

LA MAINTAINED NURSERY SCHOOL REVIEW FINAL REPORT APRIL 2024

I. INTRODUCTION

During Summer 2023, Croydon LA officers made proposals to transform and implement a new model for the borough's Maintained Nursery Schools (MNS) which ensures that the Council meets its statutory duty to provide sufficient early years provision and is financially sustainable. This was in the context that, at the time, the majority (4 of 5) of MNS were in a budget deficit position.

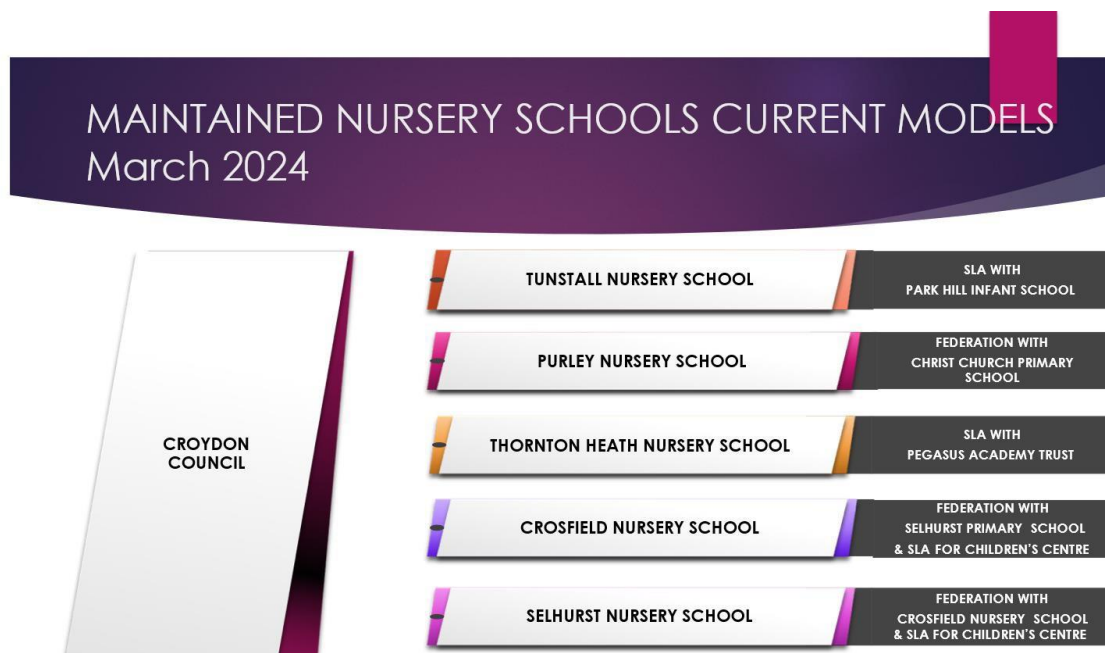
This original proposal was for Croydon Council to consult on a proposal to reduce the number of its Maintained Nursery Schools (MNS) via closure or amalgamation following an agreement by the Executive Mayor in Cabinet.

In response to the informal consultation to the proposals held from 19 September 2023 to 17 October 2023, and subsequent Cabinet Report dated 6th 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. This is to be done in collaboration with the MNS within the next 3 months (i.e. first 3 months of 2024. (Noting that other options may also develop through this process). If no financially viable option is found/agreed, the Council may revert to the original proposal.

A review involving all five MNS and LA lead early years officers took place from January to March 2024, with the view to identifying preferred model/s which are financially sustainable (i.e. all MNS achieve balanced budgets and deficits are cleared) and provide high-quality early years provision to Croydon residents.

This final report provides a summary of the review, information on the current financial positions of the MNS and rationale for the preferred models.

Table 1: Current structural models



2. EXECUTIVE SUMMARY

- 2.1 All five MNS are graded good or outstanding by Ofsted, providing high-quality, inclusive and accessible early years education provision to local children and families.
- 2.2 Since the initial MNS proposal and consultation undertaken in 2023, the overall budget deficit position has reduced by £175k, with 3 (of 5) schools reporting a provisional cumulative surplus for 2023/24, compared to 1 school in 2022/23. These 3 schools are attached to a primary school or academy trust.
- 2.3 Two MNS (federation) remain in deficit, one of which has reduced its deficit whilst the other has reduced its in year deficit position against budget but increased overall. These schools have produced a strategy for immediate implementation to deliver balanced budgets in 2024/25 and deficit recovery plan.
- 2.4 The Childcare Reforms announced in 2023 provides opportunities for expanding provision to meet local needs and increasing income. Whilst there are already signs of increased demand for early years provision, it is difficult

to accurately predict the level of long-term additional demand. A proportion of demand will move from 'paid' (by families) to 'funded' provision.

