



Children and Young People Scrutiny Committee

Date: Wednesday, 23 June 2021

Time: 2.00 pm

Venue: Council Chamber, Level 2, Town Hall Extension

This is a **Supplementary Agenda** containing additional information about the business of the meeting that was not available when the agenda was published

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Membership of the Children and Young People Scrutiny Committee

Councillors –

Reid (Chair), Abdulatif, Sameem Ali, Alijah, Bano, Collins, Hewitson, Lovecy, McHale and Nunney

.

Co-opted Members -

Ms Z Derraz, Mr L Duffy, Mrs J Miles and Dr W Omara

Supplementary Agenda

6. **The Lodge - Foyer Model Accommodation** 3 - 16
Report of the Strategic Director for Children and Education Services

This report outlines proposals for the development of a property into foyer model accommodation for up to 30 young people, as part of the Council's commitment to working closely with housing providers and partners to ensure that all care leavers have access to sustainable and affordable accommodation to meet their needs.

7. **Early Years - Tendered Day-care Settings** 17 - 28
Report of the Strategic Director for Children and Education Services

This report outlines a set of proposals to support the continued provision of high quality Early Years settings across the City. The report specifically provides an overview of the impact of the current Early Years tendered day-care model (whereby providers offer day-care from a Council owned building), on the Council's duty to oversee sufficient day-care for preschool children across Manchester; the Early Years Budget and ongoing maintenance of Early Years buildings which remain part of the corporate estate.

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

Rachel McKeon
Tel: 0161 234 4497
Email: rachel.mckeon@manchester.gov.uk

This supplementary agenda was issued on **Wednesday, 16 June 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA

Manchester City Council Report for Resolution

Report to: Children and Young People Scrutiny Committee – 23 June 2021
Executive – 30 June 2021

Subject: The Lodge – Foyer Model Accommodation

Report of: Strategic Director for Children and Education Services

Summary

As part of Manchester's Our Children Sufficiency Strategy and the Children's Directorate Financial Strategy, we are committed to working closely with Housing Providers and Partners to ensure that all care leavers have access to sustainable and affordable accommodation to meet their needs. It is significant that the delivery of new Affordable Homes and alternative accommodation models in the city are dependent on robust partnership relationships with Registered Providers, which currently have the financial and delivery capacity to deliver.

As part of Children Services Reform Partnership Programme, a Post 16 Accommodation Project has been established to develop a range of post 16 provision in partnership with ethical providers. This offer includes supported lodgings, foyer, stepping stone, inter-generational and self-contained accommodation, thus ensuring an appropriate, timely and successful move to independence. This work is also reflected within Manchester's Supported Housing Strategy which is currently being co-produced with all partners ensuring that there is Council wide agreement across revenue and benefits, planning and commissioning.

Mosscafe St Vincents, a registered housing provider has identified a property which would be developed into foyer model accommodation for up to 30 young people. The location is close to Manchester's existing Foyer which would mean efficiencies for scheme management and maintenance and the sharing of resources across the services offer with complimentary provision. This provision would ensure residents are supported to have access to training, counselling and use of meeting spaces and training facilities. In addition, it is proposed the facility will include easy access to a GP, pharmacy, social space and training kitchens.

The proposed operating model has 4 key aims:

- Improve the outcomes for our children by providing a quality setting for pathway to independence placements.
- Develop sustainable accommodation to meet the future demand of young people in care, stepping them into independence.
- Reduce the number of children in high-cost long-term residential care at age 17 years.
- Develop links with sustainable community-based support to ensure young people have access to support when needed.

Recommendations

1. The Children and Young People Scrutiny Committee is asked to note and comment on the report.
2. The Executive is invited to: -
 - (1) Comment on the report.
 - (2) Delegate authority to the Strategic Director – Children and Education Services, in consultation with the Executive Members for Childrens and Education to commission foyer model of accommodation for up to 30 children looked after, delivered by Mosscafe St Vincents
 - (3) Delegate authority to the Strategic Director – Children and Education Services, in consultation with the City Solicitor to negotiate and formalise a ten year agreement with Mosscafe St Vincent , with associated contract clauses to the annual value of £731,500 per annum.

Wards Affected: All

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
The proposed building makes use of environmental energy sources and build, benefitting from solar panel energy. An opportunity for the young people to become a Climate Change ambassador with a valuable City and Guilds certificate.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Continuing to improve accommodation options for looked after children; developing pathways to independence will contribute to reducing inequality and support Manchester's young people to be happy, safe and successful adults.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Continuing to improve accommodation options for looked after children; developing pathways to independence will contribute to improving educational outcomes, aspirations and job opportunities for young people supporting Manchester's young people to be happy, safe and successful adults.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Continuing to improve provision, through co-production, for children and young people will ensure increased opportunities and outcomes for our looked after children and care leavers.

A liveable and low carbon city: a destination of choice to live, visit, work	The purpose build building makes use of solar panel energy. The location support increased use of public transport for the young people and the opportunity for young people to become a climate change ambassador for Manchester
A connected city: world class infrastructure and connectivity to drive growth	Investment in quality accommodation will enhance the City's attractiveness to potential residents and contribute to the development of high quality neighbourhoods.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The proposals contained in this report are reflective of the Children and Education Services Budget 2021/22 presented to the Executive 17th February 2021 to reduce the cost of supported accommodation whilst at the same time improving the access to high quality and affordable accommodation for care leavers.

The proposals set out in this report will cost £0.732m per annum; delivering an estimated annual saving of £0.841m net of the cost of the new provision.

The financial costs will be met from the existing budget allocation for supported accommodation.

Financial Consequences – Capital

There are no direct capital costs arising from this report.

