

Early Years & Childcare
222 Upper Street, N1 1XR

Report of: Corporate Director Children's Services

Date: 14 February 2023

Ward(s): Mildmay, Hillrise

Subject: Contract award for Children's Centres

1. Synopsis

- 1.1. This award report summarises the outcome of the procurement for the provision of early years education and Bright Start hosting at The Factory and Hornsey Road Children's Centres.
- 1.2. Children's centres offer high quality early years education and childcare to babies and children up to the age of five as well as providing a venue for the delivery of multi-disciplinary activities and services such as 'stay and plays', speech and language support and maternity and child health clinics.

2. Recommendations

- 2.1. To award the contract to Minik Kardes for service provision at The Factory Children's Centre for a period of up to 84 months from 1 April 2023, including optional extensions, with an indicative budget for the 84-month period £5,222,000.
- 2.2. To award the contract to Minik Kardes for service provision at Hornsey Road Children's Centre for a period of up to 84 months from 1 April 2023, including optional extensions, with an indicative budget for the 84-month period £4,607,000

3. Date the decision is to be taken

- 3.1. 22 February 2023

4. Background

4.1. **Nature of the service**

- 4.1.1. The Childcare Act 2006 places a duty on all local authorities to secure sufficient childcare to meet local need. The council commissions the delivery of early education and childcare provision in three of its children's centres in order to ensure that there is sufficient high quality integrated early years provision and childcare for local parents, which improves outcomes for children and reduces inequalities. The procurement exercise outlined in this report was undertaken to secure service provision at The Factory Children's Centre and Hornsey Road Children's Centre.
- 4.1.2. Childcare and early education in Islington's children's centres is offered to children from the age of six months to five years. Places are subsidised on a sliding scale according to household income to support parents to continue working or studying. Charges to parents for childcare places are in inverse proportion to family income, ensuring that low and middle income parents receive the greatest amount of support with childcare fees. Parental income is reassessed every six months and places are offered flexibly in line with the council's charging and admissions policy.
- 4.1.3. Children's centres also provide high quality early education to vulnerable children including those with special educational needs and disabilities (SEND) through priority early learning placements and free early education entitlements (FEEE) of either 15 or 30 hours for eligible two, three and four years olds.
- 4.1.4. Research shows that high quality early education and childcare has a lasting positive impact on children's outcomes, in particular the most disadvantaged children. The council's 2021 strategic plan, [Islington Together](#), sets out its aims to ensure that we nurture our children and young people so that everyone has the very best start, making the borough a fairer, more equal place for all. We know that early life experiences have a significant impact on future life changes, and we want all children to reach their full potential regardless of their background or starting points. We aim to offer the highest quality services to support children and their parents/carers from pregnancy to age five.
- 4.1.5. In addition to delivering high-quality, affordable childcare, children's centres host a range of Bright Start services and activities delivered on site by integrated early childhood teams as part of their contract. The provider will work in partnership with the relevant Bright Start locality team to enable Bright Start activities to be delivered in high quality spaces at agreed times to suit local families. The provider will also provide receptionist duties and co-location office space to support the delivery of Bright Start services.
- 4.1.6. Bright Start is the umbrella name for the range of early childhood services for Islington children and their families from conception to age five. These services are delivered by multi-agency teams in a range of community venues including children's centres. Services include: universal and targeted stay and play provision including support for children with SEND; parenting programmes and workshops, family support and information advice and guidance, maternity and child health services including midwifery, health visiting, speech and language therapy and children and adolescent mental health services (CAMHS), adult and community learning, employment support, volunteering opportunities and housing surgeries.

- 4.1.7. Bright Start aims to support every child and family in Islington so that children are happy, healthy, safe and active, learning and developing physically, emotionally and socially to reach their full potential.
- 4.1.8. In order to ensure the quality of the service, one of the minimum requirements for this tender was for the most recent Ofsted early years inspection rating to be Good or Outstanding.
- 4.1.9. The Education Strategy also outlines how the borough aims to provide 1,000 high quality early education places for children who need it most and how early help can offer children the support needed to reach their full potential. Children's centres are essential in enabling Islington to achieve these ambitions.