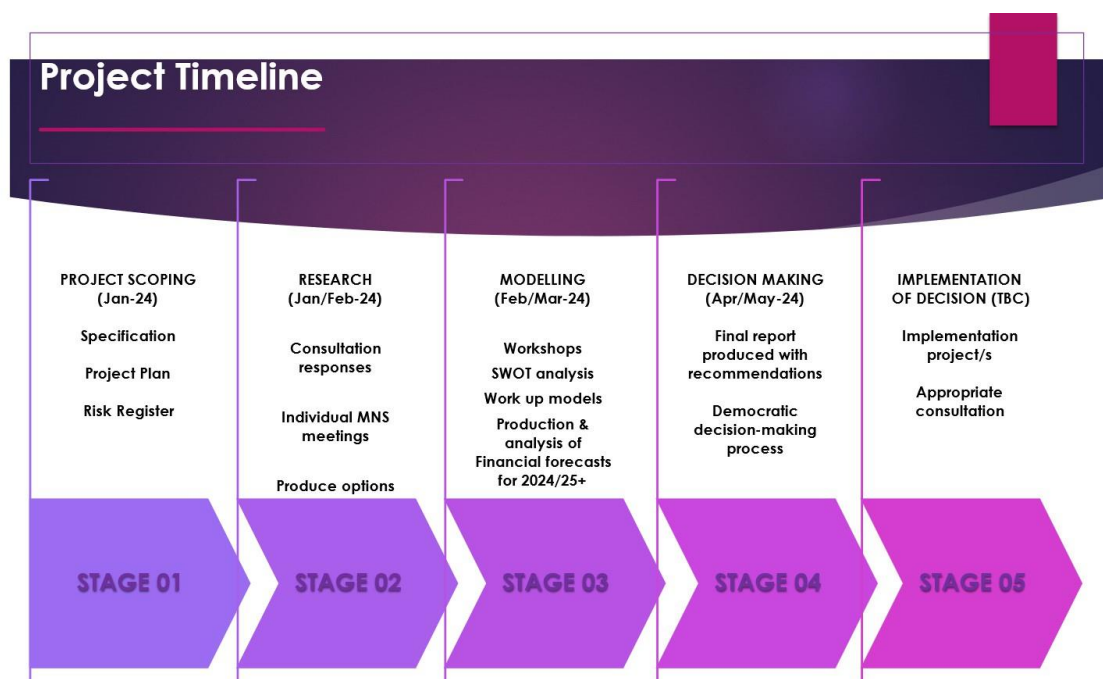
- 2.5 Funding rates have increased, and will increase further, which goes some way to address long-standing under-funding challenges in the sector.
- 2.6 Following a presentation of the Federation of Crosfield & Selhurst sustainability plan to the other MNS Chairs of Governors, the MNS all agreed that their preferred model is: Maintaining 5 x MNS, via rapid implementation of viable financial arrangements whilst maintaining existing structural arrangements. The Federation has requested an agreed period (e.g. 12-18 months) to deliver its strategy and evidence viable financial service models, prior to any other model being implemented.
- 2.7 LA Education Officers prefer a variation of the above model: Maintaining 5 x MNS, via rapid implementation of viable financial arrangements by attaching each MNS to a primary school, special school or academy trust. This would involve dissolving the current federation of Crosfield and Selhurst Nursery Schools and attaching each school to a suitable local primary school or trust. It would be for the primary school/trust leadership to determine any service delivery model and/or structural changes required to rapidly achieve financial viability. The three other MNS would remain within their existing arrangements with local schools/trust. This preference is based upon current available financial information and that the three MNS attached to a school/trust have proven financially viable in 2023/24.
- 2.8 Both of the preferred options would maintain the current level of local provision, provide opportunities to evolve to meet local needs, including those arising from the Childcare Reforms, and have potential to sustain financial viability. However, both options also present risks as the first is based upon the successful delivery of an unproven strategy and the second is likely to require some structural reorganisation, with associated costs and disruption.

3. PROJECT METHODOLOGY

- 3.1 A project manager was appointed by the LA at the beginning of January 2024.
- 3.2 A project specification and project plan, including risk register and action log, were produced and agreed by all participants - 5 x LA maintained nursery schools plus LA Officers from Education (Early Years).
- 3.3 A suggestion was made by a MNS for the inclusion of a third-party early years organisation in the review. Full agreement on this was not reached and

therefore not pursued, although it was acknowledged that individual MNS could seek assistance and advice from relevant organisations and key partners.