Contact Officers:

Name: Paul Marshall
Position: Strategic Director for Children and Education Services
E-mail: p.marshall1@manchester.gov.uk

Name: Sarah Austin
Position: Strategic Commissioning Lead Children's Services
E-mail: sarah.austin@manchester.gov.uk

Name: Reena Kohli
Position: Directorate Finance Lead
E-mail: reena.kohli@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Children and Education Services Budget 2021/22 presented to the Executive 17th February 2021
Our Children's Sufficiency Strategy 2020 - 22
Commissioning Behaviours and Principles 2020

1. Summary

- 1.1 As part of Manchester's Our Children Sufficiency Strategy we are committed to working closely with Housing Providers and Partners to ensure that all care leavers have access to sustainable and affordable accommodation to meet their needs. As part of the Reform Programme a Post 16 Accommodation Project has been established to develop a range of post 16 provision in partnership with ethical providers. This offer includes supported lodgings, foyer, stepping stone, intergenerational and self-contained accommodation, ensuring timely move to independence post 18. This work is set within Manchester's Supported Housing Strategy which is currently being co-produced with all partners. This ensures that there is Council wide agreement across revenue and benefits, planning and commissioning.
- 1.2 Mosscafe St Vincents, a registered housing provider has identified a property which would be developed into foyer model accommodation for up to 30 young people. The location is 5 minutes walking distance from Manchester's existing Foyer (which is currently delivered by Mosscafe St Vincents) which allows for efficiencies for scheme management and maintenance and the sharing of resources across the service offer which would extend to training, counselling and use of meeting spaces and training facilities. Additionally, staff training, recruitment, supervision and contingency would be included within the efficiencies. Amenities located at the Manchester foyer such as the GP, pharmacy, social space and training kitchens would also be available.
- 1.3 The Lodge would be available to provide accommodation for young people aged 16 years and over (No older than 18 years and 6 Mths), stepping them into their own property during that time to ensure they had homes for life at 18 years.
- 1.4 The proposed operating model has 4 key aims:
 - Improve the outcomes for our children by providing a quality setting for pathway to independence placements.
 - Develop sustainable accommodation to meet the future demand of young people in care, stepping them into independence.
 - Reduce the number of children in high-cost long-term residential care at age 17 years.
 - Develop links with sustainable community-based support to ensure young people have access to support when needed.

2. Proposed Accommodation Model

- 2.1 The purpose-built high-quality student accommodation was built by a father whose daughter was attending Manchester University. It comprises on 3 floors with 8 cluster apartments which are organised into 8 cluster apartments with 30 units of letting in total:
 - 2 apartments - 3 no. bedrooms with ensuite and associated lounge and kitchens
 - 6 apartments with 4 no. bedrooms with ensuite and associated lounges and kitchens.

- All bedrooms are double with an ensuite shower room
- Beautiful lounge with flat screen TV & Freeview in each apartment
- Modern Fully fitted kitchens with appliances
- Communal lounge on ground floor with games area, large flat screen
- Communal laundry on ground floor
- Attractive and energy efficient building meeting all compliance standards, with low running costs, and solar energy.
- Superfast broadband and WIFI provided throughout the building
- Secure Fob entry system
- Bike Storage
- Location close to shops, amenities, colleges and local amenities
- Secure car parking area and garden space to rear.
- Staff office on ground floor and opportunity to create further counselling room space.

Floor plans are included within Appendix 1

3. Mosscafe St Vincents Pledge and Social Value offer

- 3.1 Social value is additional activity from a provider, outside of the contract specification. To realise the potential benefit of social value we are embedding social value into all procurement and ensuring that all active contracts now have social value commitments within them.
- 3.2 In line with the registered housing providers pledges Mosscafe St Vincents is committing to the following:
- 3.3 **Providing a Range of Homes –**
 - a) the project provides 30 new High Quality homes suited to the needs of young people with self-contained en suite accommodation and a range of communal and social spaces.
 - b) Intensive housing management services will ensure young people know their rights and understand how tenancy agreements work and prepare them for sustaining their own tenancies in future with pre- tenancy training.
 - c) Residents will learn skills towards sustaining tenancies and their independence with food and nutrition and budgeting and money management.
 - d) All tenancies will be fully furnished and MSV support workers will support young people to 'set up home' working with charities and suppliers in their future tenancies. Access to hardship funds will be available.
- 3.4 **Employment and Skills**
 - a) The Foyer support workers will engage with all young people to connect with others at the project and the Manchester Foyer and the activities programme, tailored to their individual needs.
 - b) The Project workers will encourage young people to engage in training, voluntary work, education and employment and will utilise the strong network and partnerships at the Manchester Foyer to do so.

- c) Each young person will be provided with a peer mentor and supported in pathways to education, training and employment including opportunities through MSV and the Greater Manchester Housing Providers Partnership.

3.5 **Life skills and mentoring**

- a) The project will support young people to connect with others who have lived experience, to encourage and promote their wellbeing.
- b) Support young people to connect with their community and to utilise local assets, local facilities such as the GP and pharmacy services at the foyers are available.
- c) A full programme of training activities and events will be provided in the communal spaces at Boundary Lodge, cooking and food preparation at the Foyer.
- d) An opportunity to become a Climate Change ambassador with a valuable City and Guilds certificate and opportunities for Youth engagement at Greater Manchester.

