

## Proposal from Parents

### Kids and Co Nursery – Consultation

Following notification to put the 3 services of Kids and Co under consultation the below analysis has been prepared to outline the changes required in order to make the services viable.

The Council's own sufficiency review in 2012 highlights the risks surrounding childcare and the ability to meet the increase in demand for the additional funding for 2 year olds, therefore it is anticipated that the Council's decision regarding the future of these services takes these considerations seriously and ensure that it discharges itself of its duties to ensure sufficient affordable childcare is available within Darlington. Closure of the Kids and Co day nurseries will put further strain on the gaps in childcare provision.

#### Financial analysis

*Current projections- prepared by Darlington Borough Council Finance Manager. The projections are based on estimated revenue due for the services provided at current fee levels. The costs assume current year run rates whilst including the increased rent at Northwood.*

	FY2012-2013				FY2013-14			
	Northwood	Borough Road	Flexicare	Total	Northwood	Borough Road	Flexicare	Total
EMPLOYEES	217,163	270,475	54,860	542,498	192,034	271,600	55,644	519,278
PREMISES	14,149	14,474	0	28,623	21,900	12,300	0	34,200
TRANSPORT	299	0	364	662	300	0	400	700
SUPPLIES & SERVICES	12,772	20,028	315	33,116	12,950	22,200	300	35,450
CAPITAL CHARGES	0	-1,354	0	-1,354	0	0	0	0
<b>TOTAL COSTS</b>	<b>244,382</b>	<b>303,624</b>	<b>55,539</b>	<b>603,545</b>	<b>227,184</b>	<b>306,100</b>	<b>56,344</b>	<b>589,628</b>
<b>TOTAL INCOME</b>	<b>202,128</b>	<b>212,517</b>	<b>8,687</b>	<b>423,331</b>	<b>202,872</b>	<b>208,694</b>	<b>10,000</b>	<b>421,566</b>
<b>NET EXPENDITURE</b>	<b>(42,255)</b>	<b>(91,107)</b>	<b>(46,852)</b>	<b>(180,213)</b>	<b>(24,312)</b>	<b>(94,278)</b>	<b>(46,344)</b>	<b>(168,062)</b>

Kids and Co at Northwood is projected to cost the Council £42k to March 2013 and £24k in the year to March 2014. Whilst revenue is anticipated to be consistent, the most significant contributor is the reduced costs relating to employment costs. This site runs more efficiently than Borough Road despite the revenue base being similar. Northwood has recently had turnover of staff however the above projections are based on staffing at levels prior to the recent turnover and are based on safe and efficient levels.

The site at Borough Road contributes 50% (56% in FY2014) of the total deficit, the biggest contributor being high employment costs. The site significantly subsidises Borough Road Nursery School, where by the grant for children aged 3-4 is split 75% to BRNS for children who are primarily cared for by Kids and Co. The site is also top heavy with Senior Childcare Practitioners of which one is only required for the 0-2 age group.

The service provided at Flexicare contributes 26% of the total deficit (increasing to 28% in FY2014) despite only contributing 2% of the total revenue. Yvonne Coates has advised that the demand for this service is reducing and Kids and Co cannot be competitive in this area.

## Proposal

The proposal includes the 5 main elements below:

- Increase in all fees by 10%
- Closure of the Flexicare provision
- Repositioning of staffing hours and grades at the site at Borough Road
- Reduction in flexible services to a minimum of 2 ½ hours per session
- Consolidate the 0-2 provision to 1 site

Increasing the fees by 10% will enable Northwood to break even with tight control of other costs and will also ensure the Day Nursery services are still competitive with the private sector.

It can be argued that the Flexicare services do not contribute to the day to day lives of the majority of parents who access the services of Kids and Co, therefore it is proposed that the service ceases and the staff are either re-deployed or put into consultation for redundancy, saving in running costs in FY2014 of £46k.

It is anticipated that staff will be transferred from Borough Road to Northwood therefore mitigating some of the losses at Borough Road (total costs to be calculated by DBC), however further efficiencies will be required. The revenue base is broadly similar at both sites therefore it is anticipated that the sites should be working towards a similar cost base. It is proposed that Management at Northwood and the Councils Senior Management work alongside the Manager at Borough Road in order to work towards best practices. It is expected that this will include repositioning of staffing hours and grades of staff.

Currently both Day Nursery services provide flexible services, whilst this is a USL for Kids and Co it is no longer viable to provide flexible services to as little as an hour at a time. It is proposed that the current contract hours are honoured and any new / additional services are booked at a minimum of 2 ½ hours per session.

The highest cost base is the 0-2 provision which is run at a loss based on staffing costs at the required staffing ratio's; this is also the age range that is currently underprovided for at both sites. It is proposed that this service is consolidated to 1 site only; this will make minimum efficiencies of c£15k pa. It is proposed that this service is consolidated to Kids and Co at Northwood as this site is expected to break even and it is less likely to cause further distress and upheaval to parents should Borough Road ultimately close.

It is highly unlikely that the proposed changes will have an adverse effect on the demand for the Day Nursery services; the shortfall in affordable and accessible places has already been highlighted by both the Council and also parents. Support for these services has been second to none and the quality of the provision is highly regarded by all stakeholders.

## Financial projections based on proposal

	FY2013-14				
	Northwood	Borough Road	Flexicare	Additional savings	Total
EMPLOYEES	192,034	211,600	0	-15,000	388,634
PREMISES	21,900	12,300	0	0	34,200
TRANSPORT	300	0	0	0	300
SUPPLIES & SERVICES	12,950	22,200	0	0	35,150
CAPITAL CHARGES	0	0	0	0	0
<b>TOTAL COSTS</b>	<b>227,184</b>	<b>246,100</b>	<b>0</b>	<b>(15,000)</b>	<b>458,284</b>
<b>INCOME</b>	<b>223,159</b>	<b>229,563</b>	<b>0</b>	<b>0</b>	<b>452,723</b>
<b>NET EXPENDITURE</b>	<b>(4,025)</b>	<b>(16,537)</b>	<b>0</b>	<b>15,000</b>	<b>(5,561)</b>

1. Borough Road employment costs assume that 75% of the difference in employment costs will be saved by efficiency measures and repositioning of staff

2. The additional savings in employment costs are based on the consolidation of the 0-2 provision to one site.

The above projections can be realised within the financial year to March 2014.

### Other opportunities / risks not yet explored or included in the financial projections

- Increase in demand for 2 year old places
- Reduction in subsidy to Borough Road Nursery School or fair allocation of revenue
- Growth in demand following anticipated closure of private day nurseries and childminders (highlighted as high risk in DBC sufficiency review)
- Impact on benefit system for parents who will need to reduce hours / leave work due to lack of childcare provision (local and central government benefits which is a cost to taxpayers)

### Summary

By implementing the proposed changes by April 2014 the Council will ensure that Kids and Co at Northwood can continue to operate without requiring a subsidy from the Council.

The proposal will significantly reduce the subsidy to Kids and Co at Borough Road and allow additional time to review the management of the service without adversely impacting the day to day lives of parents and staff and also ensuring the Council discharges itself of its duties of securing sufficient childcare within Darlington.