

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION	15 July 2024	
REPORT TITLE:	Future options for Maintained Nursery Schools	
CORPORATE DIRECTOR / DIRECTOR:	Debbie Jones, Corporate Director Children, Young People and Education Shelley Davies, Director of Education	
LEAD OFFICER:	Shelley Davies, Director of Education Denise Bushay, Head of School Place Planning, Admissions and Early Years	
LEAD MEMBER:	Cllr Maria Gatland, Lead Member Children, Young People and Education	
KEY DECISION?	Yes	1124EM Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards
CONTAINS EXEMPT INFORMATION?	Yes	<p style="text-align: center;">Yes – Confidential Appendix 1.c and 1.d</p> <p style="text-align: center;">Appendix C: Financial analysis 2023/24 and Appendix D: Federation of Crosfield and Selhurst Nursery Schools and Children’s Centre Future Sustainability Plan (March 2024)</p> <p style="text-align: center;">Exempt under paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 as it relates to the financial or business affairs of any particular person (including the authority holding that information) and the public interest in withholding disclosure outweighs the public interest in disclosure.</p>
WARDS AFFECTED:	All	

1. SUMMARY OF REPORT

- 1.1. This report summarises the findings and recommendations from the Maintained Nursery Schools (MNS) review that was undertaken between January and March 2024. The review was commissioned because the current model of Croydon's MNS is not financially sustainable. The purpose of the review was to identify preferred MNS model/s which is/are financially sustainable (i.e., all MNS achieve balanced budgets and deficits are cleared) and continue to provide high-quality early years provision to Croydon residents. Four models have been shortlisted, explored, and considered. During this time period both Tunstall and Purley MNS have implemented deficit recovery plans and as a result of this work have recently moved out of a deficit budget position.
- 1.2. The new operating model recommended by officers is maintaining 5 x MNS, via rapid implementation of viable financial arrangements by linking each MNS to a primary school, special school, or academy trust.
- 1.3. Three of the MNS - Thornton Heath, Tunstall, and Purley - are already linked successfully to a primary school and have a balanced budget. The remaining MNS – Crosfield and Selhurst – are in a federation, have a single governing body and not linked to a school.
- 1.4. This report therefore also strongly recommends that Crosfield and Selhurst Nursery Schools establish a 'soft' federation with a primary school, special school, or academy trust through a Service Level Agreement (SLA), by January 2025.
- 1.5. A 'soft' federation is a term used to refer to a collaboration between two or more schools ranging from, for example, informal mentoring to, for example, joint decision-making arrangements, including shared costs but without forming a single governing body. In that important respect each school remains autonomous.
- 1.6. This new model will not result in any substantive changes or disruption to the way that early education and childcare is delivered to parents/carers by the MNS and has the potential for the schools to operate more efficiently and cost effectively by pooling resources to realise economies of scale and reduce duplication. This will improve MNS prospect for sustainable success despite financial sustainability challenges.
- 1.7. Some of the benefits of MNS entering in a soft federation with a primary, special school or academy trust are:
 - a) Opportunity to offer childcare and education across the 0-11 years age range.
 - b) Schools within a federation will not lose their individual identity.
 - c) Schools retain their separate legal status and have their own budget allocations and will be subject to their own Ofsted Inspection.
 - d) Shared after-school clubs and extended services activities.
 - e) Shared Special Educational Needs and Disabilities Coordinator (SENCOs).