4.2. **Estimated value**

- 4.2.1. This contract is funded through a mix of core council funding, parental contributions and Dedicated Schools Grant funding from the Department for Education. It should be noted that funding is indicative of the annual DSG grant from the Department for Education and therefore may change. The indicative value was published as £745,963 per annum for The Factory and £658,094 per annum for Hornsey Road.
- 4.2.2. The pricing schedule submitted by the recommended provider was in line with the published indicative budget for year one. The budget is subject to annual review to take into account changes in the government subsidy and levels of participation. The annual value is also dependent on factors such as parental contributions as outlined in 4.1.2 which may fluctuate on an annual basis.
- 4.2.3. The service costs are in line with other children's centre services delivered in the borough. A high proportion of the costs are spent on staffing, therefore any budget reduction for this service could impact on the provider's ability to meet minimum statutory staffing ratios as required by Ofsted.

4.3. **Timetable**

- 4.3.1. There will be continuity of service with the new contracts for both The Factory and Hornsey Road children's centres. Contracts will start on 1 April 2023 allowing for TUPE.

4.4. **Options appraisal**

- 4.4.1. A full options appraisal was included in the procurement strategy which was approved at the council's Executive meeting on 24 March 2022.
- 4.4.2. The option to bring the service provision of the Children's Centres in-house was thoroughly explored. This option was not recommended due to the financial implications. The strategy report outlined the estimated costs for insourcing for which the approximate additional budget required for the three centres would amount to an annual budget enhancement of £587k.

4.4.3. The option to let the service come to an end was also assessed in the options appraisal. If the contract is not awarded, this would mean a significant loss of childcare placements offered in borough which would impact on the Council's ability to deliver statutory duties. It would also reduce the number of community venues available for the delivery of Bright Start services.

4.4.4. The recommended option to carry out a procurement exercise to continue to outsource the services was agreed at the Executive meeting on 24 March 2022.

4.5. **Key Considerations**

4.5.1. The published award criteria included 20% weighting for social value. The recommended provider addressed social, economic, and environmental aspects of social value in their response to the method statement question.

4.5.2. In their tender return the recommended provider made the following social value commitments:

- **Social** - The provider offered initiatives to integrate marginalised groups (particularly Turkish and Kurdish groups) through supporting the delivery of English for Speakers of Other Languages (ESOL) from the children's centre whilst using their knowledge and interactions with these groups to encourage participation. The provider uses race equality audits to evaluate how marginalised groups are represented and supported and have demonstrated their commitment to support children's, families' and staff well-being.
- **Economic** - The provider is a small local organisation who employ and offer volunteering opportunities to local people. The provider has committed to advertise opportunities with iWork and will also offer a range of other employment support such as volunteering, work experience and apprenticeships for people who are highly skilled but whose qualification may be from abroad.
- **Environment** - The provider will encourage both the staff and children to look at their environmental impact and offer the children more opportunities to be outdoors, for example grow and pick their own vegetables.

4.5.3. The recommended provider adds value to their offer through the particularly strong links with our Turkish and Kurdish communities. Ofsted specifically comments on their culture of inclusivity and respect.

4.5.4. London Living Wage is a condition of these contracts.

4.5.5. TUPE will apply for Hornsey Road Children's Centre.

4.5.6. A continuous improvement cycle has been built into the service specification which will enable the council to review the effectiveness of these contracts through the life-cycle.

4.6. **Evaluation**

This procurement was conducted in accordance with the Public Contracts Regulations 2015, under Chapter 3 Section 7 Social and Other Specific Services (known as the “light touch” regime). Under Regulation 76 the council is free to establish a procedure, provided the procedure is sufficient to ensure compliance with the principles of transparency, equal treatment of economic operators (service providers). The procedure was based on the open procedure, but with the potential for negotiation if deemed appropriate. The tender was ‘open’ to all organisations who expressed an interest. Organisations had to meet minimum requirements before the rest of their tender was evaluated.

The contracts for The Factory and Hornsey Road Children’s Centres are being awarded to the Most Economically Advantageous Tender (MEAT) based on 30% cost and 70% quality, including 20% allocated for social value.

The procurement documents were published on the London Tenders Portal on 9 June 2022. The deadline for submission of tenders was 15 August 2022. 22 organisations expressed an interest and had access to the procurement documents. The recommended provider met the minimum requirements and had their method statements and pricing evaluated for The Factory.

