

Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
Cabinet

27th June 2005

WORKPLACE NURSERY – OPTIONS FOR THE FUTURE

Report of the Deputy Chief Executive

1. Purpose of the Report

- 1.1 The Departmental Revenue Strategy for 2004/05 proposed that the Council's Workplace Nursery should become a self-financing service by April 2006, removing the requirement for a subsidy in the region of £145,000. This report reviews progress made towards self-sufficiency, but concludes that some level of subsidy will continue to be required in 2005/06, beyond the £80,000 allocated as a one-off, and at higher levels in future years.
- 1.2 Given that current and potential staff users are wishing to make decisions about their child care arrangements for next year, Cabinet are asked to consider whether to give further time to the income generation/reductions in hand, and make the necessary budget provision in 2006/07, or whether consultation should begin formally on closure.

2. Summary

- 2.1 The Workplace Nursery is available for use by employees from all Council Departments. It is popular with those who use it and is a contribution to equality of opportunity, and to recruitment and retention.
- 2.2 A one-off growth bid of £80,000 was agreed by Members for 2005-6. However, despite the wide range of initiatives and efficiencies implemented and extensive efforts made, it is unlikely that the Nursery will become fully 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, at present, continue on average at about £10,000 a month.
- 2.3 In order to achieve self-sufficiency and to remove the need for subsidy, a number of proposals have been prepared and implementation begun to increase income or reduce costs. These are incorporated in the financial projections appended to this report:

- a) Increasing fees, with 10% for children under 2 and 2.7% for all other age groups. This change would bring the Nursery in line with current market rates.
- b) Salary Conversion scheme based upon 80% of parents signing up to the scheme for a full year and the greatest yield possible from the fees paid. This is based on an element of salary sacrifice from parental fees.
- c) Sessional costs have reduced over recent months and are reflected in the revised figures.
- d) Approximately £7,000 savings have been made in catering costs.
- e) The staff trainee scheme has been implemented. There is scope for further examination of the qualified/trainee ratio to reduce staffing costs, in line with the rest of the nursery sector.

2.4 Despite all of these actions a subsidy of £140,000 per year will be necessary for the Nursery to continue. A major factor in this is the corporate recharges which are calculated at the end of each financial year. Last year's recharges amounted to £62,000.

2.5 When an earlier version of this report was considered at the Education Scrutiny of 9th June 2005, the Parents Association presented a number of concerns. The Cabinet Lead asked that these be examined and a response is included within Appendix A.

3. Recommendations

Cabinet are asked to:

- a) note the action taken to implement efficiencies and initiatives to make the nursery self-financing and that, despite these, continued overspending is unavoidable in 2005/06 beyond the £80,000 additional provision;
- b) consider whether to give further time to the income generation/reductions in hand, and make the necessary budget provision in 2006/07, or whether consultation should begin formally on closure; and
- c) note that closure costs are estimated to be in the region of £40,000.

4. Financial and Legal Implications

Financial Information

4.1 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.

- 4.2 The 2005/06 budget for the Nursery shows expenditure exceeding income by £140,000 in a full year. This is after additional actions to implement salary conversion and other savings have been implemented. The overspend will be partly offset by the £80,000 one off budget growth, however, an overspend of £60,000 will still remain if the Nursery is open all year. In 2006/07, there is currently no budget provision and so a full year overspend of £140,000 would be likely.

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

Legal Information

- 4.1 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:

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FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Cabinet

27th June 2005

Workplace Nursery – Options for the Future

SUPPORTING INFORMATION

1. Report

- 1.1 As part of the Departmental Revenue Strategy (DRS) for 2004/05, it was proposed to withdraw the subsidy of £145,000 per annum and move the Workplace 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 1980s 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 contributes to the difficulties of making the Nursery self-financing, as it has a much higher proportion of qualified staff than its competitors and carries a number of corporate recharges.
- 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 Following the Council decision, a number of changes have been implemented to improve efficiency or to generate savings. These savings have yet to be fully realised and this reports projects forward anticipated impact. Both the parents group and members of the Scrutiny Committee believe these projections are unnecessarily cautious and pessimistic. 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, and 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.
- 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, in addition to the new proposals identified in the main Report, 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 five 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 currently does not reflect the additional costs for the youngest children. The current proposal is to increase charges for 0 - 2s by 10% and 2.7% for all other age groups.
- 1.9 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.
- 1.10 Were closure, after consultation, considered appropriate, it could be implemented in October 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 – October 2005 not covered by fees.