4. **Financial Implications**

- 4.1 **Cost** - The commissioning of accommodation for young people in care in partnership with Housing Providers is a long-term commitment. Mosscafe St Vincent's are proposing to acquire the building for this specific purpose, undertaking a programme of works, with the total scheme cost being funding through MSV investment and Homes England grant funding. Early discussions with Homes England on a similar model gives some assurance for grant support, with the value for money considerations forming a fundamental part of decision making. For this MSV require the certainty of a ten-year contract. This would be accompanied by open book accounting and contract break clauses. These are standard contract clauses that allow parties to cease the contract with a certain notice period and can be enacted by either party.
- 4.2 The costs of supported accommodation with external providers is increasing as is the demand, though currently we are not satisfied with all of the quality and outcomes achieved. If we continue to do nothing, the cost of Supported accommodation will rise and become unsustainable. The average placement cost has risen to almost £1,100 per week in six months, an increase of approx. £200 per week per placement.
- 4.3 The operating model has been costed at £0.732m per annum with estimated costs of £467.67 per week per person for 52.14 weeks per year. This is based on:
 - Social rent £95 per week
 - Property services including all utilities £51.23 per week
 - Staffing and security costs plus operational *running* costs £321.44 per week
- 4.4 An annual increase is proposed which will be divided into 2 elements; salary elements would be based on the Consumer Price Inflation (CPI) of January each year of the contract and Local Housing Allowance for rent based costs.

The rate of inflation is the change in prices for goods and services over time. Measures of inflation and prices include consumer price inflation. There may be unforeseen additional costs based on Government's decision with regard to the living wage.

- 4.5 **Invest to Save** - Manchester has on average 100 young people placed in supported accommodation at any one time with a current average placement cost of c£1,100 per week. There are 17 young people aged 16 placed in residential homes who will require pathways to independence. These placements costs on average £3,500 per week.

Table one: Invest to Save

Existing provision	Number of young people	Cost of placement (£/week)	Total Cost Full Year Cost (£)
Supported Accommodation	30	1,100	1,720,620
New provision			
Supported Accommodation	30	467.67	731,529
Total Saving (full year)			989,091
Total Saving (full year) 85% occupancy			840,727
Total Saving (6 months with 85% occupancy)			420,363

- 4.6 The Foyer would be funded through an invest to save model based on the diversion from existing placements. An invest to save model would provide part year savings to the Council of £420k, with September 2021 commencement target and 85% assumed occupancy of provision. Cost savings for each full subsequent year would be £0.841m at 85% occupancy.
- 4.7 As stated earlier in the report of Manchester's Our Children Sufficiency Strategy there is a commitment to work closely with Housing Providers and Partners to ensure that all care leavers have access to sustainable and affordable accommodation to meet their need. Alongside side this the Directorate's 2021/22 budget proposals include a £1.030m savings through the provision of a quality and innovative offer of support and accommodation accessible to care leavers as standard. If delivery commences in September 2021 the saving will achieve 40%, £420k of the £1.030m saving.

5. Need

- 5.1 Currently Manchester has on average 100 young people placed in supported accommodation; 75% are aged 17 years and over, and all are requiring accommodation post 18. By working in partnership with Mosscafe St Vincents we can support those young people through the Foyer model to identify their home for life with the right skills to maintain it.

- 5.2 Analysis in recent years has identified gaps in existing services for supporting young people in care age 16 and over, this is evidenced in the continued number of young people aged 18 years who have not identified their home for life and are continued to be funded via children's social care.

6. Procurement

- 6.1 Whilst we would justify sole sourcing under the procurement rules on the basis set out in the report; proceeding is not without risk of challenge that we cannot completely mitigate. The risk might be considered to be low in this respect given that there may not be many operators who could deliver this opportunity or have the capacity to do so in the existing location.
- 6.2 The grounds for sole sourcing under the Public Contract Regulations (Reg. 32 PCR 2015) here are:
- The location of the proposed property to the existing Foyer is ideal in terms access to health and mentoring services and staffing contingencies. It is unlikely that another property will become available in this location, with an organisation willing to manage the capital expenditure.
 - The nature/size/type of the property and that it is highly sought after in terms of location and size mean that time to offer out to other parties would not be available to us
 - Mosscares St Vincents are the existing provider of the Foyer and therefore well placed to deliver the provision in the identified location
 - Mosscares St Vincents are purchasing and investing in the property at no capital cost to the council
 - The Commissioning Team have been working with Manchester Housing Providers to develop these models and only Mosscares St Vincents have identified a solution at this time.
 - There would be statutory break clauses within the contract, based on performance and continued value for money

