

**SCHOOL ORGANISATION COMMITTEE OF CABINET MEETING
– 20th MAY 2021**

EXECUTIVE SUMMARY SHEET – PART I

Title of Report: Proposed Closure of Hetton le Hole Nursery School and Childcare Provision

Author(s): Executive Director of Neighbourhoods

Purpose of Report: The purpose of this report is to request a decision on the proposal to discontinue Hetton le Hole Nursery School and the associated childcare provision at Hetton le Hole Nursery School.

Description of Decision: School Organisation Committee of Cabinet is asked to:

Note the responses to the statutory and pre-publication consultations and consider the statutory proposal which is:

To discontinue (close) Hetton le Hole Nursery School, Victoria Street, Hetton le Hole, DH5 9DG and associated provisions from 31st August 2021.

Under the provisions of the relevant legislation, the Authority may approve published proposals with or without modification or may reject them.

The Committee is requested to consider the proposal as detailed above.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

In recent years the Nursery has become financially vulnerable. The Nursery has a deficit budget that has increased each year over the previous five years. The Nursery's financial deficit exceeded £200k at the close of the 2020/21 financial year and, based on current staffing structures combined with projected numbers on roll, the deficit is projected to continue to increase in future years. The Nursery has been subject to falling rolls in recent years which has impacted on the available funding at the setting.

The falling rolls and the statutory requirements relating to staffing ratios, combined with current funding rates and methodology has previously resulted in the Nursery being unable to implement a structure and delivery model that can operate within the financial model required of a maintained nursery school. On that basis it has been identified as unviable as a long-term provision.

To safeguard the wider sufficiency of nursery places in the Hetton Ward, for both current and future cohorts of children, the Council has proposed that Hetton le Hole Nursery and

its separately registered childcare provision are discontinued from 31st August 2021. In addition to the surplus places already available at other early years providers and school nursery classes in the ward, additional alternative places for 2, 3 and 4-year olds (including both 30 hours provision and disadvantaged 2-year-old places) will be offered at Hetton Primary School.

Alternative options to be considered:

- Retain Hetton le Hole as a Local Authority Maintained Nursery Provision
- Amalgamate Hetton le Hole Nursery with another nursery provider
- Federate Hetton le Hole Nursery with Houghton Nursery and Mill Hill Nursery
- Discontinue provision at Hetton le Hole Nursery on August 31st, 2022
- Re-locate Hetton le Hole Nursery School to an alternative site
- Parent/ Carer Proposals

Impacts analysed;

Equality Privacy Sustainability Crime and Disorder

Is the Decision consistent with the Council's co-operative values? Yes

Is this a "Key Decision" as defined in the Constitution? Yes

Is it included in the 28-day Notice of Decisions? Yes

PROPOSED CLOSURE OF HETTON LE HOLE NURSERY SCHOOL AND CHILDCARE PROVISION

REPORT OF THE EXECUTIVE DIRECTOR OF NEIGHBOURHOODS

1. Purpose of the Report

The purpose of this report is to request a decision on the proposal to discontinue Hetton le Hole Nursery School and the associated childcare provision at Hetton le Hole Nursery School.

2. Description of Decision

2.1 School Organisation Committee of Cabinet is asked to:

Note the responses to the statutory and pre-publication consultations and consider the statutory proposal which is:

To discontinue (close) Hetton le Hole Nursery School, Victoria Street, Hetton le Hole, DH5 9DG and associated provisions from 31st August 2021.

Under the provisions of the relevant legislation, the Authority may approve published proposals with or without modification or may reject them.

The Committee is requested to consider the proposal as detailed above.

3. Current Position

3.1 Hetton le Hole Nursery School (the Nursery) is a maintained nursery school, maintained by Sunderland City Council. In addition to its statutory nursery provision for 2 to 5-year olds, Hetton le Hole Nursery delivers a separately registered childcare provision. At its last full Ofsted inspection (March 2015) the Nursery was awarded an overall grade of Good. At the independently registered childcare provision's last full Ofsted inspection (February 2015) that provision was awarded an overall grade of Outstanding.

3.2 Maintained nursery schools, as with nursery classes within maintained schools, are subject to requirements relating to staff and qualification levels that are not required from private nurseries and childminders. However, the funding received by maintained nurseries for pupils is not differentiated from those other providers to support these additional requirements. This has led to some providers in the sector reporting financial difficulties and contributed to the closure of Millfield Community Nursery in 2018.

4. Current Financial Position

4.1 In recent years the Nursery has become financially vulnerable. The Nursery has a deficit budget that has increased each year over the previous five years and is projected to continue to increase in future years. The Nursery's financial deficit exceeded £200k by the close of the 2020/21 financial year.

- 4.2 In March 2021 the Nursery provided the Council with projected financial estimates indicating surplus financial positions will be achieved in 2021/22 and 2022/23. Achievement of this financial outcome is subject to the implementation of a staff restructure that would result in approximately £70k of savings. Further alternative proposals were discussed with the Council in April and May 2021 which, while resulting in lower savings, delivered projected surplus budgets in the period 2021 - 2024.
- 4.3 The Nursery has subsequently communicated to the Council that it will not be seeking to proceed with the restructure identified in the March 2021 budget submission at this time, nor any of the potential alternative restructures proposed in May 2021. The Council has evaluated the impact of the retention of the existing staffing structure on the Nursery's projected financial position and has identified that, based on existing funding rates, supplementary funding and pupil projections, the Nursery will continue to record in year deficits in the years 2021 – 2024. This should be considered when evaluating the Nursery's own financial projections presented in table 4.5.
- 4.4 Regarding the makeup of the Nursery's outgoings, 83-84% of the Nursery's current costs are related to staff salaries and oncosts.
- 4.5 The Nursery has been subject to falling rolls in recent years which has impacted on the available funding at the setting. The table below includes previous year end financial positions. The table also includes the Nursery's own financial projections for 2021/22 and 2022/23.

