

Leicester  
City Council

**WARDS AFFECTED**  
**All Wards**

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**  
**Education & Lifelong Learning Scrutiny Committee**  
**Cabinet**

**09.06.2005**  
**13.06.2005**

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## **WORKPLACE NURSERY – OPTIONS FOR THE FUTURE**

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### **Report of the Corporate Director of Education and Lifelong Learning**

#### **1. Purpose of the Report**

The Departmental Revenue Strategy for 2004/05 proposed that the Council's Workplace Nursery should become a self-financing service by April 2006, removing a £145,000 subsidy. This report identifies the current budget picture and the options for the future.

#### **2. Summary**

- 2.1 The Workplace Nursery is available for use by employees from all departments. It is popular with those who use it and is a contribution to equality of opportunity, and to recruitment and retention.
- 2.2 However, despite the wide range of initiatives and efficiencies implemented; and extensive efforts made, it is unlikely that the Nursery will become self-financing within the next two or three years, or at all on its existing basis. It made a £110,000 deficit in 2004/05 and losses continue at about £10,000 a month.
- 2.3 The Workplace Nursery was set up in the late 1980's and was based on the Social Services Department Children and Family Centre structure. This is not a commercially viable model, without continuous full usage. This seems unrealistic in modern circumstances.
- 2.4 When established, good quality affordable day care was more difficult to find, so the Workplace Nursery offered a valuable opportunity to many employees. Over the last eight years, through the National Childcare Strategy, there has been a significant increase in local affordable childcare across the country. Employees now have far greater choice; many choose to use childcare in their own local communities, and full usage seems unlikely in the future.
- 2.5 The nursery may make some contribution to recruitment and retention, and equality of opportunity. However, with over 14,000 Council employees, and a maximum of only 50 nursery places available, this is likely to be marginal.

Moreover, staff are not fully utilising even those places with average occupancy of only 80%. It must therefore be assumed that most staff prefer the alternatives which have become available.

2.6 In order to address the budget problem in the area, the options are:

- (1) Close the nursery. There would need to be formal consultation before deciding this option.
- (2) Continue to subsidise the nursery, looking elsewhere in the Department's budget for compensatory savings. Options would need to be brought forward for Members' consideration.

2.7 A one-off growth bid of £80,000 has been agreed by Members for 2005-6.

2.8 The Employees Consultative Forum on 22 March 2005 asked for the nursery to be kept open, but with responsibility transferred to another department. This alone would not deal with the budget problem.

### **3. Recommendations**

Members are recommended to:

- (1) Note the action taken to implement efficiencies and initiatives to make the nursery self financing and that, despite these, continued overspending is unavoidable.
- (2) Advise whether consultation should be commenced on possible closure, or whether alternative budget reductions should be identified in order to continue the nursery's subsidy.

### **4. Headline Financial and Legal Implications**

#### **4.1 Financial Information**

The Workplace Nursery can approach self-financing only if full occupancy is guaranteed. Any budget shortfall would need to be addressed regardless of which Department is the host. This is because of the level of overheads Council services carry and the competitive market for childcare. If the Council is not prepared to underwrite a continuing overspend, closure is the only financially viable option.

David Wilkin, Head of Education Finance, Education Department, x7750.

#### **4.2 Legal information**

Depending on which option or variation of an option is decided on, there may well be employment law and contractual issues relating to staff who work within the nursery, including prior consultation on any potential redundancies.

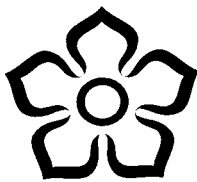
Peter Nicholls, Service Director, Legal Service, x 7750.

**5. Report Author/Officer to contact:**

**5.1** Jo Elks  
Acting Joint Head of Early Years  
Telephone: x 1609/4389

**DECISION STATUS**

<b>Key Decision</b>	No
<b>Reason</b>	
<b>Appeared in Forward Plan</b>	No
<b>Executive or Council Decision</b>	Executive (Cabinet)



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### Workplace Nursery – Options for the Future

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## SUPPORTING INFORMATION

### 1. Report

- 1.1 As part of the Departmental Revenue Strategy (DRS) 2004 -2005, it was proposed to withdraw the subsidy of £145,000 per annum and move the Nursery into a self sustaining business unit from April 2004. This would be achieved by reducing expenditure and increasing income.
- 1.2 The Workplace Nursery was established in the late 1980's and was modelled on the City's Children and Family Centres, mirroring the room set up, ratios of adult to children, and staff conditions and pay scales. This arrangement has contributed to the difficulties of making the Nursery self-financing, as it does not present a commercially viable base to work from.
- 1.3 Since 1997 there has been a considerable increase in the amount of good quality, affordable local childcare, through the National Childcare Strategy. This has increased significantly the level and type of childcare available throughout the city. Together with the financial support available through the Working Families Tax Credit, this has given many employees the opportunity to access a much wider range of childcare in their own localities. In many cases, this meets the needs of working families better than access to a centrally based workplace nursery.
- 1.4 Changes to increase the efficiency have been implemented although the savings from these savings have yet to be fully realised. These include:
  - (a) Employing a manager with strong business and commercial experience to increase effectiveness and improved management practices.
  - (b) Restructuring premises and catering staff.
  - (c) Maximising the use of rooms to accommodate the more popular age ranges