Table 2: Project timeline



3.4 To date, stages 1 to 3 of the above timeline have been completed. This included unanimous agreement by project participants that the following assumptions must be incorporated within model development, decision making and implementation:

- The quality of provision delivered by the 5 MNS is not in question and that any need for change is financially led. At the time of writing all the MNS are Ofsted graded Good or Outstanding.
- All MNS have an important role in delivering high-quality and inclusive provision to meet the needs of children and families within local communities, including appropriate response to the Childcare Reform (refer Section 4).
- Rather than creating 'stand-alone' SEN provision at one or more MNS, the preference is to embed, maintain and strengthen specialist SEN provision within all MNS. It was recognised that there is scope and opportunity to work together to streamline and improve SEN placement and financial arrangements. All project participants are committed to this.
- Appropriate consideration for wider delivery of services by MNS, including Children's Centres.

- 3.5 Further to analysis of consultation responses, individual school meetings and initial workshops, there was agreement on 4 'short-listed' models (Section 6) for further development.
- 3.6 Subsequent workshops (3), including one dedicated workshop for Governors, have completed a MNS Overview (Appendix A), SWOT analysis for each model and undertaken high level modelling (Appendix B).
- 3.7 As per LA school finance procedures, every LA maintained school is required to submit an initial draft budget for the new financial year by the 31st March annually. This is followed up by the confirmed budget and licenced deficit request by the 1st May annually. Each MNS has submitted their draft budgets for 2024/25 financial year, which have been used in the financial analysis (Section 5) and each MNS forecasts an in-year surplus for 2024/25.
- 3.8 Meetings with the three schools reporting a budget deficit as at Q3 of the 2023/24 financial year were conducted during March 2024. These meetings reviewed the current year financial positions, examined the robustness of draft budgets for the next financial year and the schools' proposals for deficit reduction.
- 3.9 The final meeting (27th March 2024) for Chairs of Governing Bodies discussed the deficit schools' recovery plans, and the 4 short-listed models and preferences.
- 3.10 Whilst historic financial school level information is publicly available following year-end accounting close-down, availability of current detailed financial performance information for LA maintained schools is restricted to the school, LA and DfE. Some of the schools did not agree to the sharing of current financial information as part of this review with wider review participants, although it was shared with the Project Manager and LA Officers. LA Officers have therefore undertaken appropriate analysis and make judgements on viability and robustness of financial forecasts to inform their preferred model. This information is in Appendix C (marked 'Sensitive') and is not for sharing beyond relevant LA decision makers.
- 3.11 This Review Report has been shared with all MNS for fact checking and comment ahead of finalisation. Appendix C has not been shared with the MNS for comment as per reasons stated in 3.9

4. CHILDCARE REFORMS

- 4.1 During Spring 2023 the Government announced and commenced implementation of Childcare Reforms. This is already having some positive impact on funding and there is potential for an increased demand for services from April 2024.
- 4.2 Headlines:
- 15 hours free childcare introduced for working parents of two-year-olds from April 2024
 - 15 hours free childcare for working parents of children from nine months old from September 2024
 - 30 hours free childcare for all working parents of children under-5 from September 2025
 - Greater flexibility for childcare providers in how they can operate, including minimum staff level to child ratios
 - All schools able to offer wrap around (breakfast and after school) provision (8am to 6pm) for its primary aged pupils either on their own or in partnership from September 2026
- 4.3 These reforms apply to the breadth of early years providers, including PVI's, childminders, nannies/au pairs, schools and maintained nursery schools.
- 4.4 It is difficult to accurately forecast the impact that the changes will have on demand for services at individual providers and/or types of providers. However, MNS will need to adapt and be flexible to meeting changing demands and needs arising from the reforms whilst ensuring financial viability.

Case Study: Wrap around provision

Purley Maintained Nursery School is federated with Christ Church Primary School. The schools are located about 0.2 miles (less than 5-minute walk) from one another. This close geographical proximity enables sharing of facilities and resources, plus easy access to both school sites for local families.

Purley MNS provides wrap around (breakfast and after school) and school holiday provision predominantly for pupils attending Christ Church Primary School. Facilities at both schools are utilised for this provision.

In 2023/24 Purley MNS generated c£185k of self-generated income, most of which came from wrap around provision.

The successful growth in this provision has significantly contributed to the school moving from a deficit to surplus budget position.