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
In Year (£)	(26,839)	(34,762)	(1,113)	(35,931)	(22,198)	(63,030)	11,726	30,942
Cumulative (£)	(46,532)	(81,293)	(82,406)	(118,338)	(140,536)	(203,566)	(191,840)	(160,898)

- 4.6 At the start of each financial year the Nursery, in liaison with TfC Finance, projects an estimated end of year financial position which is then signed off by the Nursery's Governing Body. This is calculated using projected income (from pupil funding, grant funding and private income from fee paying parents amongst other factors) versus costs (such as staff and building costs). In recent years the Nursery has not achieved its projected end of year financial outturn. This could be attributed to several factors including unplanned in-year delivery costs and a shortfall in fees and per pupil funding as a result of pupil recruitment being lower than projected.
- 4.7 The table below identifies the variance between the Nursery's projected financial outturn and actual financial outturn in the period 2015/16 to 2019/20. It is recognised that during 2020/21 restrictions associated with Covid have impacted on the Nursery's income and therefore this period has not been included for evaluation. The Council recognises that the Nursery has projected a surplus budget for the 2021/22 and 2022/23 financial years. However, the Council has also considered the accuracy of previous budget estimates as well as the impact that factors such as citywide birth rates, the decline in the proportion of the current local nursery aged population attending the nursery and projected reductions to supporting funds when considering that projection.

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Projected In-Year Position (£)	NA	5,846	25,804	1,080	(11,916)	20,814
Actual In-Year Position (£)	(26,839)	(34,762)	(1,113)	(35,931)	(22,198)	(94,004)
Variance (-/+) (£)	NA	(40,608)	(26,917)	(37,011)	(10,282)	(114,818)

- 4.8 The Nursery failed to achieve its projected budgets between 2016/17 and 2019/20 the average variance between the Nursery's projected end of year balance and actual end of year balance is a deficit of £28k. This is equivalent to 7% of the nursery's income in 2019/20. This variance should be considered when evaluating projected outturns for future years.
- 4.9 Hetton le Hole Nursery, as with all maintained nursery schools in the city, currently receives additional financial support through the Maintained Nursery School Supplementary Funding Allocation (the Lump Sum). This funding is provided in order to enable local authorities to protect their 2016-17 funding rates for the universal 15-hour entitlement for maintained nursery schools (that is, the rates that existed before the development of the Early Years National Funding Formula in 2017) and the government expects it to be used in this way.
- 4.10 The Lump Sum is calculated using the number of 3- and 4-year olds attending the first 15 hours of statutory provision at each maintained nursery school in the city, each year at January Census. As the total funding value is calculated based on actual pupils on roll the City's total Lump Sum allocation varies, year on year, depending on the pupils on roll at each maintained nursery school setting. Sunderland Council, rather than utilise the funding to protect 2016-17 funding rates, pools and re-distributes the full allocation equally across the city's eight maintained nursery schools, as opposed to each setting receiving the proportion of the allocation that it would receive if allocated on each setting's per pupil basis. Importantly, this has resulted in settings that are net contributors to the fund receiving funding rates at a lower level than the benchmarked 2016/17 funding rate while others, such as Hetton le Hole Nursery, receive a much higher rate.
- 4.11 The Nursery has received between £75k - £85k funding in each of the previous five years. However, despite this additional financial support the Nursery has continued to increase its deficit budget. It has also been identified that the allocation methodology used to provide the additional financial support to the Nursery has led to three occasions in the previous four financial years where another maintained nursery school in the city that has been a net contributor to the Lump Sum in previous years has accrued an in-year deficit budget, and subsequently, also being identified as financially vulnerable. The table below identifies the proportion of Lump Sum received by the Nursery and the proportion of the city's allocation generated by pupils on roll at the Nursery.

	2017-18	2018-19	2019-20	2020-21	2021-22*	Total
Lump Sum Contributed (£)	66,141	55,343	41,167	30,471	33,573	226,695
Lump Sum Received (£)	84,222	87,660	75,449	85,093	82,037	414,461
Variance (-/+) (£)	18,081	32,317	34,282	54,622	48,464	187,766