1.11 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).

1.12 Salary Conversion arrangements and Working Families Tax Credit are available to ensure fees are more affordable.

2. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References within this report
Raising Standards		The Nursery provides funded nursery education, contributing to the foundation stage education of children aged 3 and 4.
Equal Opportunities	Yes	The workplace nursery is part 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
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		

RISK ASSESSMENT MATRIX			
Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (If necessary/or appropriate)
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

3. Background Papers – Local Government Act 1972

Workplace Nursery – Progress Report

- June 2004
- November 2004

Report to Scrutiny Committee 9th June 2005

Children Centre Network Strategy 2003

4. Consultation

Consultees

Education Head of Finance (David Wilkin)

RAD Legal Services (Peter Nicholls)

Nursery Parents' Group and staff

Regeneration and Culture, Housing and Social Care & Health Directorates

APPENDIX A

Response to the Workplace Nursery Parents Association Considerations for Scrutiny Committee

Officers have managed the Nursery within the ongoing changes in Lifelong Learning and within the changes asked for by councillors to remove the subsidy.

Financial information provided to us by Education Finance is accurate.

Officers were instructed to include the deficit as part of the Workplace Nursery financial programme and to work on the last financial year.

Recent Savings

In each version of the paper, there has been clear recognition of the impact of the changes 2004-05 to bring about efficiencies and the impact of the new manager. However we are not able to quantify the full savings as we only have 2 full months of this financial year to examine.

Salary Conversion

- This scheme that relates to NI and tax, therefore the appropriate officer within the City Council will handle this.
- The implementation of Salary Conversion was delayed by events outside of the City Council, which were beyond our control.
- All parents have now been contacted with information about the scheme and it has been in operation from April 2005.

Corporate recharges

- The £14,000 identified is the corporate recharge for IT services and is not related to the number of computers in place. This charge is calculated on a formula in all council establishments and covers the network facilities used on behalf of the Workplace Nursery.

Increased Fees

Proposals for increased fees are included in the new report. It would not have been appropriate to include proposals for an increase in fees in previous papers where closure of the nursery was included as an option.

Milk

The nursery is able to reclaim a percentage of money spent on milk. This is reclaimed in retrospect and is paid into the nursery budget as a cheque.

Officers attending Parents Association Meetings

Officers have requested to attend Parents Association meetings, to update parents on recent developments and the concerns of parents have been fed back and followed up as agreed. However the final content of the reports is the responsibility of the Education Departmental Team.

Playscheme

Playschemes and other initiatives, although offering a useful service to parents, do not contribute significantly to income generation of the Nursery, so priority has not been given to this at this particular time. If Members make the decision to keep the nursery open then this will be part of its future development.

Recruitment and Retention

These issues were highlighted positively by the Education Department however Corporate Directors from all other departments did not all share this view.