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4.5 Data from 2022/23 suggests that there is scope for accommodating some growth in demand for places by the sector in Croydon arising from the reforms:

- The average number of places used in the financial year 22/23 was 9,304
- Total number of places available: 10,165
- Surplus of places available: 861

Data source: Croydon Childcare Sufficiency Assessment 2022

4.6 The DfE has provided data on the predicted number of additional places required in Croydon. The prediction is that there will be a need of 1500 places required for April 2024, which was based upon DfE held data as of June 2023. The current surplus of places sits at 861 which means there could be excess demand for 639 places from April 2024. However, it is unlikely that this figure of 1500 represents 'new' places. It is expected that many 'paid places' will transfer to 'funded places.' It is unlikely that demand will be required immediately for new additional places as parents and carers move into work.

4.7 Our MNS currently provide c600 part-time places to 2, 3 and 4-year-olds, equating to approximately 6% of the total places available. If an increase in demand was proportional, this would equate to growth of c90 funded places.

4.8 The proportion of eligible 2-year olds taking up places in Croydon is low compared to national and regional averages. An increase in take up to bring Croydon in line with the London average would equate to approximately 120 additional places.

Table 3: 2-year-old funded places

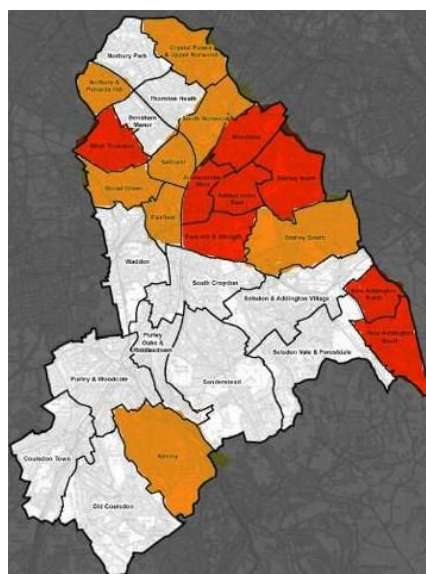
Year	No of 2YOs eligible for funding - Croydon	No. of funded 2YOs - Croydon	% of all eligible 2YOs - Croydon	% of all eligible 2YOs - Nationally	% of all eligible 2YOs - London
2023	1549	890	57.5%	73.9%	65.2%
2022	1410	903	64%	72%	72%
2021	1825	803	44%	62%	50%
2020	2069	1014	49%	69%	59%

4.9 Recent local analysis of demand for early years places by September 2025 is predicting significant demand for additional places in the north and east of the borough.

Map 1: Geographical demand for places: Sept 2025

By September 2025, we have identified

- Wards in need (insufficient places in ward and/or in neighbouring wards)
 - Addiscombe East / Addiscombe West / Shirley North / New Addington North / New Addington South / Park Hill / Highgate West Thornton / Woodside
- Wards in need (limited places in ward and/or in neighbouring wards)
 - Wood Green / Crystal Palace / Upper Norwood / Airfield / Kenley / Norbury / Oldlands Hill / Selhurst / Shirley South / South Norwood



4.10 In summary, local and national (DfE) analysis of future demand for places suggest that implementation of the Childcare Reforms will result in the need for some additional childcare places in Croydon, as well as a move from 'paid' to 'funded' places.