Hornsey Road did not initially receive any suitable tenders. However, the Council is permitted to negotiate with providers who bid for other children centres and met minimum requirements in the quality evaluation, in accordance with published documentation. The recommended supplier was therefore asked to submit their qualitative method statements and pricing for Hornsey Road.

Each of the responses to the method statement questions for The Factory and Hornsey Road Children’s Centres achieved a score that showed they met or exceeded the requirements.

The method statements were used to assess the published award criteria as outlined below. The weighted score column shows the scores achieved for each question for each children’s centre:

Award criteria	Achieved score	Achieved weighted score	Applicable criterion weighting
Proposed approach to social value	Exceeded	16	20
Proposed approach to implementation and service model	Met	6	10
Proposed approach to outcomes and outputs	Exceeded	8	10
Proposed approach to partnership working	Met	6	10
Proposed approach to the Early Years Foundation Stage	Met	6	10
Proposed approach to contract management including governance, finance and financial management	Exceeded	8	10
Maximum possible weighted score		50	70

The recommended provider's awarded score when you apply the weighting means they achieved 50% out of a maximum of 70% for quality.

Agreed weightings	
Total weighted quality score (out of a maximum of 70%)	50%
Total weighted cost score (out of a maximum 30%)	25%
Overall weighted score	75%

4.7. **Business risks**

4.7.1. Business risks and opportunities were identified in the procurement strategy which was approved at the Executive meeting on 24 March 2022. The main business risk identified in that report was not having a suitably skilled and experienced provider to deliver the service. The contract notice for this tender was published on Find a Tender Service, Contracts Finder and the London Tenders portal. At the conclusion of a transparent process the recommendation is to award the contract to a provider who has a track record of having the skills and experience to deliver the service. The recommended provider already manages one of the children's centres in Islington as well as another in a neighbouring borough and the tender submission gives confidence that they have the capacity and capability to run the service provision at both The Factory and Hornsey Road Children's Centres.

4.8. The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

4.9. The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	This service provides childcare and early education to children under five and hosts a range of family services. See paragraph 4.1
2. Estimated value	The estimated indicative value and contract duration are outlined in this report. See paragraph 4.2
3. Timetable	As outlined in this report. See paragraph 4.3
4. Options appraisal for tender procedure including consideration of collaboration opportunities	A full options appraisal was included in the procurement strategy. See paragraph 4.4

5. Consideration of: <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • Best value; • TUPE, pensions and other staffing implications 	<ul style="list-style-type: none"> • Social value key performance indicators will be reviewed through continuous improvement meetings • London living Wage will be a condition of the contracts • TUPE will apply to Horney Road Children's Centre See paragraph 4.5
6. Award criteria	30% cost and 70% quality (which includes 20% social value). See paragraph 4.6
7. Any business risks associated with entering the contract	No business risks are identified with awarding this contract. See paragraph 4.7
8. Any other relevant financial, legal or other considerations.	None to be considered.

5. Implications

5.1. Financial Implications

5.1.1. The contract bid from Minik Kardes was in-line with the indicative budget for the Factory Children's Centre and Hornsey Road Children's Centre. Minik Kardes is the current provider for The Factory but not Hornsey Road, therefore there will be TUPE implications / pension implications for Hornsey Road Children's Centre. The current economic climate could have an impact with inflation and part of the contact price is parental contributions, but the contract allows review periods after 3 years.

5.1.2. An indicative budget in the tender documentation for 2022-23 was provided. The budget is indicative as Dedicated Schools Grant (DSG) funding for free entitlements to early learning and childcare is participation based. As such it is adjusted in-year in line with the terms of grant funding from the DfE. In addition, the unit rates of funding for these entitlements will increase next year following increase to funding rates from the DfE subject to a statutory local consultation with providers and affordability. The 22-23 indicative budget is as follows;

Indicative budget (2022/23)	The Factory £k	Hornsey Road £k	Comment
3&4 year old DSG funding	176,376	115,522	DfE unit funding rates have increased by 3.07% in 2023/24. Funding based on demand
2 year old DSG	79,715	33,541	DfE unit funding rates have increased by 9.75% in 2023/24. Funding based on demand.