2. RECOMMENDATIONS

For the reasons set out in the report Cabinet is recommended to:

- 2.1 note the findings from the MNS review at Appendix 1.
- 2.2 note that the current model of Croydon's MNS is not financially sustainable to guarantee their future viability as funding is insufficient to cover the costs in some of the MNS, alongside declining birth rate.
- 2.3 approve Croydon's new operating model for its MNS, which is for each MNS to establish, at least, a 'soft' federation - formally collaborate - with the governing body of a primary school, special school, or academy trust through a Service Level Agreement (SLA). This is in line with Model – Aii – referred to in the MNS review at Appendix 1.
- 2.4 note that three of Croydon's MNS – Thornton Heath, Tunstall, and Purley – are already linked successfully to a primary school via an SLA or a federation and have a balanced budget.
- 2.5 note that the other two MNS – Federation of Crosfield and Selhurst – are not linked to a primary school and have a deficit budget.
- 2.6 strongly recommend that the Governing Body of the Federation of Crosfield and Selhurst Nursery Schools accept and support Croydon's new operating model for MNS and start the process immediately to establish a 'soft' federation with a primary school, special school, or academy trust through a Service Level Agreement (SLA), by January 2025.
- 2.7 authorise officers to work with Crosfield and Selhurst (Federation) Nursery schools to broker and identify a suitable primary school, special school or academy trust to create a 'soft' federation through an agreed Service Level Agreement. If the Federation of Crosfield and Selhurst, does not respond positively, robustly, or rapidly to the recommendation by the Council and the requirement to achieve a balanced budget by the 2025/26 financial year then the Council could intervene by issuing a warning notice to the governing body and appoint an Interim Executive Board (IEB) on the grounds of poor financial management.
- 2.8 As a consequence of recommendations 2.6 and 2.7, confirm that, if the MNS follow these proposal the need to reduce the number of Maintained Nursery Schools in Croydon through closures or mergers, will not be pursued, at this stage.

3. REASONS FOR RECOMMENDATION

- 3.1 To set the strategic direction for early years provision, including MNS in Croydon, alongside the delivery of Best Start: 0–5-year-old and Family Hubs.
- 3.2 The budget deficit of some of the MNS provision will continue to increase, or not decrease at a fast enough pace, if we do nothing, and the Council could inherit the debt, which would be at a cost to the local tax payer, through the general fund.

- 3.3 The new recommended operating model would be mutually beneficial for both MNS and the primary school, special school, or academy trust because of the potential to broaden opportunities and contribute to efficiencies.
- 3.4 A 'soft' federation is likely to deliver early benefits and can create cost efficiencies. This is a more fit-for-purpose operating model – one that is better able to secure the future of MNS and can be adapted from a 'soft' to 'hard' federation to suit local needs.
- 3.5 Some local authorities across London have closed or federated their MNS, for example, Southwark has closed one of their MNS; and Sutton has federated their MNS with an Infant school and Lambeth Maintained Nursery Schools are within the 'Lambeth Nursery Schools Federation'
- 3.6 The new recommended operating model would involve:
- Retaining existing structural arrangements for 3 MNS, Thornton Heath, Tunstall and Purley, that are already linked to a primary school.
 - the remaining 2 MNS, Crosfield and Selhurst, establishing a 'soft' federation – formally collaborating with a suitable primary school, special school, or academy trust through a Service Level Agreement
 - Embedding, maintaining, and strengthening of specialist SEN provision within all MNS and working with the Council to implement streamlined placement and funding processes.
 - All MNS would be required to produce robust and realistic balanced budgets for 2024/25 onwards.
 - Deficit budget schools to produce and implement recovery plans for historic deficits.
 - May involve individual school plans for immediate implementation of expenditure reduction and/or income growth to ensure financial viability sustained.
- 3.7 A 'soft' federation, (also known as a collaboration) is non-statutory. It is where two or more maintained schools formally collaborate (such as through joint committees and joint board meetings) but do not form a single governing board. However, they can arrange for any of their functions to be carried out jointly, such as through joint committees and joint board meetings.
- 3.8 MNS that are linked with a primary school can work collaboratively to maximise financial benefits and achieve economies of scale. The individual schools' name, character, and ethos remain unchanged. The MNS would maintain their own delegated budget but are able to explore the advantages of sharing resources including facilities, and procurement.
- 3.9 The strong recommendation for two of the MNS to establish a 'soft' federation with a primary school, special school or academy trust will not include any substantive changes or disruption to the way that early education and childcare is delivered to parents/carers by the MNS. Although the review (at Appendix 1) is predicated on the dissolution of the statutory federation of Crosfield and Selhurst prior to forming a 'soft' federation with another school, that in fact is neither necessary nor recommended.