*Indicative allocation

- 4.12 Since 2017/18 the Nursery has received a cumulative allocation of £188k more than it would have received had the Council allocated the Lump Sum according to national guidance. In 2020/21 the increased allocation to Hetton le Hole Nursery School was equivalent to £8k for each of the seven other maintained nursery settings in the city. Over the same period, since 2015-16, when comparing other local maintained nursery settings, Hetton Lyons Nursery School has contributed £18k more than it received from the city's Lump Sum and Houghton Community Nursery School contributed £85k more than it received from the city's Lump Sum.
- 4.13 While there are no plans to amend the mechanism currently used to allocate the Lump Sum it is noted that the funding itself has been identified as a temporary funding allocation. At this point it is only guaranteed on a year by year basis and therefore, while it is considered unlikely that it will be removed with no replacement implemented, reliance on the funding at its current value has been identified as a significant risk.
- 4.14 The Council has considered this, as well as the variance between previous projected in-year budgets and final outturns, when considering the Nursery's financial projections for the 2021/22 and 2022/23 financial years. With the Nursery's current staffing structure, the average pre-Covid variance between the projected in year position and final outturn between 2016/17 and 2019/20 was a £28k deficit with a minimum variance of £10k and a maximum variance of £40k. Should the Nursery's current staffing structure be retained and the average variance of £28k be applied to 2021/22 and 2022/23 projections the in-year balances reduce to deficit positions with a projected range between 40k and £55k in 2021/22 and between £42k and £68k in 2022/23
- 4.15 Should the Nursery achieve its projected income targets for 2021/21 and 2022/23 but fail to implement the changes to the staffing structure included in proposed budgets provided to the Council in March or April 2021 the projected outturn for 2021/22 and 2022/23 would be deficit positions with a range of approximately £12k and £27k in 2021/22 and £14K to £40k in 2022/23. It is noted that the Nursery's own income projection decreased between March 2021 and May 2021 and the decreased income levels are not included in paras 4.13 and 4.14.
- 4.16 It is therefore not considered practical that the Nursery can achieve a surplus budget within the current staffing structure, even if income targets are achieved. Should the Nursery implement the changes proposed to the Council then the likelihood of achieving a surplus budget, and consequently reducing the overall deficit position, would increase.

5.0 Numbers on Roll, Local Trends in Participation and Availability of Alternative Provision

5.1 The Nursery building has capacity to accommodate 55 children at any one time. This is equivalent to 110 children attending on a part time basis (15 hours per week). Census data identifies the number of children in a funded placement at a setting and is collected in the Autumn, Spring and Summer Terms. Census was not collected in Summer 2019/20 and Spring 2020/21. The table below shows available pupil data for Hetton le Hole Nursery from Autumn, Spring and Summer Census from 2016/17 to 2020/21.

Hetton Le Hole Nursery	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Census	86	52	49	45	36
Spring Census	95	59	63	55	Not Available
Summer Census	100	66	74	Not Available	Not Available

5.2 In the period since September 2016 the number of pupils on roll at Hetton le Hole Nursery has declined. The Council has used census data to identify funded numbers of children on roll in both maintained nursery schools and in nursery classes in a school setting within a two-mile radius in the period 2016/17 to 2020/21. The settings evaluated were Hetton le Hole Nursery, Hetton Lyons Nursery, Houghton Nursery, Easington Lane Primary School and Eppleton Primary School.

5.3 Between Autumn 2016 and Autumn 2020 there was a reduction of 15% in the total number of funded places across all the settings identified above. This equated to a decline of 44 pupils across the five settings. However, the reduction in the roll at Hetton le Hole Nursery was greater than the overall pupil decline. At Autumn 2020 census there were 58% fewer children on roll at the Nursery than at the same point in 2016. This was inconsistent with other settings in the area where the largest reduction at any single setting, aside from Hetton le Hole Nursery, was a 4% decline in the number on roll.

5.4 It is noted that the reduction in pupils on roll outlined above occurred in a period of falling rolls across the area. However, the Nursery has also demonstrated falling demand in periods of pupil growth. Between Autumn 2016 and Autumn 2018 there was an increase of 8% (from 302 pupils to 327 pupils) in the number of pupils attending a nursery provision at one of the settings identified above. However, despite the increase in available pupils the cohort at Hetton le Hole Nursery fell by 43% over that period.

5.5 Over the census period Autumn 2016 to Autumn 2020 there was also an increase in parental preference demonstrated towards attendance at a nursery class in a school over attendance at a maintained nursery with the proportion of the total cohort in school nursery classes increasing from 20% to 24% over this period.

5.6 Hetton le Hole Nursery demonstrates similar pupil recruitment trends at other census period points. The most recent Summer Census collection (May 2019) identifies a 2% decline in overall participation across all the five schools and nurseries assessed in this document from the Summer 2017 Census. However, Hetton le Hole Nursery demonstrated a 26% decline in numbers on roll over the same period. Other settings (such as Easington Lane Primary School and Houghton Nursery School) demonstrated growth in recruitment over the same period while Hetton Lyons Nursery maintained 96% of the 2017 roll at that census point.

5.7 While the above identifies pupil recruitment across the maintained nursery sector and in maintained nursery classes there has also been an increased preference demonstrated in the Hetton Ward towards participation at private nursery settings. This has led to a reduction in the overall proportion of the local nursery aged children attending maintained nursery settings. The table below shows the proportion of children attending either a maintained nursery school, nursery class at a primary school or a private nursery located in the Hetton Ward at Autumn Census for the period 2016/17 to 2019/20.

Setting Type	2016/17	2017/18	2018/19	2019/20
Maintained Nurseries	65%	55%	53%	46%
School Nurseries	25%	27%	26%	27%
Private Nurseries	10%	18%	21%	27%

5.8 In the period 2016/17 to 2019/20 the proportion of children attending a maintained nursery provision in the Hetton Ward fell by 19% as a proportion of the total local nursery population. Conversely the proportion of children attending both primary school nursery classes and private nursery provision increased, with the share of children at private provisions increasing by 17%. The local increase in demand for private nursery places accounts in part for the reduced demand for places at Hetton le Hole Nursery.