Childcare subsidy (General Fund)	250,067	181,684	5% discretionary inflation in 2023/24
Hosting budget (General fund)	35,284	40,011	5% discretionary inflation in 2023/24
Priority Early Learning SEND	N/A	60,424	
Parental charges for childcare	204,521	226,911	Income based on demand
Total indicative budget	745,963	658,094	

5.1.3. The bid price for 2023/24 was within the indicative budget for 2022/23, which alongside the potential funding rate increases, will provide mitigation against inflation and any reductions in demand. The majority of Children Centre provider costs are staffing costs (typically 85%). In addition parental contributions towards the cost of childcare have held up well at the Factory following the end of the pandemic.

5.2. Legal Implications

5.2.1. The Council has duties under sections 6, 7, 7A, 9A, 12 and 13 of the Childcare Act 2006 to provide early education and childcare. The council may enter into contracts for such services under section 1 of the Local Government (Contracts) Act 1997.

5.2.2. The proposed contracts are contracts for services. The threshold for application of the Public Contracts Regulations 2015 (“the Regulations”) is currently £663,540.00 (for light touch services). The value of the contracts to be let is above this threshold. The council’s Procurement Rules require contracts for light touch services over the value of £500,000.00 to be subject to competitive tender. In accordance with the requirements of the Regulations and the Council’s Procurement Rules the contracts have been procured with advertisement on the Find a Tender Service (FTS) and Contracts Finder under the Open Procedure.

5.2.3. Minik Kardes’s bid for The Factory Children’s Centre (TFCC) was evaluated in accordance with the evaluation model and found to meet the requirements of the council. The contract for TFCC may therefore be awarded to them as recommended in the report.

5.2.4. Minik Kardes did not initially bid for Hornsey Road Children’s Centre (HRCC), however, following negotiation which was permitted in accordance with the published procurement documents, they were requested by the council to submit their qualitative method statements and pricing for HRCC. These were duly evaluated and they met or exceeded the requirements. The contract for HRCC may therefore be awarded to them as recommended in the report.

5.2.5. The Procurement Strategy for these contracts was approved at Executive on 24 March 2022 and gave delegated authority to award the contract to the Corporate Director for Children's Services (following consultation with the Executive Member for Children, Young People and Families). In deciding whether to award the contracts as recommended the Corporate Director for Children's Services should be satisfied as to the competence of the supplier to provide the services and that the tender price represents value for money for the Council.

5.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

5.3.1. The provider will support the council's zero emissions goal including having a Service Level Agreement (SLA) with Energy Services for the purchase of renewable electricity.

5.3.2. The provider will be required to recycle, and this will include food waste, papers, plastics, glass, metal, small electricals and textiles and careful disposal of clinical and sanitary waste.

5.3.3. Staff will be encouraged to walk, cycle, and use public transport when travelling to and from work and around the borough,

5.4. **Equalities Impact Assessment**

5.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5.4.2. An Equalities Impact Assessment was completed on 20 September 2021. The main findings are that there are opportunities to increase uptake of Free Early Education Entitlements through this contract in addition to further reach into the Turkish and Kurdish community and improving health outcomes and good levels of development. The full Equalities Impact Assessment is appended.

6. **Conclusion and reasons for the decision**

6.1. Following a public procurement process, the recommendation is to award the contract for early education, childcare and early childhood services to children and their parents/carers at The Factory and Hornsey Road Children's Centre to Minik Kardes who achieved a combined score of 75% for the published award criteria for quality and cost.

6.2. This contract will support the council to meet its obligations under the Childcare Act 2006 to provide high quality sufficient childcare for families with children under

5. Minik Kardes is a good provider with a strong track record of providing services. They manage one of the children's centres in Islington included in this report as the incumbent provider and one in a neighbouring borough with a long standing track record of providing high quality education and childcare with Good or better Ofsted outcomes. They have a recent good judgement at The Factory - Ofsted report June 2022.

7. Record of the decision

7.1. I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Authorised by:

Jon Abbey

Corporate Director of Children's Services

Date: 22 February 2023

Appendices:

- Equalities Impact Assessment, updated 23 Dec 2022

Background papers:

- None.

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