The MNS will continue to deliver flexible childcare for privately funded and free entitlement funded places.

- 3.10 MNS play a part in ensuring the Council meets its statutory duty for sufficiency of early years provision across the borough. The Council remains committed to deliver funded early years provision that evidence value for money.

4 BACKGROUND AND PROPOSALS

- 4.1 This report follows on from two previous reports considered by Cabinet on 28 June 2023 and 6 December 2023 which form part of the background to this matter.
- 4.2 In March 2023, the Chancellor announced a significant expansion of the free early education entitlements offer. Implementation will be extended in phases: from April 2024, 15 hours free childcare introduced for working parents of two-year-olds from April 2024, and from September 2025, all eligible working parents of children aged nine months and over will be entitled to 30 hours free childcare per week up until their child starts school. Wraparound care, between 8am and 6pm, is also expanding for primary-school aged children. Government has provided additional funding for local authorities, and increased funding rates for early years providers to support the delivery of the expanded childcare offer.
- 4.3 Between 19 September and 17 October 2023, the Council sought views on a proposal to reduce the number of Maintained Nursery Schools in Croydon through closures or mergers, to make the schools financially sustainable. Having considered an evaluation of the outcome of that informal consultation, at the Cabinet meeting on 6 December 2023, the Executive Mayor requested that officers explore and carry out more detailed modelling of other options suggested as part of the consultation process, to determine if any of these are feasible and will make MNS financially viable. Noting, if after further exploration a sustainable model is not achievable there would be a requirement to return to the proposal within the informal consultation.
- 4.4 The ensuing review report (attached at Appendix 1) sets out the four shortlisted models explored and considered, namely:
- Model Ai – Maintaining 5 x MNS, via rapid implementation of viable financial arrangements whilst maintaining existing structural arrangements. This model is preferred by all of Croydon’s MNS but is not recommended.
 - Model Aii - Maintaining 5 x MNS, via rapid implementation of viable financial arrangements by attaching each MNS to a primary school, special school or academy. **This is the model recommended by officers with the qualification that** the Governing Body of the Federation of Crosfield and Selhurst Nursery Schools start the process immediately to establish a ‘soft’ federation with a primary school, special school, or academy trust through a Service Level Agreement (SLA), by January 2025. As noted at 3.9 above, Crosfield and Selhurst can do this without dissolving their statutory federation.

- Model B – Retain 5 x MNS and creation of one Maintained Nursery Federation. This was the least preferred option.
- Model C – Reduce the number of MNS via closure or amalgamation. This was the original option that was consulted on but the Executive Mayor is requested to confirm that it should no longer be pursued provided that Model Aii (as described above) is implemented.

- 4.5 Three of the five MNS are already linked with a primary school. As a result of the current financial challenges facing the other two MNS – Crosfield and Selhurst – it is proposed that the Council strongly recommend that the governing body of those schools create, at least, a ‘soft’ federation with a primary school, special school, or academy trust to help improve their financial viability.
- 4.6 Before the review, the majority of the MNS had a rising accrued deficit despite having a recovery plan to reduce ongoing costs and set a balanced budget. Since the review, the overall budget deficit position has been reduced, with 3 (of 5) MNS reporting a provisional cumulative surplus for 2023/24, compared to 1 school in 2022/23. These 3 schools are linked with a primary school or academy trust.
- 4.7 Croydon recognises the importance of early years development and education. The quality of provision delivered by the 5 MNS is not in question and that any need for change is financially led. All the MNS are now Ofsted graded Good or Outstanding. Currently there is diverse and sufficient supply of early education and childcare provision across the borough to meet demand. Considering the government’s extended childcare offer, the Council has been undertaking assessment of supply and demand to ensure that there is enough available early years provision to meet the demand of local residents.