5.9 The table below compares the shift in parental preference when comparing the distribution of participation at a private nursery setting to Hetton le Hole Nursery using Autumn Census data 2016/17 – 2019/20

Setting	2016/17	2017/18	2018/19	2019/20
Hetton le Hole Nursery	79%	55%	48%	41%
Local Private Nursery	21%	45%	52%	59%

5.10 Data demonstrates an increased trend in preference towards attendance at the private setting to Hetton le Hole Nursery with a shift in participation preference of 38% between the two provisions.

5.11 The birth rate has also fallen in the Hetton Ward in recent years leading to a reduction in nursery age children. ONS Birth-rate data indicates that in the period 2013/14 to 2018/19 the birth-rate in the Hetton Ward fell by 11%. The reduction in nursery aged children combined with the increased preference for alternative early years provision indicates that there is a greater chance of a reduction in the number on future rolls at the nursery rather than an increase.

5.12 The development of new housing is not anticipated to sufficiently mitigate the fall in the local birth rate. An assessment of pupils attending a maintained nursery school from newly registered postcodes in Sunderland between 2010 and 2016 identified that for each new house built there was an increase of 0.068 pupils accessing a place at a maintained nursery setting. There are currently approximately 500 new homes either under development or with planning applications pending in the local area. Once completed these new homes would result in a total requirement for 34 additional nursery places in the Hetton Ward using the above ratio. Based on changes in demand for types of earlier years provision, as noted in para 5.7, it is considered likely that a proportion of those additional children would access provision at either a school nursery class or private nursery provider.

- 5.13 As of April 2021, in addition to surplus places at Hetton le Hole Nursery there remain surplus places at Hetton Lyons Nursery School, Easington Lane Primary School's Nursery Class and Eppleton Nursery School. Should the decision to close Hetton le Hole Nursery be taken there remain a range of places at both local maintained nursery schools and nursery classes within primary schools.

Impact on Other Providers

- 6.1 The closure of the Nursery is anticipated to lead to a re-allocation of financial resource that will positively contribute towards the sustainability of the wider Sunderland maintained nursery sector.
- 6.2 The redistribution of the Lump Sum would result in an increased financial allocation between £5k - £7k per nursery setting per year. In previous years this would have resulted in providers who reported an end of year deficit budget instead reporting a balanced or surplus budget, therefore reducing any additional financial vulnerability.
- 6.3 Feedback from the consultation indicates there remains a local demand for maintained nursery settings over school nursery classes from a proportion of the local community. This indicates that demand for places at alternative local maintained nursery settings, namely Hetton Lyons Nursery School as the nearest alternative provision, will increase as a result of this proposal. It is likely that the increased funding that any increased demand at those settings creates will further strengthen the sustainability of those alternative maintained nursery settings.
- 6.4 The Council has also proposed the creation within a maintained school (Hetton Primary School) setting of an equal number of 2, 3 and 4-year old places to those currently offered by Hetton le Hole Nursery. Should the proposal to discontinue Hetton le Hole Nursery be implemented for the 2021/22 academic year the Council and Hetton Primary School will accelerate the proposal to develop a nursery setting within the school from September 2022 to September 2021 in order to provide this provision as an additional option for parents of displaced pupils.
- 6.5 The Council is aware that both maintained nursery schools in the Hetton Ward are currently projected to report cumulative deficit budget positions for the 2021/22 and 2022/23 academic years with both identified as financially vulnerable at this time. However, of the two nursery schools, Hetton Lyons Nursery contributes the greatest amount to the Lump Sum, has retained a greater proportion of its market share and has a consistently larger roll than Hetton le Hole Nursery. On this basis the Council has evaluated the likely sustainability of Hetton Lyons Nursery should there be a re-distribution of local demand from Hetton le Hole Nursery to Hetton Lyons Nursery should the decision be taken to discontinue the provision at Hetton le Hole Nursery.
- 6.6 Feedback from the Council's pre-publication consultation indicated that a number of respondents would seek an alternative maintained nursery school provision should Hetton le Hole Nursery close. The Council has identified that should 25 of those pupils seek an alternative placement at Hetton Lyons Nursery this, once additional staff costs have been subtracted, combined with an additional £7k Lump Sum payment in 2021/22, would generate additional income of £23k. This would be sufficient to meet Hetton Lyons Nursery's deficit position and ensure that a maintained nursery provision could be sustained in the ward.

Presumption Against Closure of Maintained Nursery Schools

- 7.1 The Statutory Guidance ‘Opening and Closing Maintained Schools’ (November 2019) identifies the presumption against closure of a maintained nursery school. The Guidance states that this does not mean that a nursery will never close, but the case for closure should be strong and should demonstrate that:
- plans to develop alternative early years provision clearly demonstrate that it will be at least equal in quality and quantity to the provision provided by the nursery school with no loss of expertise and specialism; and
 - replacement provision is more accessible and more convenient for local parents.
- 7.2 Due consideration has been applied to those circumstances within this proposal.
- 7.3 The Council has proposed that should the Nursery be closed an alternative provision representing an equal number of places for 2,3 and 4-year-olds will be made available at Hetton Primary School. At present, as with Hetton le Hole Nursery’s nursery provision, Hetton Primary School has a Good Ofsted rating, although the nursery’s Outstanding grade for its separately registered childcare provision is noted.
- 7.4 The alternative provision is proposed to provide 39 full time places for 3 and 4-year old children and a further 16 places for 2-year olds. It is proposed that any vacancies for staff places at the provision to be established at the school are filled from staff currently employed at Hetton le Hole Nursery. This will ensure both continuity for children at the setting and ensure that expertise and specialism is retained in the local early years sector.
- 7.5 There are also surplus places at all alternative settings in the Hetton Ward, including Hetton Lyons Nursery School.
- 7.6 Including the proposed new provision at Hetton Primary School, of those families attending Hetton le Hole Nursery at the last full year Census point (May 2019), 73% live closer to at least one other setting rated as good with a nursery provision than they do to Hetton le Hole Nursery School with 47% living closer to 3 or more good settings than Hetton le Hole Nursery School. Of those, 51% live closer to the proposed alternative provision at Hetton Primary School.
- 7.7 Alternative provisions identified as within a shorter walking distance for those living closer to 3 or more alternative settings but on roll at Hetton le Hole Nursery School include;