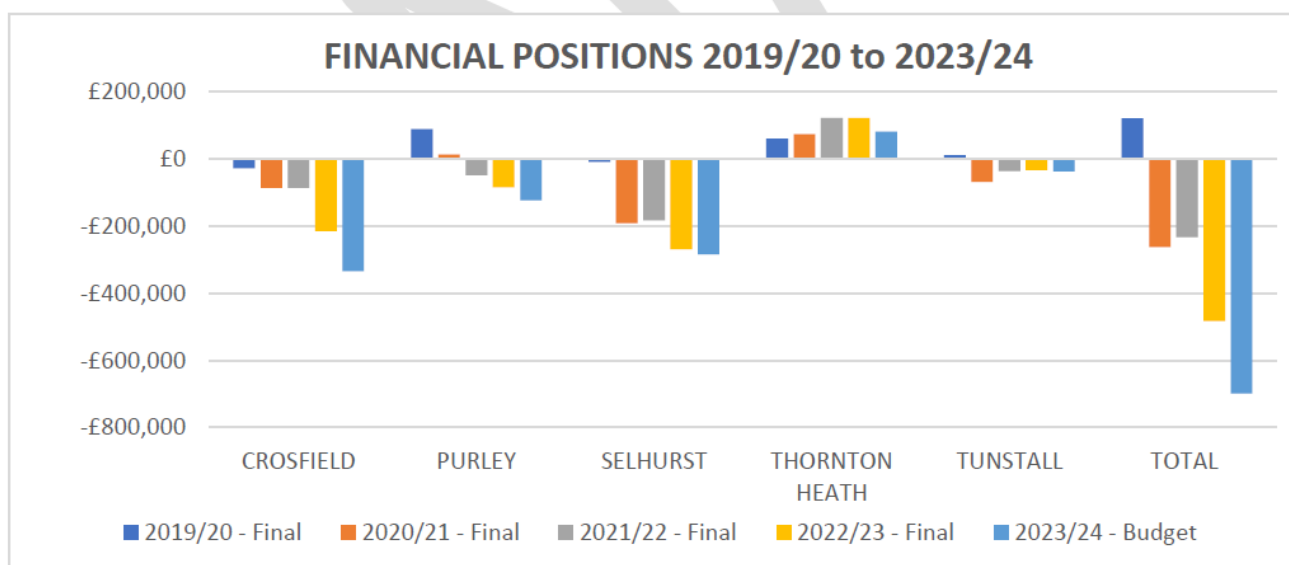
5. FINANCIAL POSITION

5.1 The initial need for transformation was a financial one and therefore the past, present and future financial positions of the MNS are integral to this review.

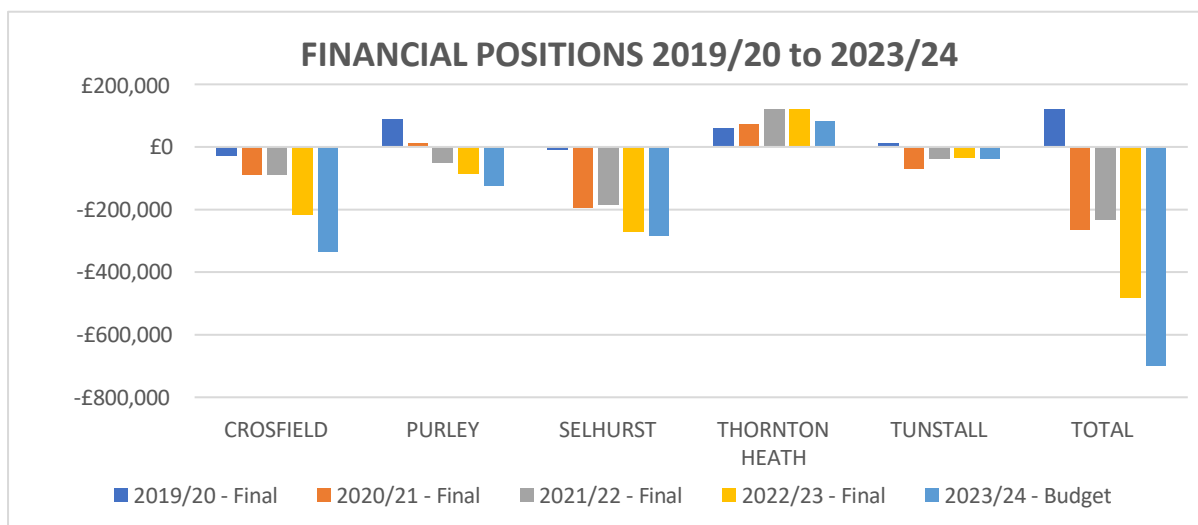
Historical financial positions

- 5.2 When proposals were made in Spring 2023, 4 of the 5 MNS were in a budget deficit position, with an overall 2022/23 year-end deficit position of -£483K. The initial 2023-24 budgets were forecasting an overall increase of the deficit to -£699k.
- 5.3 Low funding rates, combined with fixed minimum pupil: staff ratios and increasing pupil needs, have meant long-standing financial challenges for the early years sector.

Graph 1: Historic financial positions



Graph 1: Historic financial positions



Financial support

- 5.4 Crosfield, Purley and Selhurst MNS have been given (Q4-2023/24) additional one-off funding totalling £68,246 via the DfE School budget deficit ‘hardship’ funding.
- 5.5 The following financial procedures and support have been provided in the last 3 years to schools in a budget deficit position:

- a) All deficit schools are subject to schools in budget deficit procedures as soon as they apply for a licensed school budget deficit. This involves; submission and scrutiny of monthly budget forecast positions (quarterly for non-deficit schools), termly support and challenge meetings with LA Education and Finance Officers plus ad-hoc support.
- b) The LA commissioned and funded an external financial review of the two MNS with the largest deficits in spring 2023 which produced a report making recommendations for actions for the schools to take to achieve financial viability.
- c) Two MNS have received support from DfE School Resource Management Adviser (SRMA) programme. The programme supports schools to ensure that they are making best use of available resource to provide outstanding education to pupils. This identified areas of high expenditure and potential areas for efficiencies. This was funded by the DfE.

Funding rates

- 5.6 Increases in funding rates for the early years sector have been announced and implementation of the increase has commenced as described in Table 5.