APPENDIX B

Workplace Nursery Expenditure & Income 2004-05

FMIS Item	P1 Apr	P2 May	P3 Jun	P4 Jul	P5 Aug	P6 Sep	P7 Oct	P8 Nov	P9 Dec	P10 Jan	P11 Feb	P12-14 Mar	TOTAL
A000 Admin & Clerical	£3,876.84	£3,876.84	£3,527.38	£4,320.00	£5,091.29	£4,975.39	£5,653.75	£5,330.01	£6,037.21	£7,254.37	£8,405.68	£2,793.32	£61,142.08
A005 O/Time								£28.89	£15.62	£19.89			£64.40
A124 Premises Officer	£1,049.23	£517.08											£1,566.31
A134 APT&C	£15,264.05	£15,249.10	£14,847.33	£13,686.29	£15,056.25	£13,214.86	£11,309.01	£11,859.94	£11,850.70	£11,850.70	£11,865.90	£9,857.48	£155,911.61
A010 NI	£212.71	£234.58	£431.55	£166.02	£358.31	£327.28	£469.10	£247.41	£341.11	£374.23	£477.12	£100.30	£3,739.72
A020 Superannuation	£456.43	£529.25	£430.50	£503.05	£519.48	£576.79	£738.85	£749.58	£769.29	£882.68	£1,110.01	£365.09	£7,631.00
A040 Direct Wages	£856.50	£856.50	£171.30					£332.46	£332.46	£332.46	£332.46	£332.46	£3,546.60
A050 Direct Wages NI	£59.07	£59.07						£12.54	£11.98	£13.41	£11.35	£11.40	£178.82
A080 Direct Sessional	£34.02	£1,869.48	£2,048.21	£2,857.48	£4,696.36	£3,952.60	£3,155.25	£5,020.60	£3,679.14	£3,051.22	£4,088.48	£2,974.30	£37,427.14
A081 Direct Sessional NI	-£1.49	£85.55	£82.38	£113.33	£303.74	£213.75	£133.72	£182.60	£227.91	£161.13	£160.90	£261.73	£1,925.25
A090 Agency Staff		£61.25	£736.30	£1,951.53	£3,660.48	£2,139.15	£375.75	£475.68	£640.61	£385.18	£103.72	£634.76	£11,164.41
A093 Standby Staff							£260.68	£567.91	£793.68	£363.09	£414.30	£1,522.19	£3,921.85
A820 Training			£10.00		£20.00				£40.00				£70.00
A830 Advertisements				£802.88	£105.00		£497.83	£42.00	£3,455.56	£377.13	£130.50	£70.75	£5,481.65
A870 Employee Insurance									£5,196.39			-£323.74	£4,872.65
A890 Other Employee Expenses			£20.00				£20.00	£40.00		£20.00			£100.00
D030 Building R&M									£79.22	£77.79	£176.20	£66.50	£399.71
D050 Services R&M			£26.42	£3.96	£41.59							£188.55	£260.52
D100 Decorating Unplanned		£5.94	£1,220.00										£1,225.94
D113 Fixture & Fittings Repairs			£48.95		£111.60								£160.55
D250 Planned Service Costs				£35.00			£5.25						£40.25
D274 Fire/Intruder Alarms			£1,992.55		-£273.59							£174.25	£1,893.21
D401 Electricity	-£810.00	£851.56	£190.40	£151.75			£407.57			£1,035.02		£547.55	£2,373.85
D402 Gas	-£155.38	£273.13		-£149.59		£35.65	£52.80	£36.76	£115.13	£198.99	£371.27	£564.82	£1,343.58
D421 Non Domestic Rates				£13,452.00									£13,452.00
D432 Metered Water		£86.07										£15.00	£101.07
D442 Metered Sewage		£52.50											£52.50
D443 Unmetered Sewage		£83.04								£256.88	£30.27	£51.75	£421.94
D620 Building Insurance Premium												£1,610.00	£1,610.00
Cleaning & Domestic													
D800 Supplies												£1.18	£1.18
D833 Window Cleaning		£8.50	£8.50	£17.00	£8.50	£8.50		£8.50	£8.50		£8.50	£18.48	£94.98
E400 Employees Transport	£1.85	£0.80			£3.75								£8.50
E421 Car Parking					£4.20					£2.10		£4.15	£10.45