7. Next steps

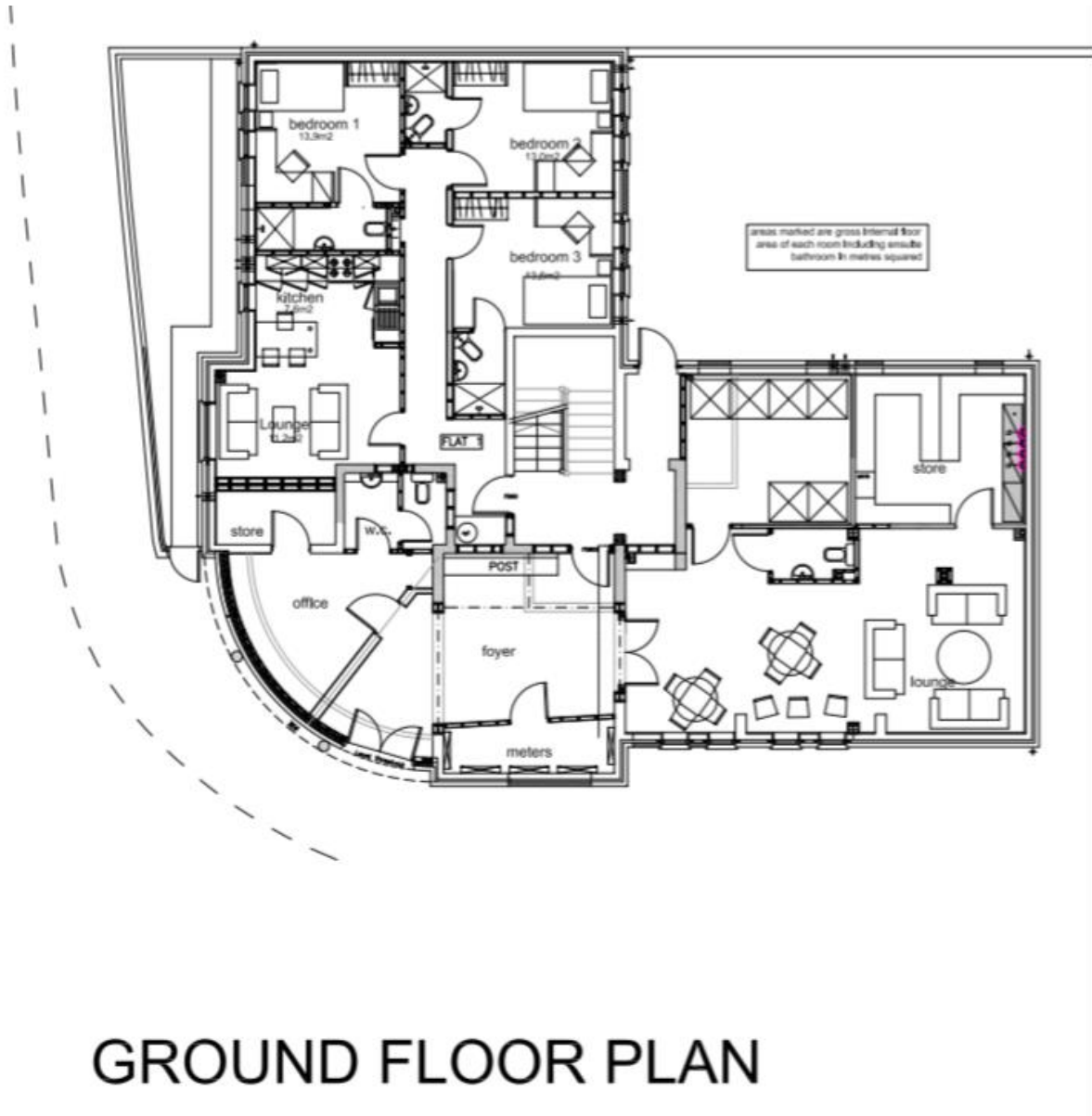
- 7.1 Foyer models of accommodation have worked well with good evidence base in other authorities in GM, and MSV are a provider who already deliver our foyer for 62 young people in Manchester.
- 7.2 We will continue to work with young people and providers to develop quality needs led accommodation models for our children and young people. By introducing this foyer model of accommodation, we will increase the choice of sustainable accommodation to meet the future demand of young people in care stepping by them into independence and providing them with skills to share accommodation. We will reduce the number of children in high cost long-term residential care at age 17 years by stepping them into pathways to independence earlier.

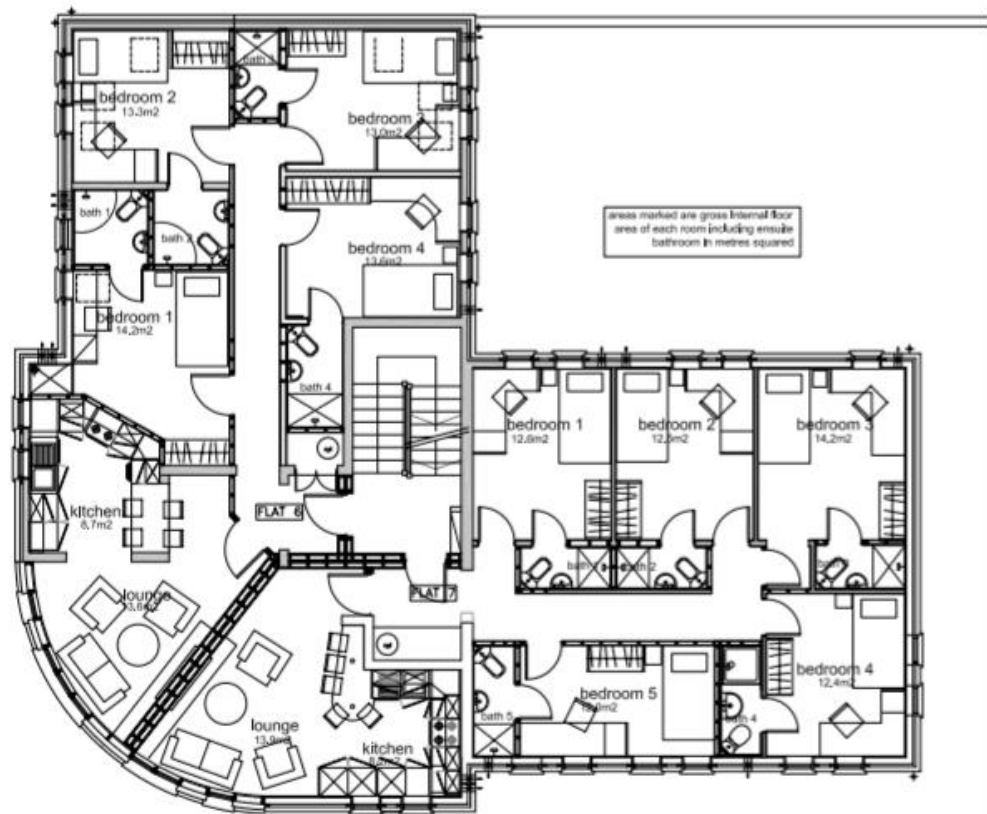
- 7.3 This accommodation will form a key element of the development of pathways to independence and we will develop sustainable community based support, wrapped around the young person.
- 7.4 Subject to the decision of the Executive the following next steps will be completed:
1. MSV would confirm an offer for Boundary Lodge with the vendor, the block is available from June but the vendor requires a decision to secure vacant possession and to ensure he does not relet for student accommodation for the next academic year.
 2. MSV would simultaneously apply for Homes England Capital grant funding for the acquisition and works to the building.
 3. The service details around management and support would be agreed with between MSV and MCC to offer homes and support to 16-18 year olds young people, and service specification agreed.
 4. A 10 year agreement would be entered into with Manchester City Council to let the building as a whole on the basis of a block rental, setting out the roles and responsibilities.