5. Rationale for recommending a ‘soft’ federation.

- 5.1 A key reason for proposing that the Council strongly recommend that governing bodies establish (at least) a ‘soft’ federation with a primary school, special school or academy trust, is the need to maintain and protect the quality and existence of MNS in the local community.
- 5.2 Listed below are findings of Primary Schools & Federation of Nursery Schools working together under Soft Federation in Southwark:
- a) Sharing resources to ensure budgets stretch further
 - b) Raised educational standards
 - c) Greater staff development opportunities
 - d) Stronger leadership
 - e) More fun.

5.3 Why do schools federate?

- 5.3.1 Schools federate for a number of reasons, but in most cases governing bodies enter federation to secure their long-term viability and financial sustainability through collaborative working. Budget efficiencies are also an important factor and motivation for federation.
- 5.3.2 The geographical proximity of schools is an important consideration when governing bodies and primary schools are considering federation. Federated arrangements can enable children at MNS to have a smoother transfer to the primary school that is part of the federation.
- 5.3.3 Staff would be employed on the same conditions of service as now and by the same employer under the contract of employment unless there is a restructure. For community, community special schools and maintained nursery schools, the Council is the employer under the contract of employment although the governing body of the federation retains responsibility for certain staffing functions.

6. ALTERNATIVE OPTIONS

- 6.1 Reprovision of one MNS into Early Years SEND setting.
- 6.2 This would not address the historical deficit and support inclusion.
- 6.3 However, if the Federation of Crosfield and Selhurst, does not respond positively, robustly, or rapidly to the recommendation by the Council and the requirement to achieve a balanced budget by the 2025/26 financial year then the Council could intervene by issuing a warning notice to the governing body and appoint an Interim Executive Board (IEB) on the grounds of poor financial management.

7. CONSULTATION

- 7.1 Between January and March 2024, review meetings were held with senior leaders for each MNS setting, collectively as a group, and with their governing body. This was to explore and carry out more detailed modelling of other options suggested as part of the informal consultation, to determine if any of the options are feasible and will make MNS financially viable.
- 7.2 The full outcome and evaluation of the informal consultation was appended to the Cabinet report of and
- 7.3 Between 19 September and 17 October 2023, the
- 7.4 Council sought views on a proposal to reduce the number of Maintained Nursery Schools in Croydon through closures or mergers, to make the schools financially sustainable. The full outcome and evaluation of the informal consultation was reported to and considered at the Cabinet meeting on 6 December 2023 and is now in the public domain.

8. CONTRIBUTION TO THE EXECUTIVE MAYOR'S BUSINESS PLAN

- 8.1 Become a Council which listens to, respects, and works in partnership with Croydon's diverse communities and businesses.
- 8.2 Ensure children and young people have opportunities to learn, develop and fulfil their potential.

9. IMPLICATIONS

9.1 Financial Implications

- 9.1.1 Maintained Nursery Schools are funded via the government's Dedicated Schools Grant.
- 9.1.2 MNS and primary schools could benefit from economies of scale by collaborating with each other more closely. There are benefits to sharing specialist staff, for example, Special Educational Needs and Disabilities Coordinator (SENCO), Business Manager, bursar, HR and caretaker across the MNS and a primary school.
- 9.1.3 Crosfield, Purley and Selhurst MNS have been given an additional one-off funding totalling £68,246 via the DfE School budget deficit 'hardship' funding which has reduced their deficit.
- 9.1.4 The 2023 Spring Budget announced additional funding for the existing early years entitlements for disadvantaged 2-year-old children and 3 and 4-year-old children for the 2023 to 2024 and 2024 to 2025 financial years.
- 9.1.5 Although MNS are early education providers, they are legally constituted as schools. Like other maintained schools, they have a head teacher, governing body, delegated budget and at least one teacher with qualified teacher status (QTS). Staffing costs are high for MNS with all 5 spending over 50% of their budget on staffing alone. In recognition of these extra costs, the Department for Education (DfE) provides supplementary funding for MNSs within the early years block of local authorities' dedicated schools grant allocations.
- 9.1.6 Three of the MNS are currently in an overall surplus financial position, with two in an overall deficit position. The recommendations in this report aim to improve the financial sustainability of the MNS. If a MNS was closed in a deficit position, the deficit would be required to be funded by the Council's general fund. Therefore it is imperative to bring all MNS back into a surplus financial position to ensure Best Value for the Council tax payers of Croydon.

