success be measured?**

- 35 The sufficiency of early years places would continue to be monitored to ensure that the proposals, if approved, still allow Little Owls to contribute towards the ambition to ensure everyone can thrive from early years by ensuring that provision remains sufficient in individual areas.
- 36 For the desired savings to be achieved and an overall reduction in the Little Owls budget pressure 2024/25.
- 37 Where settings are to be provided by the Council, that these become more sustainable over the medium term.

### **What is the timetable and who will be responsible for implementation?**

- 38 Subject to approval, the Director of Children and Families is responsible for delivery of any activity arising from the recommendations as set out. Implementation will be immediate and ongoing.

### **Appendices**

- Appendix 1 Consultation and Engagement Feedback
- Appendix 2 EDCI Assessment

### **Background papers**

- None