Appendix 1

Schedule of accommodation		Sq M
Ground Floor accommodation	Flat 1 no 3 person apt	13.92
		13
		13.6
	Entrance Foyer	
	office	
	wc	
	store	
	Main lounge	
	Office/store – to become counselling room	
	Laundry	
1 st Floor-	4 bedroom apt reduce to 3	
	Bed 1	14.2
	Bed 2	13.3
	Bed 3	13
	Bed 4	13.6
	Lounge and kitchen	
1 st Floor –	5 bedroom apt- reduce to 4	
	Bed 1	12.6
	Bed 2	12.5
	Bed 3	12
	Bed 4	12.4
	Bed 5	12
2 nd Floor -	4 bedroom apt	
	Bed 1	14.2
	Bed 2	13.3
	Bed 3	13
	Bed 4	13.6
	Lounge and kitchen	
	5 bedroom apt- reduce to 4	
	Bed 1	12.6
	Bed 2	12.5
	Bed 3	12
	Bed 4	12.4
	Bed 5	12
3 rd Floor	4 bedroom apt	
	Bed 1	14.2
	Bed 2	13.3
	Bed 3	13

	Bed 4	13.6
	Lounge and kitchen	
	5 bedroom apt- reduce to 4	
	Bed 1	12.6
	Bed 2	12.5
	Bed 3	12
	Bed 4	12.4
	Bed 5	12
4 th Floor	5 bedroom apartments – reduce to 4	
	Bed 1	16.7
	Bed 2	13.3
	Bed 3	13
	Bed 4	13.6
	Bed 5	17





FIRST FLOOR PLAN

Manchester City Council Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 22 June 2021
Children and Young People Scrutiny Committee – 23 June 2021
Executive – 30 June 2021

Subject: Early Years – Tendered Day-care settings

Report of: Strategic Director for Children and Education Services

Summary

The vision for all children in Manchester is that they are happy, safe, healthy and successful and that they are able to fulfill their potential through having the best possible start in life and accessing high quality education. Currently 97% of the 133 registered early years settings in the City are judged to be good or better and there are no inadequate settings. Ensuring that young children continue to access the highest quality early years provision has never been more important than now as we start to recover from the pandemic and recognise the impact that it has had on our youngest children.

This report outlines a set of proposals to support the continued provision of high quality Early Years settings across the City. The report specifically provides Executive with an overview of the impact of the current Early Years tendered day-care model (whereby providers offer day-care from a Council owned building), on the Council's duty to oversee sufficient day-care for preschool children across Manchester; the Early Years Budget and ongoing maintenance of Early Years buildings which remain part of the corporate estate.

All 56 buildings in the Early Years estate were in scope for this exercise. This includes 37 buildings which currently offer day-care in either stand alone buildings or in a shared site with a Children's Centre, in addition to play centres in parks and standalone Children Centre buildings. It is proposed that capital investment is required for 55 sites of these over the next 15 years to address the current condition of the buildings. In addition, a review for each site has been undertaken to ascertain if tendered day care is still the correct use of the building or if a different approach should be explored. In carrying out this review, all the current leases due to expire/ have expired/in need of a review due to the change in approach will need to be re-negotiated with the current provider. Improving the present condition of the buildings and changes to the arrangements of the tendering of day-care sites will ensure that going forward buildings are maintained to a high standard whilst at the same time sustaining the quality of settings and sufficient early years provision across the City.

Local Authorities under the Children Act 1989 have a duty to oversee 'day-care for preschool and other children as appropriate'. Subsequently whilst the closure of 17 daycare settings since 2015 has been successfully mitigated albeit creating a financial pressure due to loss of income from the building, there are 37 settings which are subject to these arrangements and the risk that other providers will withdraw from

Manchester. This potentially presents a significant risk to the Council's ability to meet its sufficiency duty and increase further the financial pressure on the Early Years budget.

In addition, there are further issues this with model which include reputational damage to the Council especially where some buildings are not statutorily compliant, as parents/carers still associate these building as being part of the Council's estate with the Council being responsible for poor upkeep. The loss of high-quality childcare providers to the City because they are unable to work to the original terms and conditions or afford to make the significant capital investment that some of these building may now require is also a risk.

Recommendations

The Resources and Governance Scrutiny Committee and the Children and Young People Scrutiny Committee are asked to note and comment on the report.

Executive are recommended to:

- 1.0 Note 17 of 37 leases have been surrendered since December 2015 and the potential impact on the council's ability to meet its 'sufficiency duty'.
- 2.0 Note the continued negative budget implications on the Early Years budget which continues even if the status quo is maintained.
- 3.0 Approve the recommendation for the use of each building moving forward.
- 4.0 Approve the re-negotiation of the current leases by corporate estates with day care providers, making clear the responsibility of the lease holder and the corporate landlord in the re-negotiated lease.
- 5.0 Support the proposal to include the Early Years estate portfolio in the Council's future Asset Management Programme, at an estimated cost of £0.7m per year.
- 6.0 Approve a budget increase of £3m, funded by capital receipts, to fund the priority works.

Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Early Years childcare is essential to enable families to access employment opportunities.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The Early Years sector offers significant employment to support the Manchester economy.

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Early Years SSCC at hubs of the community offering opportunities to access local support when needed.
A liveable and low carbon city: a destination of choice to live, visit, work	The capital investment in the Early Years portfolio will allow the outdated buildings to be in line with modern building expectations.
A connected city: world class infrastructure and connectivity to drive growth	Early Years childcare at a local level allows families to connect with employment in the right location

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

In 2012, the Council took the decision to withdraw from the direct provision of day-care services in order to move to a new model, with the Council acting as commissioner of day-care services within Council owned building. The condition of the Manchester City Council estate for tendered day care is in a poor state, which is having an impact on the environment Manchester children are experiencing. The cost of maintaining the buildings is prohibitive with providers requesting that the Council takes responsibility for repair and maintenance of the property whereupon they would be willing to pay a higher market rent. Over the last 3 years the existing arrangement with providers has led to 17 settings withdrawing from the market. With lease income being lower than expected and running costs of maintained tendered day care sites being higher than budgeted for there is a £400k recurring pressure on the budget; with a risk this may increase should 'provider income' reduce further.

This report also sets out the financial support offered early years providers during the pandemic.

Financial Consequences – Capital

The proposals in this report would increase the capital budget by £3m, funded by capital receipts, for the priority works, and would widen the scope of the future Asset Management Programme to include the sites where the Council will have landlord responsibilities.

Contact Officers:

Name: Amanda Corcoran
Position: Director of Education
E-mail: amanda.corcoran@manchester.gov.uk

Name: Richard Munns
Position: Head of Corporate Estate and Facilities
E-mail: richard.munns @manchester.gov.uk

1.0 Introduction

- 1.1 The vision for all children in Manchester is that they are happy, safe, healthy and successful and that they are able to fulfil their potential through having the best possible start in life and accessing high quality education. Over the last 6 years there has been a significant improvement in the quality of our Early Year settings and currently 97% of the 133 early years settings in the City are judged to be good or better and there are no inadequate settings. Early years day-care is provided across the City by 108 different private voluntary and independent providers (PVI) of which 25 providers operate 2 or more settings. The vast majority of these providers work with our Local Authority Quality Assurance team within Children and Education Directorate who provide support and challenge on practice, ensure that providers are meeting the City's priorities and are compliant with OFSTED requirements. Over the last year much of this support has focused on supporting the sector to respond to the pandemic.
- 1.2 During the pandemic Manchester's early years sector has been essential in continuing to make childcare provision available with the majority remaining open throughout. Although the number of children attending settings is increasing now, take up of childcare places throughout this year has been much lower than previous years even though during the most recent period of lockdown Early Years settings were allowed to remain open for all children. Feedback from our schools and settings is that the pandemic has particularly adversely impacted our youngest children and this will be a priority focus of our recovery plan. Consequently, ensuring that young children continue to access good and outstanding early years provision in high quality environments fit for purpose has never been more important than now.

2.0 Background

- 2.1 In 2012, the Council took the decision to withdraw from the direct provision of day-care services in Council owned buildings in order to move to a new model, with the Council acting as commissioner of day-care services. As a result of this decision, the Council entered into a tender exercise seeking day-care operators who would take leases of 37 properties across the City.
- 2.2 The opportunity to lease a building was determined following a competitive tender process with potential tenants submitting a bid outlining their preferred lease term, rental to be paid and their proposed capital investment into the building. All leases included a full repair and maintenance responsibility for the buildings.
- 2.3 Many providers when submitting their bids had assumed a level of income would be generated to cover their costs including maintaining the building based on the Early Years market at the time. Subsequently, the Government has introduced free early years provision for children aged 2, 3 and 4 but the rates of funding for this free entitlement has reduced the overall income for providers and also reduced the opportunity to income generate by offering additional hours particularly in the most deprived neighbourhoods in the City which has meant that many providers no longer have enough income to cover

unexpected costs associated with the building. Further to this, the impact of the pandemic has provided further financial challenges for day-care providers. In late 2015, the Council was approached by an operator who was experiencing financial difficulty due to several factors including the condition of the building, increased wage bills and other financial factors. A decision was taken to permit the early surrender of the lease with the building being subsequently re-tendered.

2.4 Following this initial surrender, there has been a further 16 leases surrendered with the reasons cited as:

- Building in poor condition
- Increased staff costs
- High utility costs
- High business rates
- Increased competition
- movement of 3 and 4 years old to Primary schools
- 2 year old funded places at DfE hourly rate
- Additional 15 hours for 3 and 4 years olds at DfE hourly rate

2.5 Each re-tender exercise takes approximately 5 – 6 months with the Council responsible for the property in the interim period, along with this, families with children displaced from the settings are required to seek alternative childcare provision.

2.6 The Council's approach when presented with a request to surrender has been until recently, to accept the surrender rather than seeking to work with the provider to explore whether a period of financial assistance may enable providers to remain within the property. The current position has been to work with the provider to consider different options in order to maintain the day-care places. However, this also impacts on the budget for the Early Years.

2.7 All day care sites that have not been re-tendered in the last three years are due for renewal of leases in the next 10 years. This will cover a total of 24 sites.