S505	Monthly Staff D/P	-£11,404.29	£12,836.41	£13,357.92	£13,083.40	£12,600.90	£11,557.18	£11,045.65	£11,956.00	£12,013.47	£11,965.00	-£12,208.00	£12,710.18	£146,738.40
	Monthly Staff D/P		£20.80			£64.00	£82.90		£195.50					£363.20
	Teachers													£2,868.75
	Social Services	-£4,793.90	-£4,000.30	-£3,839.30	-£4,284.80	-£3,915.80	-£2,668.00	-£2,503.50	-£2,884.00	-£2,733.00	-£2,834.00	-£2,824.50	-£2,869.50	£40,150.60
	Housing Maintenance													£0.00
	RAD													£0.00
	341711S5052005PRO100													£0.00
	Angela Lowery												-£1,000.00	£1,000.00
S011	Inv 41501												-£467.50	£467.50
	Inv 41501												£97.07	£97.07
	Inv 41502												-£84.00	£84.00
	Inv 41505												-£295.88	£295.88
S502	Other Fees	-£618.80	-£3,064.84	-£1,917.31	-£1,807.25	-£1,233.00	-£729.67	-£787.50	£253.00	-£1,480.66	-£2,165.15	-£558.36	-£1,055.25	£15,164.79
M35														
6	NEG Income	-£3,494.40	-£3,910.40					-£2,412.80		-£1,414.40		-£2,870.40	-£2,870.40	£16,972.80
U***	Internal Income	-£24.20	-£660.00	-£72.00	-£756.00	-£1,025.25			-£20.00		-£270.00		-£18.00	£2,845.45

(£226,127.90)

Income	-£20,335.59	£19,901.55	£23,664.13	£19,247.45	£18,505.70	£15,916.10	£16,666.55	£15,180.75	£18,019.78	£17,807.90	-£19,035.01	£21,847.39	£226,127.90	
Expenditure	£21,811.87	£28,521.57	£30,461.15	£42,768.82	£33,896.56	£29,537.80	£28,104.84	£26,710.93	£35,115.89	£28,855.87	£29,304.38	£24,627.42	£359,717.10	
Total	£1,476.28	£8,620.02	£6,797.02	£23,521.37	£15,390.86	£13,621.70	£11,438.29	£11,530.18	£17,096.11	£11,047.97	£10,269.37	£2,780.03	£133,589.20	
			Q1	£16,893.32		Q2	£52,533.93		Q3	£40,064.58		Q4	£24,097.37	
												Average	p/m	£11,132.43