Setting	Proximity to Hetton le Hole Nursery (calculated by shortest walking route)	Ofsted Inspection Outcome (as of 21 st February 2021)	Date Inspected
Hetton le Hole Nursery	NA	Good	31 st March 2015
Hetton Primary School	0.6 miles	Good	27 th January 2015
Hetton Lyons Nursery School	0.6 miles	Good	23 rd April 2013
Easington Lane Primary School	1.5 miles	Good	25 th February 2014
Eppleton Primary School	0.8 miles	Good	6 th November 2019
Hetton House Day Nursery (Private Sector Nursery Provision)	0.2 miles	NA	NA

7.10 In addition to the alternative academies, maintained schools and private nursery providers in the local area there is one additional maintained nursery school within 2 miles of Hetton le Hole Nursery School. Houghton Community Nursery School, based in the Copt Hill Ward, is 1.8 miles from Hetton le Hole Nursery. It was judged as Outstanding in its most recent Ofsted inspections for both its nursery provision and separately registered childcare provision.

8.0 Consultation

8.1 On 9th February Cabinet approved a proposal to commence the School Organisation processes required to discontinue Hetton le Hole Nursery School.

8.2 Prior to this the Council had commenced a pre-publication consultation on potential proposals relating to the sustainability of the Nursery. The consultation ran between 4th January 2021 – 14th February 2021.

8.3 Responses to the consultation were received from

- Parents of pupils attending Hetton le Hole Nursery School
- Current staff
- Local schools and nurseries
- The wider local community and others

In total the Council received 541 responses to the pre-publication consultation. Of the responses received 92% disagreed with the proposal to close the Nursery. Responses are collated as Appendix 1 of this report.

8.4 Those disagreeing with the proposal highlighted the benefits that the Nursery offers to the local community including its location, the quality of provision offered and the range of provision offered (such as 30-hour provision, two-year-old provision and wraparound care). The quality of the staff currently employed at the Nursery featured in many of the responses. Continuity of transition for young people currently attending the Nursery was also noted in responses.

8.5 Comments received were noted. However, as no alternative, viable solution for the Nursery was identified, notification and a full statutory proposal to discontinue the Nursery was subsequently published.

8.6 The full proposal and associated statutory notices were published on 23rd February 2021 with the statutory notice period ending 5pm on 23rd March 2021. The statutory notice was published in the following places:

- Sunderland City Council's website
- The Sunderland Echo
- At the entrances to Hetton le Hole Nursery School

8.7 In addition to the publication of notices the following groups were provided the opportunity to make representation as part of this process:

- Parents of pupils attending the nursery
- Current staff
- Unions
- Local members

- The local Church of England diocese
- The local Roman Catholic diocese and
- The Secretary of State for Education.

8.8 The notice and full proposal was provided to the local Town Council for its consideration

8.9 On 25th February, the Council attended a virtual session for parents and carers of pupils and the staff and governors of Hetton le Hole Nursery. The meeting was also attended by Bridget Phillipson (MP for Houghton and Sunderland South) and Cllr Louise Farthing (Portfolio Holder for Children's Services). The Council's proposal was outlined to those attending the session and parents, carers and staff were provided with the opportunity to seek clarification on any element of the Council's proposal.

8.10 The Council has received 272 responses to the notice. The statutory notice and the full proposal document are attached at Appendix 2 and Appendix 3 with responses included as Appendix 4.

9.0 Next Steps

9.1 Should the School Organisation Committee of Cabinet approve to the implementation of the closure of Hetton le Hole Nursery it is proposed that the Nursery closes on 31 August 2021.

9.2 It is also proposed that the adjustment to the lower age of admission at Hetton Primary School, proposed for 2022, is brought forward to September 2021. The decision relating to that proposal facilitates that action.

10. Reasons for the Decision

10.1 In recent years the Nursery has become financially vulnerable. The Nursery has a deficit budget that has increased each year over the previous five years. The Nursery's financial deficit exceeded £200k at the close of the 2020/21 financial year and, based on current staffing structures, is projected to continue to increase in future years. The Nursery has also been subject to falling rolls in recent years which has impacted on the available funding at the setting.

10.2 Falling rolls and the statutory requirements relating to staffing ratio, combined with current funding rates and methodology have resulted in the Nursery being unable to implement a structure and delivery model that can operate within the financial model required of a maintained nursery school. On that basis it has been identified as unviable as a long-term provision.

10.4 To safeguard the wider sufficiency of nursery places in the Hetton Ward, for both current and future cohorts of children, the Council is proposing that Hetton le Hole Nursery and its separately registered childcare provision are discontinued from 31st August 2021. In addition to the surplus places already available at other early years providers and school nursery classes in the ward, additional alternative places for 2, 3 and 4-year olds (including both 30 hours provision and disadvantaged 2-year-old places) will be offered at Hetton Primary School.