Comments approved by: Allister Bannin, Director of Finance (Deputy s151),
07/06/2024.

9.2 Legal Implications

- 9.2.1 The financial imperative for MNS to be financially viable in order to mitigate, if not eliminate, any adverse impact on the Council's general fund is rooted in the Council's general obligation to demonstrate value for money and financial prudence, and to act in the best interests of tax payers, when exercising its functions.

- 9.2.2 The main proposal in this report is that the Executive Mayor strongly recommends that the Governing Body of the Federation of Crosfield and Selhurst Nursery Schools accept and support Croydon's new operating model for MNS and start the process immediately to establish a 'soft' federation with a primary school, special school, or academy trust through a Service Level Agreement (SLA), by January 2025.
- 9.2.3 This report explains the differences between a 'hard' or statutory federation and a 'soft' federation. The key distinction is that a soft federation of schools is a form of collaboration that does not result in a single governing body. Ultimately, the decision to collaborate or formally federate (resulting in a single governing body) is a matter for the relevant governing bodies. In other words, the Council as local education authority, cannot require MNS to collaborate or federate.
- 9.2.4 Section 24 of the Education Act 2002 and The School Governance (Federations) (England) Regulations 2012 set out the procedures for a hard federation.
- 9.2.5 Legal provision is also made for two or more governing bodies to arrange for any of their functions to be discharged jointly even though they have not formed a single governing body. Namely, section 26 of the Education Act 2002 and the School Governance (Collaboration) (England) Regulations 2003.

Comments approved by Looqman Desai, Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer on 14.06.24.

9.3 Equalities Implications

- 9.3.1 The Council has a statutory duty, when exercising its functions, to comply with section 149 of the Equality Act 2010. The Council must, in the performance of its functions, therefore, have due regard to the need to:
- a. eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 9.3.2 An equality impact assessment has been carried out (see Appendix 1E) which has identified a positive impact across characteristics. It also identified that males and other genders are underrepresented in the early years workforce. The department will mitigate against this by identifying ways to increase representation in the workforce.

Comments approved by Ken Orlukwu, Senior Equalities Officer, on behalf of Helen Reeves, Head of Strategy & Policy on 04/06/2024.

9.4 Human Resources impact

- 9.4.1 The federation of the two MNS may have staffing implications. Any implications that may have effect on direct staffing will be managed in accordance with relevant human resources policies and procedures. It will be important to ensure there is meaningful

engagement and formal consultation (where necessary) with the recognised trade unions and staff to manage this change effectively.

Approved by: Debbie Calliste, Head of HR for Children, Young People and Education on behalf of the Chief People Officer of Human Resources

10 APPENDICES

10.1 Appendix 1 – MNS Review-Final Report- April2024 (FINAL) with appendices:

Appendix A: Overview of Croydon LA Maintained Nursery Schools (March 2024)

Appendix B: SWOT analysis and modelling of shortlisted models

Appendix C: Financial analysis 2023/24 (**PART B – Confidential**)

Appendix D: Federation of Crosfield and Selhurst Nursery Schools and Children's Centre Future Sustainability Plan (March 2024) (**PART B – Confidential**)

Appendix E: Equalities Impact Assessment (March 2024)

Appendix F: Review Participants

BACKGROUND DOCUMENTS

None.