2.8 As part of an exercise commissioned to understand the risks and costs going forward, all 56 buildings within the Early Years portfolio have been subject to a condition survey to identify the structural condition of each site and the costs of addressing any issues. This includes 37 buildings which currently offer day-care in either stand alone buildings or in a shared site with a Children's Centre, in addition to play centres in parks and stand alone Children's Centre buildings. All buildings which are designated as a Sure Start Children's Centres will provide a core purpose which supports school readiness, delivery of health and wellbeing services, parenting skills and parenting aspirations.

3.0 Results of stock condition surveys

3.1 Through the completion of stock condition surveys of all settings, we now have a clear picture of the current condition of building within this portfolio. The current market capital rebuild value of the portfolio is £53 million. The condition

surveys have identified a capital investment requirement of £30 million over the next 15 years, more immediately the capital investment for the next 5 years would be £12 million. This is broken down into three spend priority groups;

- Priority 1 - Assets which have a strict legal statutory compliance.
- Priority 2 - Assets which are deemed to have a “business critical” impact – i.e. affect operation of the building or its functional use or increase reputational risks to the Council due to the overall condition.
- Priority 3 - Assets which could be deferred, low risk or non-critical to the Council.

3.2 Through prioritisation of group 1 and 2, the capital investment requirement over the next 15 years would be £13 million, with the more immediate capital requirement over the next 5 years of £5.2 million.

4.0 Review of early years buildings within the portfolio

- 4.1 Each site has been reviewed considering condition survey; ward sufficiency data; current lease arrangements; clawback funding with the DFE where the building is designated as a Children’s Centre and early years locality requirements for the building.
- 4.2 Input from colleagues in education, social care, early years, finance and procurement and corporate estates have recommended the following use of each building moving forward;
- 4.3 Lease re-negotiation – 24 sites. These building have been identified as required to support sufficiency and early years core purpose. All these sites are currently tendered by early years day-care providers. It is proposed that for these sites the Council will engage in renegotiation of the lease arrangements for these sites. Through this re-negotiation it will be made clear the responsibility of the lease holder and the landlord in maintaining the building. A clear asset management plan will be needed to oversee the maintenance of the site. A review of re-charges where the building is shared for early years core purpose will also be required. The lease re-negotiations will be with 13 different provider groups.
- 4.4 Removal from portfolio – 1 site – Fulmead has been transferred to housing and no longer in scope for this portfolio.
- 4.5 Sale of site – 2 sites – Scout Drive Children’s Centre is at an advanced stage of sale to the current lease holder and is currently progressing with corporate estates. Royal Green Children’s Centre is currently leased as a standalone building. Due to the significant capital investment required over the next 5-years, sale of the site to the current leaseholder should be explored. These sites do not incur de-designation or clawback as they are stand-alone sites.
- 4.6 Re-tender of site – 2 sites – Slade Lane Children’s Centre and South Gorton Sure Start Centre are currently vacant due to leases being surrendered in Spring 2020. Sufficiency assessments for each locality indicate both sites need

to be re-tendered to identify day-care providers under the same lease arrangements covered in 5.2.1.

- 4.7 Transfer to school – 1 site – Chorlton Darley Avenue will be transferred to Barlow Hall Primary School through a memorandum of understanding.
- 4.8 Continuation of current arrangement – 13 sites – These sites are currently used for core purpose only or are a school/college/alternative provision/Maintained Nursery School site. Current arrangements are sufficient at the present time, with the addition of capital investment from stock condition surveys needs to be kept in scope.
- 4.9 Current community asset transfer (CAT) in place – 3 sites – Buildings are currently used by community groups under CAT arrangements. Arrangements can continue but capital investment from stock condition surveys needs to be kept in scope.
- 4.10 Consideration of alternative use – 8 sites (4 shared sites with Children's Centres which deliver core purpose). These sites are all currently empty with no tendered day care provision and sufficiency assessments in locality indicate they do not need to be re-tendered for day-care. Through discussions with partner agencies different options have been explored including a community asset transfer process. Decisions regarding the use of vacant Early Years buildings will consider whether there is sufficient supply of early learning places in the local area, alternative options for use of the building and the City Council's strategic priorities. Options will be considered on a case by case basis to ensure the best use of the premises to support strategic aims and to enhance services for local children and their families. In the event that childcare sufficiency isn't an issue, Early Years will look to allow alternative partners to use buildings. For example, the charity Manchester Thrive whose programmes promote good physical and mental health for families with a focus on prevention, have recently begun operating from Sharston Children's Centre. Work is progressing with 2 local primary schools who are interested in using empty day-care spaces within other Children's Centre buildings with the intention they will offer community/early years and out of school activities in the building alongside the Early Years commissioned outreach provider. Working in partnership with schools is seen as an opportunity to make the best use of the space available to deliver high quality provision which meets the needs of local children and their families.
- 4.11 Move Sure Start Children's Centre designation – 1 site. Moss Side Sure Start Children's Centre is currently leased by an early year's provider. The sites stock survey has indicated that £340k will need to be invested over the next 5 years. In addition, the stock condition survey indicates in years 5-10 a further £800k investment would be required. The DFE claw back for this site is 144K.
- 4.12 Given the significant capital investment required the proposal is to de-designate Moss Side SSCC and move the designation of this Centre to St Mary's CE Primary School. The school is adjacent to the SSCC and as the designated children's centre site, we would make use of the school bungalow to deliver

some elements of core purpose, along with other community assets in the neighbourhood.