"Below the Line" costs

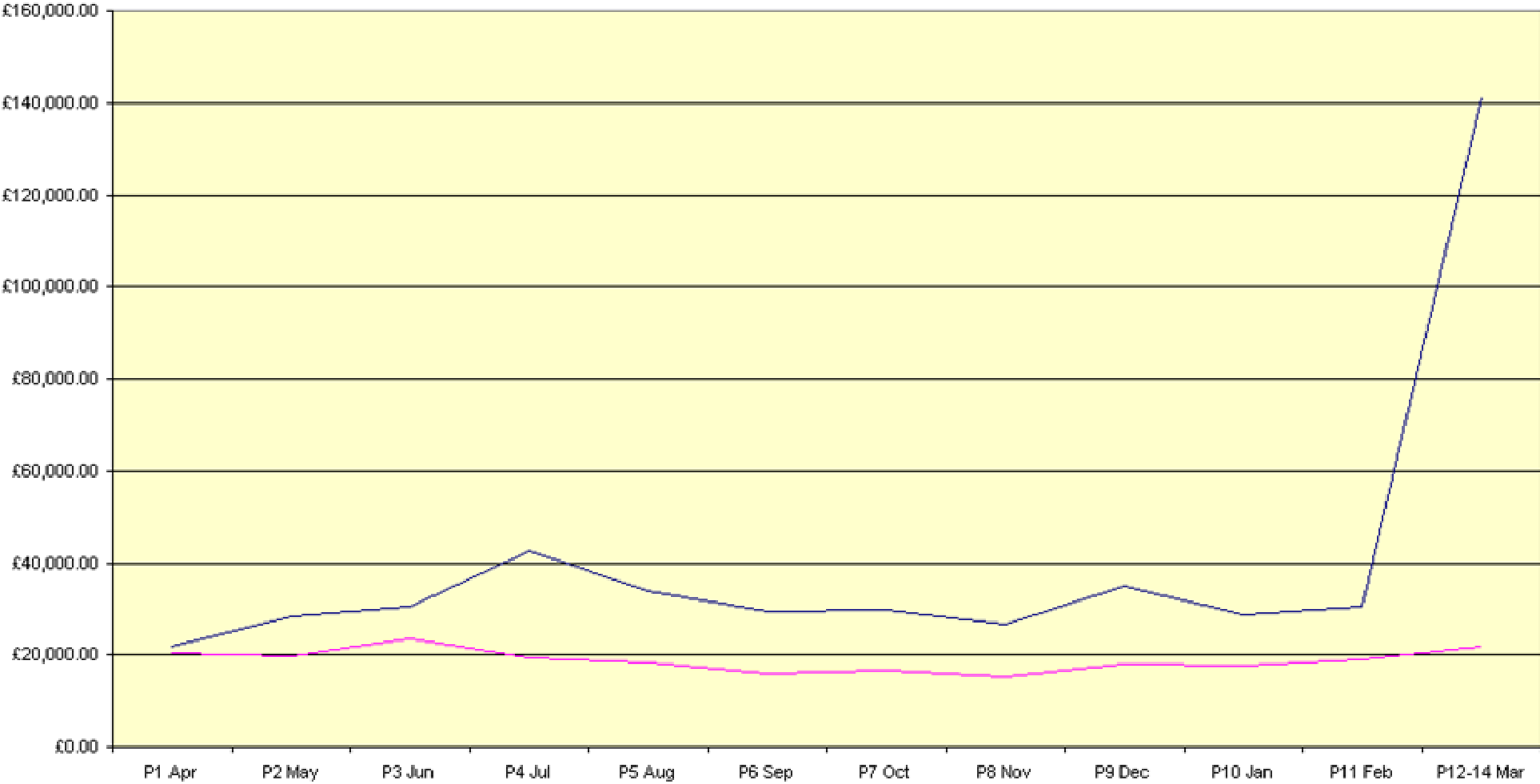
N229	Serv. Prop Rechg						£1,673.46				£1,236.99	£3,253.13	£6,163.58
N700	Education Directorate											£2,092.69	£2,092.69
N701	Admin Health/Safety											£11,000.00	£11,000.00
N702	Education Finance											£7,826.21	£7,826.21
N703	Education Human Resources											£14,103.50	£14,103.50
	Education Information												
N704	Services											£14,553.41	£14,553.41
N706	Education Policy & Comms											£5,075.09	£5,075.09
P070	Payroll											£1,212.00	£1,212.00
Q40													
0	N/Interest - Fixed Assets											£34,230.00	£34,230.00
Q41													
0	Depreciation - Fixed Assets											£23,364.00	£23,364.00

Income	-£20,335.59	£19,901.55	£23,664.13	£19,247.45	£18,505.70	£15,916.10	£16,666.55	£15,180.75	£18,019.78	£17,807.90	-£19,035.01	£21,847.39	£226,127.90
Expenditure	£21,811.87	£28,521.57	£30,461.15	£42,768.82	£33,896.56	£29,537.80	£29,778.30	£26,710.93	£35,115.89	£28,855.87	£30,541.37	£141,337.4	£479,337.58

2.50%

												5
												£119,490.0
Total	£1,476.28	£8,620.02	£6,797.02	£23,521.37	£15,390.86	£13,621.70	£13,111.75	£11,530.18	£17,096.11	£11,047.97	£11,506.36	6 £253,209.68
		Q1	£16,893.32		Q2	£52,533.93		Q3	£41,738.04		Q4	£142,044.39