- (d) Marketing casual nursery use to a range of other parents and through the Heads of Human Resources Departments for staff training needs, the Law Courts, Social Care and Health.
  - (e) Increasing fees and introducing the salary conversion scheme through the involvement of Corporate Human Resources and Inland Revenue, to reduce parents' contributions to the nursery fees, thus providing more affordable care for employees.
  - (f) Work alongside the Workplace Nursery Parents Association to create better communication.
- 1.5 Since January 2005 new senior managers have identified further efficiencies:
- (a) Reducing the use of sessional staff
  - (b) Consolidating the use of accommodation at the beginning and end of the day.
  - (c) Reviewing shift patterns
  - (d) Increasing the use of the nursery to a wider range of employees.
- 1.6 All of these efficiencies will, in the long term, contribute to reducing costs and making the nursery more efficient.
- 1.7 The occupancy on one day of the week is now currently 90%. However, it is the view of the Manager that averaging much more than 80% across 5 days throughout the year will be very difficult. The financial advice is that only 100% occupancy all year round would meet the full cost.
- 1.8 Other measures that it is considered would improve the cost of the Workplace Nursery over time are:
- (a) To review the practice of having all staff qualified to the highest level when the National Care Standard requires only 50%, practice private nurseries are likely to adopt.
  - (b) To further review fee structure that does not reflect the additional costs arising relative to the youngest children.
- 1.9 Further investigations are currently being carried out into the likelihood of extending the use of the nursery to employees of local hospitals, but we are aware that all three hospitals already have a variety of subsidised childcare alternatives available, and have a NHS childcare strategy in place.
- 1.10 The Workplace Nursery makes a contribution to the City Council's commitment to Early Years and has the potential to be aligned with the Children's Centre Network as a model of good practice. It is included in recruitment drives to attract returnees following maternity/paternity leave and hard to fill posts especially for senior women in the workforce. The 2004 Staff Survey identified erosion of employee benefits such as the Workplace Nursery as an area of concern.

1.11 Were closure, after consultation, considered appropriate, it could be implemented in August 2005. The costs incurred would be:

- Redundancy costs for up to 10 staff members of £30,000 (subject to the usual procedures)
- Costs associated with mothballing the building pending disposal (£5000)
- Continuing costs for security, key holding and alarm services £6,600 per annum.
- Any remaining costs incurred from April – July 05 not covered by fees

These costs could be met from the £80,000 one off budget in 2005-6.

1.12 Departments could be asked to fund a number of places in the Nursery based on their usage over the last two years. The workplace Nursery would then collect the fees from employees and credit them back to each Department. However, this would not resolve the cost of the vacant places but merely transfer it to the purchasing departments. They consider that this would be anti-competitive, that the Workplace Nursery is not an option for many more parents than the number using it and, that the cost of underwriting places would produce insufficient benefit in recruitment and retention terms to make it worthwhile (e.g. 6-8 places for a workforce of 1500 in one Department's case).

1.13 Salary Conversion arrangements and Working Families Tax Credit would be available to ensure fees are more affordable. However, this measure would not alter the final position enormously

## 2. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References within this report
Raising Standards		The nursery provides funded nursery education, contributing albeit marginally to the foundation stage education of children aged 3 and 4.
Equal Opportunities	Yes	The workplace nursery is part albeit marginal, of a positive action strategy to attract parents to return after maternity/paternity leave, and to increase the representation of women in non-traditional jobs and senior management.
Policy	Yes	Supports albeit marginally the City Council's Strategy for Work Life Balance and contributes to the National Childcare Strategy and Raising

<b>OTHER IMPLICATIONS</b>	<b>YES/NO</b>	<b>Paragraph References within this report</b>
Sustainable and Environmental	No	
Crime and Disorder	Yes	High quality early education and childcare. Supports good social and emotional development of children
Human Rights Act	No	
Elderly/People on Low Income		

<b>RISK ASSESSMENT MATRIX</b>			
<b>Risk</b>	<b>Likelihood L/M/H</b>	<b>Severity Impact L/M/H</b>	<b>Control Actions (If necessary/or appropriate)</b>
1. Failure to improve uptake	M	H	Improved marketing; more pro-active management of waiting list; developing strategies with departments with specific recruitment/retention problems.
2. Loss of motivation in workforce	M	M	Regular briefing sessions and consultation sessions and recruitment of permanently senior managers
3. Parental dissatisfaction	M	L	Full involvement of parents in designing menus.
4. Low uptake of Salary Conversion	L	M	Once scheme finally implemented, take up expected to increase.
5. New customers put off by fees and adverse publicity regarding closure	H	H	Improve marketing information regarding alternatives.

L - Low            L - Low  
M - Medium      M - Medium  
H - High          H - High

## **5. Background Papers – Local Government Act 1972**

Workplace Nursery – Progress Report

- 14 June 2004
- November 2004

Children Centre Network Strategy 2003

## **6. Consultation**

### **Consultees**

Education Head of finance (David Wilkin)  
RAD Legal Services (Peter Nicholls)  
Nursery Parents' Group and staff  
Regeneration and Culture  
Housing  
Social Care & Health

### **Date Consulted**

12 October 2004  
12 October 2004  
12 October 2004  
April 2005  
April 2005  
April 2005