Table 4: Funding rates

Type	2022-23	2023-24 Apr - Aug	2023-24 Sep - Apr	2024-25
2-year-olds (per hour)	£6.03	£6.63	£9.63	Working parent: £9.46 Disadvantaged: £9.76
3- & 4-year-olds (per hour)	£5.08	£5.44	£5.99	£6.32
MNS funding (Total funding)	£452,307	£614,632		£751,625
Teachers Pay Additional Grant (Total funding)	N/A	£110,000		£100,000

- 5.7 The MNS (Supplementary) funding was introduced by the DfE in 2017-18. The supplementary funding is calculated at an annual rate x per pupil hour.

In 2017-18 the decision in Croydon was to distribute this funding equally across the five retained MNS with a single term payment for Summer 2017 paid to Coulsdon Nursery school as part of their transition to provision at Chipstead Valley Primary School.

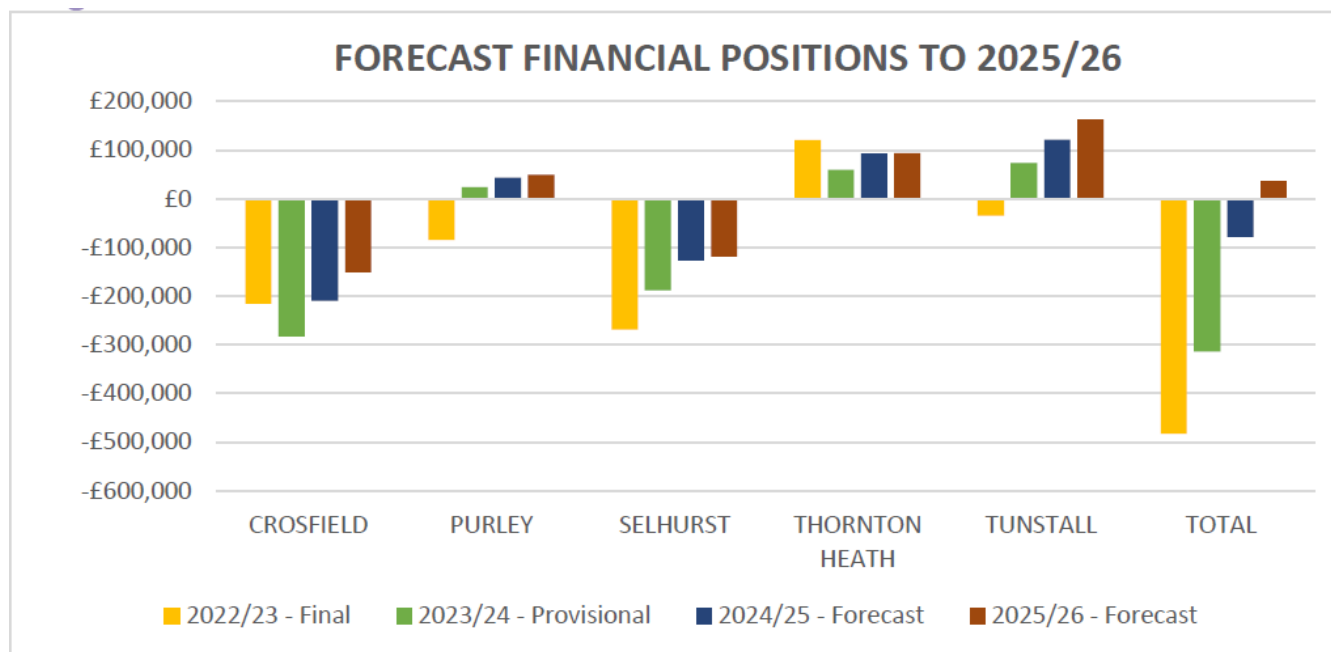
Since 2018-19, Croydon's MNS (supplementary) funding allocations have been based upon pupil hour methodology, which is in line with how the DfE calculates the funding allocation to the borough.

Funding methodology decisions, in adherence with relevant DfE policy, are made by the School Forum (SF), having first been discussed at the SF Early Years Working Group. The initial decision to apply pupil-based methodology was made in 2018-19 and reviewed annually since.

Current financial positions and forecasts

- 5.8 The overall provisional 2023-24 year end position is an improvement on both 2022-23 final and the original 2023-24 budget positions at -£308k, with 3 MNS reporting a (provisional) cumulative surplus year end position.
- 5.9 All MNS have submitted draft in-year balanced budgets for 2024/25.
- 5.10 Provisional budgets for 2024-25 forecast a further reduction in the overall deficit to -£72k and moving into overall surplus position in 2025/26.
- 5.11 The LA has undertaken analysis of 2023/24 expenditure across the 5 MNS to identify outliers and areas for potential efficiencies (Appendix C - Sensitive).
- 5.12 Two MNS, Selhurst and Crosfield, remain in deficit but are forecasting improved positions over the next three years. The federation has produced a strategy for immediate implementation (Appendix D) responding to the Childcare Reforms and their specific circumstances, to deliver an in-year balanced budget from 2024/25 and deficit recovery over subsequent years.
- 5.13 Review participants all acknowledged the high level and quality of research, thought and planning that has been invested by the federation in developing their strategy.