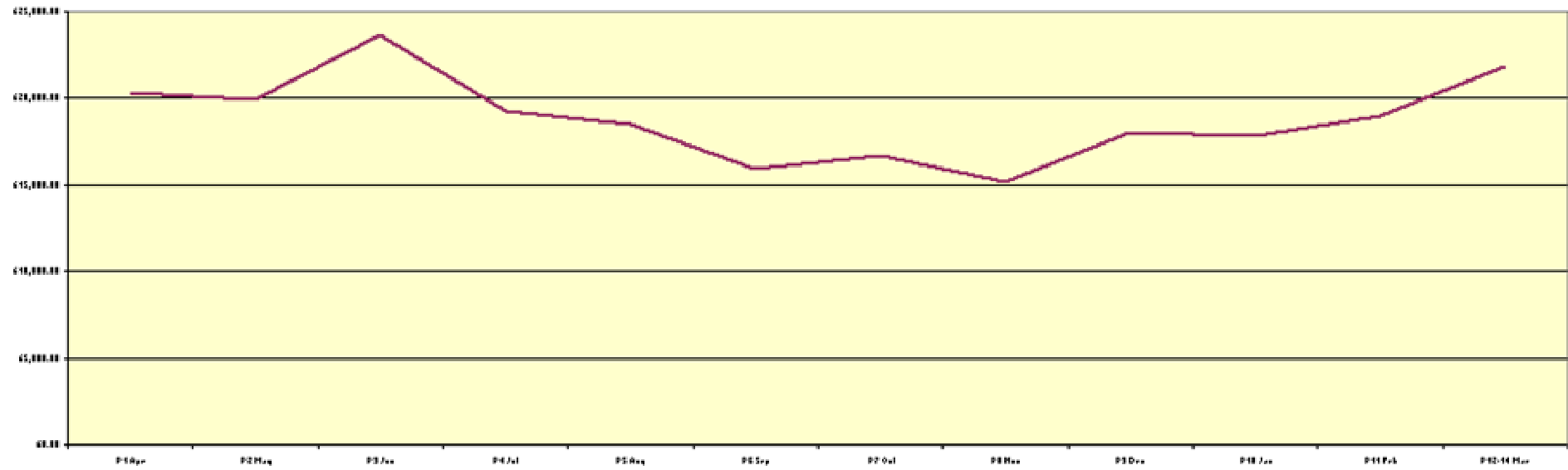
WPN 2004-05



Workplace Nursery Income 2004-05

FMIS Item	P1 Apr	P2 May	P3 Jun	P4 Jul	P5 Aug	P6 Sep	P7 Oct	P8 Nov	P9 Dec	P10 Jan	P11 Feb	P12-14 Mar	TOTAL
S505 Monthly Staff D/P	£11,404.29	£12,836.41	£13,357.92	£13,083.40	£12,600.90	£11,557.18	£11,045.65	£11,956.00	£12,013.47	£11,965.00	£12,208.00	£12,710.18	£146,738.40
Monthly Staff D/P			£20.80			£64.00	£82.90		£195.50				£363.20
Teachers								£573.75	£573.75	£573.75	£573.75	£573.75	£2,868.75
Social Services	£4,793.90	£4,000.30	£3,839.30	£4,284.80	£3,915.80	£2,668.00	£2,503.50	£2,884.00	£2,733.00	£2,834.00	£2,824.50	£2,869.50	£40,150.60
Housing Maintenance													£0.00
RAD													£0.00
341711S5052005PRO100													£0.00
Angela Lowery												£1,000.00	£1,000.00
S011 Inv 41501												£467.50	£467.50
Inv 41501												£97.07	£97.07
Inv 41502												£84.00	£84.00
Inv 41505												£295.88	£295.88
S502 Other Fees	£618.80	£3,064.84	£1,917.31	£1,807.25	£1,233.00	£729.67	£787.50	£253.00	£1,480.66	£2,165.15	£558.36	£1,055.25	£15,164.79
M35													
6 NEG Income	£3,494.40		£3,910.40				£2,412.80		£1,414.40		£2,870.40	£2,870.40	£16,972.80
U*** Internal Income	£24.20		£660.00	£72.00	£756.00	£1,025.25		£20.00		£270.00		£18.00	£2,845.45
													(£226,127.90)
Total	£20,335.59	£19,901.55	£23,664.13	£19,247.45	£18,505.70	£15,916.10	£16,666.55	£15,180.75	£18,019.78	£17,807.90	£19,035.01	£21,847.39	£226,127.90
		Q1	£63,901.27		Q2	£53,669.25		Q3	£49,867.08		Q4	£58,690.30	

WPN Income 2004-05



Income