11. Alternative Options

Viability options have been evaluated on the following basis

1. Do alternative options result in the increased viability of Hetton le Hole Nursery and
2. Do the alternative options result in the increased viability of the wider maintained nursery sector should Hetton le Hole Nursery be retained?

Retain Hetton le Hole Nursery School.

- 11.1 In April 2021 the Nursery provided the Council with updated budget projections for the financial years 2021/22, 2022/23 and 2023/24. Budget projections were based on a revised staffing structure, to be implemented September 2021, which would have resulted in savings of approximately £60k of expenditure in each of the three years. Subject to implementation of the revised staffing structure, achievement of target pupil numbers, achievement of private income and the current levels of the Maintained Nursery Supplementary Funding remaining at 2020/21 levels the Nursery had projected that its deficit position would decrease by £3k at the close of 2021/22 and by a cumulative £27k by the close of 2023/24
- 11.2 The Council was scheduled to meet with the Nursery in late April 2021 to discuss the projected budgets for 2021/22 – 2023/24 and the implications for the Nursery's outstanding cumulative deficit. At the Nursery's request this meeting was re-scheduled to May 2021. The re-arrange meeting was then cancelled at the Governing Body's request. The Nursery also communicated to the Council that the restructure proposed to the Council was considered inappropriate at this time and instead reverted to the budget projections set in March 2021. However, as noted in section 4 of this paper, that March 2021 budget also was based on the premise of staff re-structure and as that re-structure will also not, at this time, be proceeding the Council has estimated that as opposed to a surplus or balanced budget the 2021/22 – 2023/24 outturns will continue as deficit projections with the projected deficit range for 2021/22 to be between £12k and £27k and the cumulative deficit to 2023/24 increasing by a minimum of £51k to a total deficit position of £255k.
- 11.3 The Council is aware of the historical discrepancy between the Nursery's previous in year projections the subsequent end of year outturn positions with the Nursery failing to achieve its projected outturn in the period 2014/15 to 2019/20. The Nursery's 2021 – 2023 projection also requires the current level of Lump Sum to remain consistent.
- 11.4 The Nursery has become increasingly reliant on the proportion of the city's Lump Sum that is allocated to the EYDSG through enrolment of pupils at other maintained nursery settings across the city. This indicates that any change in demand for places across the wider maintained nursery settings will have a negative impact on Hetton le Hole Nursery. It should be noted that while indicative allocations have been issued for 2021/22 funding has not yet been confirmed for subsequent years. On that basis the 10% decrease in the citywide birth rate between 2016/17 and 2018/19 is likely to have a significant impact on the finances at Hetton le Hole with a potential reduction in the Lump Sum from 2022/23, and therefore income at each maintained nursery setting, of £9k. However, the decline in births across the seven wards containing maintained nursery schools, at 16% in the period 2016/17 – 2018/19 is greater than the citywide decline over the same period. Should that decline be reflected in future enrolments at nursery places it will reflect a decrease in the Lump Sum allocation of between £13k -£14k per setting.

Amalgamate with an Another Maintained Nursery Provider

- 11.5 The Council has explored the viability of merging Hetton le Hole Nursery with another local nursery setting. For the settings existing deficit position to be written off this would involve the closure of one of the two nursery schools identified for merger with that site then established as a satellite provision of the remaining nursery school setting. Delivery would take place from both sites under one school with one headteacher.
- 11.6 Savings would come from the removal of one of the two existing headteacher posts across the two schools with the remaining headteacher post assuming leadership responsibilities for both schools with 2.5 days a week allocated to each setting. This estimated saving would be circa £37k per nursery per year.
- 11.7 However, that cost is offset by a requirement to increase support posts to provide, for example, full time SENCO support at the nurseries (this role is currently carried out by the headteacher at most maintained settings), support for pupils when the headteacher also carries out a teaching role within their post or back office/ admin support. Should the requirement to backfill these rolls be met through the appointment of a Full Time Nursery Assistant across both settings then this would reduce the potential saving by circa £11k per existing nursery. Should it be backfilled with additional teaching or leadership capacity the saving would be reduced by £20k per setting.
- 11.8 The closure and establishment of two sites as a single nursery school would also result in a re-allocation of the Lump Sum, with the Lump Sum split between seven nursery schools as opposed to eight. Based on 2020's allocation this would result in a £7k increase in the single allocation but would also result in a £48k decrease in the funds currently allocated to Hetton le Hole Nursery. The net £41k reduction in funding for the settings combined with the costs associated in increasing support staff would therefore result in an increase in the funding required at the Nursery by £15k.
- 11.9 As noted in this paper the Council has evaluated the sustainability of Hetton Lyons School should they continue to operate as the sole maintained nursery school in the Hetton Ward. It has been identified that the redistribution of a proportion of the pupils on roll at Hetton le Hole Nursery (25 children accessing a mixture of 15 and 30 hours) would be sufficient to meet the Hetton Lyons Nursery's projected deficit position. On this basis it is considered more sustainable for Hetton Lyons Nursery, and the wider nursery sector, should there be only one maintained nursery provider operating from a single site within the ward.

Federation between Hetton le Hole Nursery and Houghton/ Mill Hill Nursery Federation

- 11.10 In March 2021, following evaluation of the 2020/21 financial outturn for all nursery schools across the city, the Council identified a potential federation option that would result in sufficient long term savings at the Nursery to enable the long term viability of the setting. The federation proposal, presented to the Governing Body of the Nursery in March 2021, would result in Hetton le Hole Nursery becoming part of the already established federation between Houghton Community Nursery School and Mill Hill Nursery School. The proposal would have resulted in the three nursery schools

operating under a single headteacher. No further staffing changes were proposed or required at any of the three nursery schools to accommodate the proposal.