- 4.13 Moss Side SSCC is currently run and managed by Martenscroft Nursery School. The school has long established relationships and collaborative partnership working with a number of key stakeholders which include local schools, childcare settings, Power House library and Moss Side Leisure Centre. Children's centre core purpose has been successfully delivered from these sites and has given the opportunity to bring services and programmes together for families and young children to have access to integrated, easily accessible early years and family support. This proposal will also support closer and more strategic working with the head teacher at St Marys and school partners from the Heart of Manchester Partnership to ensure children are better prepared to start school.

Given the minimal impact of the proposals there is no duty to hold a statutory consultation, however if proposals are agreed we will ensure that families are kept informed and supported whilst the changes take place.

There is also a provider who is interested in using the vacated part of this building to deliver services for young people in Moss Side and who may be able to access the investment required for this building. Discussions will be had with the current daycare provider to determine a way forward taking account of the changes proposed.

5.0 Financial implications – revenue

- 5.1 Due to the number of leases being surrendered and properties re-tendered since 2015, there are several financial risks associated with the current day-care tender model. When a day-care site closes, clearly there is no income and the costs related to maintenance and utilities are covered by MCC, with a typical time period of 9-12 months from the point retendering commences to the site being re-occupied.
- 5.2 The cost of maintaining the buildings is prohibitive with providers requesting that the Council takes responsibility for repair and maintenance of the property whereupon they would be willing to pay a higher market rent. Over the last 3 years the existing arrangement with providers has led to 17 settings withdrawing from the market. With lease income being lower than expected and running costs of maintained tendered day care sites being higher than budgeted for there is a £400k recurring pressure on the budget; with a risk this may increase should 'provider income' reduce further.

6.0 Financial implications - capital

- 6.1 It is proposed that the sites for which, following lease renegotiation, the Council will have landlord responsibilities are included within the Council's existing Asset Management Programme, which provides ongoing maintenance funding for the Council's corporate estate. It is forecast that this will require an average capital investment of £0.7m per annum. This will be included in future budget requests

for the Asset Management Programme.

- 6.2 However, it is recognised that the priority 1 and 2 works should be undertaken urgently, given the risks associated with them. These works are not included in the existing Asset Management Programme.
- 6.3 It is therefore proposed that these works, expected to cost c. £3m, are progressed within the next 2 years, and therefore a budget increase of £3m funded from capital receipts is recommended.

7.0 Further actions

- 7.1 Through the process of stock condition surveys, it has been recommended in addition that asbestos site surveys should be completed. Asbestos surveys would need to be completed for all 55 buildings and the costs associated will need to be factored into the asset management plan.
- 7.2 Through the process of re-negotiating/re-tendering 26 sites, rent appraisals should be conducted to ascertain if the correct market value is being applied and if there should be a change to the current terms and condition of the lease. Proposals to improve the terms and conditions of the leases connected to the delivery of day-care will be made in consultation with day-care providers. Day-care providers have been notified in writing/by email of the proposals to revise the current lease arrangements with a view to making them fairer to lease holders. The revisions will make roles and responsibilities around repairs and maintenance of the buildings much clearer. A reference group of day-care contract and lease holders has been established to assist in, and inform, the review process which is being progressed via a task and finish group.

8.0 Support Provided to Early Years Settings During the Pandemic

- 8.1 As mentioned earlier in this report the pandemic has created additional financial challenges to the Early Years day-care sector. Early Years providers were able to furlough staff and claim a grant to help them to continue paying part of their employees' wages who would otherwise have been laid off during this pandemic. To mitigate some of the sector's financial pressures and to ensure that providers were able to continue to support children throughout the crisis, support through business rates relief, protecting early years funding levels and additional grants has been provided.
- 8.2 Business rate holiday was applied to nurseries in 2020/21. A discount to business rates will apply in 2021/22.
- 8.3 The early years sector experienced challenges throughout the first national lockdown where a number of providers temporarily closed during the coronavirus pandemic. The council provided funding to those providers that closed and additional funding where settings remained open, to provide care for vulnerable children and the children of critical workers.
- 8.4 During the autumn term in acknowledgment that funding arrangements for

many early years settings did not cover normal income levels due to fewer children attending, settings were funded on the basis of level of attendance prior to the pandemic.

- 8.5 Funding was offered to private, voluntary and independent sector where support for these providers were not covered by other grant schemes. £1.5m of the Additional Restrictions Grant was paid to the sector.

9.0 Conclusion

- 9.1 The continued provision of high quality sustainable Early Years day-care as part of our Early Years offer is a priority for the Council and is more important than ever in our recovery from the pandemic. Manchester has a number of high quality Early Years day-care providers operating in the City from Council owned buildings who are at risk due to the market not generating enough income for them to pay for the full maintenance of the building as initially intended and more recently due to financial challenges linked to the pandemic. This is also impacting on the Early Years budget which is covering the costs of empty building. We also know that some of these buildings now require significant capital investment and are in poor condition. This is particularly evident in the most deprived areas of the City where income generation for day-care providers is more limited. It is important that the Council therefore intervenes to protect and retain high quality day-care in the City. This paper contains a number of recommendations which if taken forward will support this priority.

10.0 Recommendations

Executive are recommended to:

1. Note 17 of 37 leases have been surrendered since December 2015 and the potential impact on the council's ability to meet its 'sufficiency duty'.
2. Note the continued negative budget implications on the Early Years budget which continues even if the status quo is maintained.
3. Approve the recommendation for the use of each building moving forward.
4. Approve the re-negotiation of the current leases by corporate estates with day care providers, making clear the responsibility of the lease holder and the corporate landlord in the re-negotiated lease.
5. Support the proposal to include the Early Years estate portfolio in the Council's future Asset Management Programme, at an estimated cost of £0.7m per year.
6. Approve a budget increase of £3m, funded by capital receipts, to fund the priority works.

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