Graph 2: Forecast budget positions to 2025/26

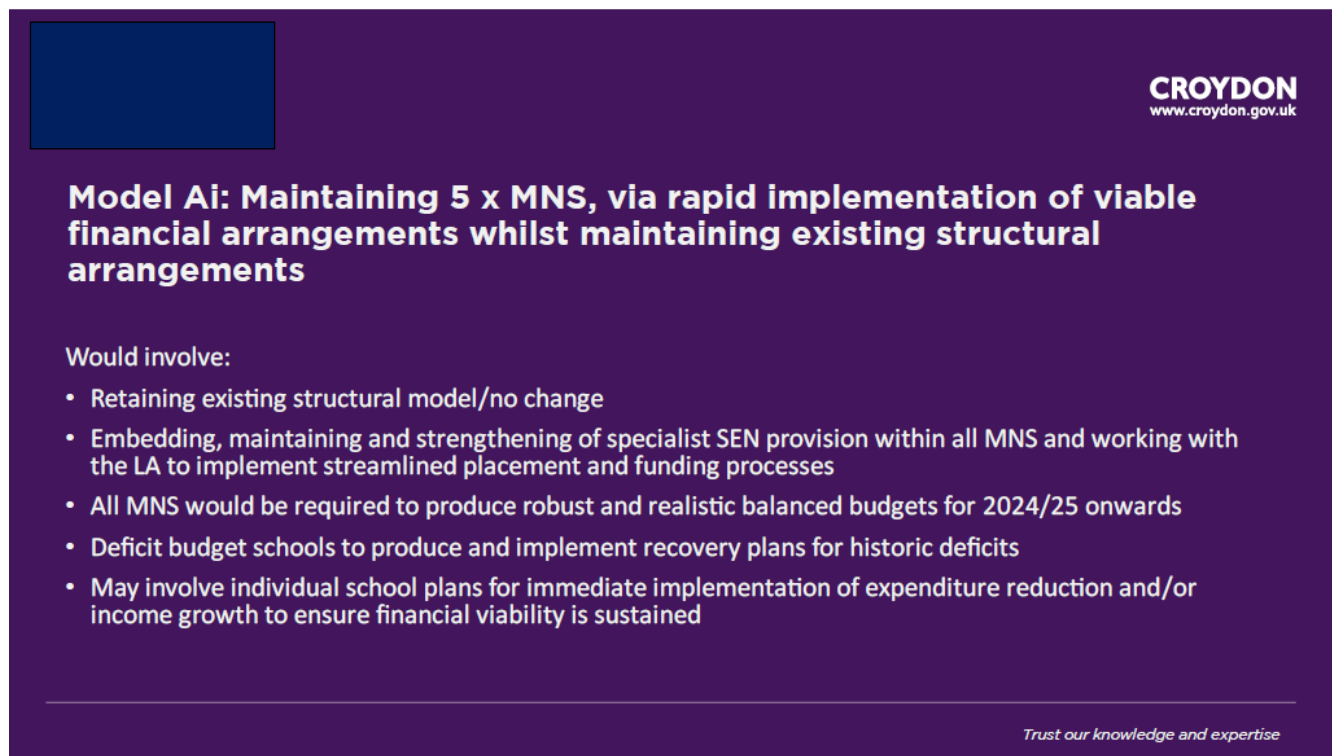


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6. MODELS

6.1 Four shortlisted models were explored and considered. The SWOT analysis for these models can be found in Appendix B. A summary of each model, plus identification of preferred options, is as follows:

6.2



Model Ai: Maintaining 5 x MNS, via rapid implementation of viable financial arrangements whilst maintaining existing structural arrangements

Would involve:

- Retaining existing structural model/no change
- Embedding, maintaining and strengthening of specialist SEN provision within all MNS and working with the LA 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 is sustained

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6.2.1 Advantages:


- Stability for children, families, staff and local communities by maintaining the current level of accessible and inclusive provision
- Opportunity to reduce/eliminate deficit budgets
- Provides capacity to meet demand arising from Childcare Reforms

6.2.2 Disadvantages:

- Deficit recovery strategies may prove unsuccessful resulting in an increase in budget deficits/unviable model