- 11.11 It was projected that the proposal would result in initial savings of approximately £44k per year at Hetton le Hole Nursery. This would increase when joint commissioning of goods and service level agreements was factored in. When the previous average deficit of £24k per year was considered the Nursery would be anticipated to make a minimum of £20k per year surplus. The combined balances of the three nursery schools would be a surplus budget at the point of federation.
- 11.12 The proposal was rejected by the Governing Body of Hetton le Hole Nursery in April 2021.

Relocate Hetton le Hole Nursery

- 11.13 It is estimated that £18k – 20k of the Nursery's current yearly expenditure is related to premises costs. The average year end deficit at the nursery over the period 2016/17 to 2019/20 was circa £24k. For the purpose of identifying the savings that could be made through relocation the Council has evaluated costs associated with a move to the new Hetton Primary School. Benchmarking data suggests that premises costs for a school of that size are between £95k and £125k per year of which the Nursery would be expected to meet between 10% and 12% of the costs. This is factored on the proportion of floor space for the Nursery and the Nursery being the sole operator from the building for 10 weeks of the year (the school does not operate a primary provision during school holidays). The planning application for Hetton Primary School seeks to establish around 130m² of nursery space, although this does not include the additional 40m² required to deliver a baby provision. On that basis, premises costs for the Nursery would range between £9.5k and £15k per year. While providing a saving on premises costs of between £5k - £10k per year this does not amount to the average deficit.
- 11.14 This solution would also not minimise the Nursery's reliance on the Lump Sum and the impact that reliance has on other settings.

Seek to re-allocate alternative funding to/ from Hetton le Hole Nursery

- 11.15 Opportunities to increase external funding to the nursery are limited to the Lump Sum and Early Years Dedicated Schools Grant. In the period since 2017 the Nursery has benefited from £414k from the Lump Sum. This is £188k more than the Nursery would have received had the Council and Schools Forum allocated funding according to the guidance set out by the DfE, i.e. that funding should be allocated to protect the pre- Early Years National Funding Formula rate. This has resulted in the Nursery being a net beneficiary of this funding. It has been identified in this document that this allocation methodology has been to the detriment of other local settings, including Hetton Lyons Nursery which has previously recorded a deficit budget due to the allocation methodology used. The lump sum to Hetton le Hole Nursery increased following the closure of Millfield Community Nursery in 2018 despite the Nursery's contribution to the city fund declining. It is not considered viable to further increase the proportion of funding allocated to Hetton le Hole Nursery.
- 11.16 The Council is aware that a request has been made to consider an allocation from the Early Years Dedicated Schools Grant (EYDSG) to support the Nursery's ongoing deficit position. Allocation from this funding is subject to Schools Forum approval.

However, it is also noted that while there has been underspend against EYDSG in recent years there is not an underspend against the overall Dedicated Schools Grant (DSG) allocation. The wider grant currently has a cumulative shortfall of circa £1.4m. This is largely attributed to increased costs associated with provision of Special Educational Needs Provision, including to children accessing provision at maintained Early Years settings. Therefore, re-allocation across the Universal DSG block would impact on the Council's ability to source and fund places and support for children with special educational needs with no alternative mechanism to provide this support.

- 11.17 It is also noted that the years before 2017/18 the EYDSG was overspent. This resulted in resource being re-allocated from elsewhere in the wider DSG block to enable the funding of the agreed early years priorities and provide sufficient pupil funding to settings. This mirrors the current funding situation where underutilised funding within the EYDSG been re-allocated to support and mitigate the overdemand on the High Needs block within the DSG. It should be noted that any re-allocation of funding within the DSG only occurs once the requirements within the relevant, in this case the early years block, have been met.
- 11.18 As noted in this paper, the Council is aware of the impact that the disproportionate local allocation of the Lump Sum vs the methodology expected within national guidance has on other maintained nursery schools. Nursery schools are entering an increasingly financially challenging environment and, as indicated in this paper, the requirement for the wider sector to support Hetton le Hole Nursery has now led to occasions that either directly led to another setting reporting an end of year deficit budget or contributing to a deficit budget. To mitigate this would require a re-allocation of the Lump Sum where an individual nursery school's yearly allocation reflected the actual pupils on roll at each setting. However, this would result in further increase of the Hetton le Hole Nursery deficit. The average additional sum provided to the Nursery over the amount required to protect the pre-Early Years National Funding Formula rate over the previous 5 years as a result of this re-allocation is £32k per year. Without this support the Nursery's current deficit position would be around £350k.

Retain Hetton le Hole Nursery until August 31st, 2022

- 11.19 The Council has previously agreed a proposal to provide a nursery provision at the new Hetton Primary School buildings. It is proposed that provision commences from September 2022 when the school takes occupation of its new buildings. However, should the proposal to discontinue Hetton le Hole Nursery proceed that nursery provision would instead commence in September 2021. The nursery class would be accommodated in the current school buildings in order to maintain the number of local nursery places. Any staff positions at that setting will be ringfenced for existing Hetton le Hole Nursery staff to ensure the children attending the provision have a degree of continuity in their nursery experience.
- 11.20 An alternative option is for the Council to agree the proposals to discontinue the Nursery in August 2022, as opposed to August 2021. Hetton Primary School would, on that basis, commence its new nursery class on the opening of its new school with Hetton le Hole Nursery operating in the year that the school is under construction. Any staff vacancies involved in the delivery of nursery provision at Hetton Primary School in 2022/23 would be ring fenced for staff currently employed at Hetton le Hole Nursery.

11.21 However, the following factors should be considered. While not measurable there is also the potential for instability in provision, such as higher staff turnover in year which would lead to higher cost agency staffing requirements and lower pupils on roll as parents may not wish to enrol their children in a setting where closure has already been agreed. Those factors could lead to a higher end of year deficit position as opposed to the Nursery's current surplus projection.

Parent/ Carer Proposals

11.22 Feedback from the Council's pre-publication survey (section 8 of this paper) included an alternative fees proposal developed by parents at the Nursery. The proposal identified variances between fees currently charged by other local settings and Hetton le Hole Nursery. The proposal identified an increase in fees from £4.50 per hour to £5 per hour. The proposal identifies the potential increase in revenue at £17,436 over a full academic year. The proposal also identifies potential for additional income through parent fundraising. It also proposes retaining the Nursery until September 2022.

11.23 Variable factors that are not catered for within the proposal are potential impacts of any reduction in the local birth-rate both locally and across the wider city. It also places a requirement to ensure sustainability on regular parental and community fundraising.

11.24 The Nursery's reliance on the Lump Sum is noted. The parent proposal identifies fundraising as an alternative to the Lump Sum. This would require £38k - £48k to be raised yearly by the local community to maintain the current level of support. This, however, would result in the long term sustainability of the Nursery being dependent on crowdsourcing as opposed to the development and implementation of a sustainable model.

12. Impact Analysis

Sustainability – It has been identified that, because of Hetton le Hole's projected financial position, the setting is not sustainable within current funding conditions.

The Council has recently approved proposals to establish a nursery class at the neighbouring Hetton Primary School so there will remain enough alternative local 2, 3 and 4-year old nursery places in the Hetton ward.

Hetton le Hole Nursery, as with all local maintained nursery settings, is currently a recipient of a yearly lump sum payment. The Lump Sum is calculated based on the number of pupils attending statutory aged nursery provision across the city. The Lump Sum is divided equally across all local settings, regardless of the numbers of pupils attending the settings. This results in some nursery schools receiving a greater proportion of the Lump Sum than they generate through their own pupil numbers. However, Hetton le Hole Nursery generates a lesser proportion of the Lump Sum than they receive as a setting. Therefore, the discontinuation of the Nursery will result in increased funding to other maintained nursery schools. This would result in increased viability of the wider sector, including alternative maintained nursery provision in the Hetton Ward and neighbouring Copt Hill Ward.

Feedback received through the pre-publication consultation conducted between 4th January and 14th February indicates that, despite the shift in local preference towards school nursery classes and private nursery provision in the ward, there

remains a support and demand for maintained nursery places. On that basis it is considered that a proportion of the children currently enrolled at Hetton le Hole Nursery would seek a place at one of the two neighbouring-maintained nursery settings. This would add further funding and further increase the viability of those settings therefore contributing to the long term safeguarding of the remaining maintained nursery provision in the Hetton Ward.

Equalities Analysis – Given the availability and accessibility of other local provision, including alternative maintained nursery provision at two neighbouring settings, no groups are projected to be disadvantaged by this proposal. The Equalities Assessment is included at Appendix 5.

13. Other Relevant Considerations / Consultations

13.1 Co-operative values – At Annual Council in May 2015, it was resolved that the following statement be included in the Constitution to reflect the values of the “Co-operative Council”.

“Sunderland City Council is a co-operative council and in being so will act ethically in all its actions while adhering to and actively promoting its co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity. These values will underpin its decision making and actions.”

13.2 Financial implications

While the Council will seek to support the redeployment of staff currently employed at the Nursery within the local maintained school sector or wider Council any redundancy costs associated with this proposal would be met through the Maintained Schools Redundancy Reserve.

Governmental funding regulations prohibit the writing-off of any deficits for ongoing schools to a Council’s General Reserves, though the deficit would fall to the Council should the setting close. If the school remains open, the cumulative deficit for the setting, which is in excess of £200,000, could only be written off to the Dedicated Schools Grant. This, as noted in paragraph 11.16 is already in a cumulative deficit position of £1.4m at 31 March 2021. Any such write-off would be reported to the Schools Forum.

The above would apply should the decision be taken to discontinue the Nursery, either to facilitate a merger with another setting(s) (which would result in multiple nurseries operating as a single registered school with multiple satellite delivery sites) or to cease the provision. Should the Nursery continue but continue to increase its deficit position in future years the Council’s financial exposure, and therefore the potential cost to the Dedicated Schools Grant would increase accordingly.

13.3 Legal Implications

Throughout the process, from informal consultation to the publication of the statutory proposals, the Council has complied with the requirements of the applicable legislation (the Education and Inspections Act 2006 and the School Organisation (Establishment and Discontinuance of Schools) Regulations 2013) and has also adhered to the Department for Education’s Statutory Guidance – Opening and Closing Maintained Schools, November 2019.

14. Appendices

Appendix 1 – Pre-Publication Consultation Outcomes

Appendix 2 – Statutory Notice to Discontinue Hetton le Hole Nursery School

Appendix 3 – Full Proposal Document

Appendix 4 – Responses Received During Statutory Representation Period

Appendix 5 – Equalities Assessment

15. Background Papers

9 February 2021 Cabinet report