6.2.3 ***This model is the preferred model of all the maintained nursery schools as it provides stability and the opportunity for deficit schools to implement their strategies to achieve financial sustainability within an agreed timescale. Refer to Appendix D for the deficit schools' strategy to achieve this.***

6.3



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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 trust

Would involve:

- Retaining existing structural arrangements for 3 x MNS
- Adoption of relevant statutory requirements and/or DfE guidance, including consultation
- Dissolution of the Federation between Crosfield and Selhurst Nursery Schools, attaching each to a suitable primary school, special school or academy trust
- Embedding, maintaining and strengthening of specialist SEN provision within all MNS and working with the LA 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 is sustained

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6.3.1 Advantages:

- Stability for children, families and local communities by maintaining the current level of accessible and inclusive provision
- Opportunity to reduce/eliminate deficit budgets
- Provides capacity to meet demand arising from Childcare Reforms
- This model has proved successful for three MNS
- Potential to use surplus capacity in local school/s for shared site and staffing arrangements
- Any vacated building/s could be used to support the development of the community-based resource centres or specialist education provision.

6.3.2 Disadvantages:

- Risk of inability to reach agreement with suitable local school/s
- Potential re-location disruption and associated costs
- Possible staffing reorganisation and associated costs

6.3.3 ***This is the preferred model of LA Education Officers as it provides stability for local children and families and builds upon models which have proven successful in 2023/24.***

Model B: Retain 5 x MNS and creation of one Maintained Nursery Federation

Would involve:

- Dissolution of existing arrangements and creation of one MNS federation for all of Croydon's MNS, e.g. centralised leadership and back-office arrangements
- Adoption of relevant statutory requirements and/or DfE guidance, including consultation
- Embedding, maintaining and strengthening of specialist SEN provision within all MNS and working with the LA 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 is sustained

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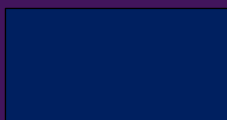
6.4.1 Advantages:

- Stability for children, families and local communities by maintaining the current level of accessible and inclusive provision
- Provides capacity to meet demand arising from Childcare Reforms
- Economies of scale achieved via one, combined leadership and management structure, contracting and staffing arrangements
- Single vision, strategy, policies and processes for all of Croydon's maintained nursery schools

6.4.2 Disadvantages:

- Dissolves existing arrangements with local schools/trusts which are working well and are financially viable
- Risks losing income generated because of existing partnerships with primary schools
- Likely staff reorganisation required and associated costs
- Potential loss of local identity and community links

6.4.3 ***This model is not preferred/recommended as it is deemed too high risk to replace successful financial arrangements with a model which is not proven to be financially viable.***



Model C: Reduce the number of MNS by closure or amalgamation

Would involve:

- Closure/amalgamation of one or more MNS
- Adoption of relevant statutory requirements and/or DfE guidance, including consultation
- Remaining MNS to retain or adopt arrangements as per Models A or B
- Embedding, maintaining and strengthening of specialist SEN provision within all remaining MNS and working with the LA 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 is sustained

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6.5.1 Advantages:

- A reduction in the number of MNS would reduce overhead costs and help in developing a sustainable MNS provision
- Resolution to a long-standing viability issue with remaining schools being in budget and sustainable
- Prevents long-term growth in budget deficit
- Any vacated building/s could be used to support the development of community-based resource centres or specialist education provision

6.5.2 Disadvantages:

- Negative impact on local children, families and communities resulting from the loss/reduction in accessible and inclusive provision
- Reduced ability to respond to the Childcare Reforms
- The deficit incurred by the closure of one or more of the MNS would be the responsibility of the Council and likely to put pressure on the general fund
- Redundancy costs and other closure/amalgamation costs will increase the current deficit position

6.5.3 ***This option is not endorsed by the maintained nursery schools as it would have the greatest negative impact on local children, families and communities.***

7. EQUALITIES IMPACT

- 7.1 Any proposed changes are likely to have an impact on service users (including children and families), as well as staff. A draft Equalities Impact Assessment (EqIA) can be found at Appendix E.
- 7.2 The EqIA will be reviewed and updated appropriately as proposals are progressed and decisions are made.

Report Version Date: 10th April 2024

Written by: Julie Ralphs - Project Manager
julie.ralphs2@croydon.gov.uk

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ATTACHMENTS AND SUPPORTING INFORMATION

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 (Sensitive - Financial)

Appendix D: Integration of Crosfield and Selhurst Nursery Schools and Children's Centre Future Sustainability Plan (March 2024)

Appendix E: Draft Equalities Impact Assessment (March 2024)

Appendix F: Review Participants