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## Report of the Director of City Development

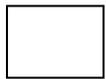
### Scrutiny Board (City Development)

Date: 8 March 2011

### Subject: Crèche Provision in Council Leisure Centres

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#### Electoral Wards Affected:



Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

## 1.0 Introduction

- This report follows discussions at City Development Scrutiny Board on 2 November and 7 December 2010, commenting on the delegated decision taken on 6 October to close the remaining crèches in council leisure centres. This was not available for call-in, but the Director of City Development nevertheless agreed to suspend the closures while the discussion and follow-up investigations took place. These were originally planned to be complete ready for reporting to Scrutiny Board in February, but additional time was given to ensure the research was robust. This report presents the additional work that has been undertaken.

## 2.0 Background Information

2.1 Scrutiny Board discussed the decision on 2 November 2010 and resolved:

- That the contents of the report and appendices be noted.
- That the request for scrutiny from Councillor M Lobley and Councillor J Matthews for a Scrutiny Inquiry into the decision by the Council to close six crèches in Leisure Centres across Leeds be deferred.
- That the Acting Director of City Development be asked to undertake a review of this issue to identify ways that would offer alternative models for providing crèche facilities at the Council's leisure centres and submit a further report to this Board at its meeting on 7<sup>th</sup> December 2010.

- That in the interim period, the Acting Director of City Development be asked to keep open the six crèche facilities in Leisure Centres across Leeds pending the outcome of this review.

2.2 Further information was submitted to Scrutiny Board on 7 December 2010, when the Board resolved:

- That the contents of the report and appendices be noted.
- That this Board notes that Councillor A Ogilvie, Executive Member Leisure and the Acting Director of City Development had agreed to keep the crèches open until February 2010.
- That in the circumstances now reported, the Board would not undertake an inquiry on this issue.
- That the results of the survey be reported to the Scrutiny Board meeting on 8<sup>th</sup> February 2011.
- That the Acting Director of City Development be asked not to take any action until the Scrutiny Board had considered the results of the survey and alternative arrangements identified to continue this service.

2.3 Subsequent to these events, the Council has now set its budget for 2011/12 at Full Council on 23 February. Part of the budget proposals are the decision to close East Leeds Leisure Centre, to reduce hours at Garforth Leisure Centre pending a Community Asset Transfer and reduced hours at Bramley Baths. These measures have been taken in light of the acute financial pressures faced by the service.

### **3.0 Findings**

3.1 Three lines of enquiry have been followed:

#### ***Potential direct income generation.***

3.2 This research was led by the Business Advisor team in Early Years and their report is attached at Appendix A (the report itself has a series of Appendices which are listed as background papers at the end of this report).

3.3 Nearly half of respondents said they are not prepared to pay more than they currently pay. This rules out any financial benefit in increasing charges, as the drop in patronage would outweigh increased unit income.

3.4 A number of non-users said that they would have used the service if they had known about it. However, this is not borne out by actual patronage which has declined from 2.82 visits per hour to 2.7 visits per hour on average, despite widespread publicity.

#### ***Potential alternative operators***

3.5 This research was included in the work by the Early Years Business Advisor team and is also covered in the report at Appendix A.

- 3.6 Three enquiries have been received from potential crèche operators but all have been requests for information rather than proposals. The service would strongly wish to progress any enquiry that could sustain itself.

### **Secondary income**

- 3.7 The report attached to the Delegated Decision of 6 October 2010 said:-

“The secondary spend associated with each crèche visit can only be estimated, because the current leisure management database system does not provide this information. However, even based on the highest off peak standard charge of £5.00 for a Bodyline Gym session, 7,264 visits equates to an income of £30,910, well under half the subsidy before overheads. Charges for other activities or for Leeds Card holders are much lower, and a realistic estimate of ancillary income is probably no more than £20,000, including net revenue generated from vending and café sales.”

The report went on to estimate that “The service anticipates retaining 30% of the estimated secondary income as some customers find alternative child care arrangements or attend classes / sessions at different times of the day. Based on the assumptions above, approximately £14,000 of secondary spend would be lost.”

- 3.8 The scale of secondary income has now been researched with a case by case enumeration of the secondary spend by parents and carers using crèches in the week commencing 24 January 2011, when 99 visits were accompanied by 112 parents/carers. A summary of the results is attached at Appendix B.
- 3.9 Total direct secondary spend was £211 in the week (not including vending machines) equating to £10,600 a year. Half the parents/carers were bodyline members, most with off-peak membership. The “maximum case” calculation is that if the crèche were not available, every single one of these members would resign. In this case, the loss of these users would cost the service a further £16,194 per annum. This is clearly an over-statement of the real figure for the following reasons:
- The assumption that all would resign and would not substitute any casual visits is unrealistic
  - the estimate assumes that all 55 visits were by different people, so that a membership would be lost for every lost visit
  - the estimate of secondary spend associated with bodyline members assumes that if the crèche were not available, they would all resign their membership and would never visit the gym as casual visitors.
  - It does not net off any costs associated with the service.

On the other hand, income from vending has not been captured in the survey (not expected to have a marked impact on the analysis).

- 3.10 Together these figures demonstrate that secondary spend is less than £26,800 per year, probably markedly so. They broadly substantiate the estimates of the original report as quoted above.

## **4.0 Individual centres**

- 4.1 Patronage of individual sites varies from week to week and year to year. Hourly averages in 2009/10 and 2010/11 (year to date) are presented in the table below,

which also reproduces the calculation of net cost per visit in 2009/10 presented in the DDN report – i.e. cost less direct income and all secondary spend.

	2009/10	2010/11	net cost/visit
Rothwell	3.6	4.1	5.66
Pudsey	6.0	4.7	4.24
Scott Hall	2.2	2.7	14.31
East Leeds	2.0	1.8	9.82
Kippax	1.5	1.7	21.37
Aireborough	1.5	[not open]*	20.68
<b>All sites</b>			<b>10.22</b>

\* the crèche staff at Aireborough moved to other jobs and it has not been possible to replace them, so this site has not been operating.

- 4.2 The “net cost” constitutes the subsidy the council provides for this service. This is of course additional to the subsidy which the council makes for the sports visit itself. The average of all visits to leisure centres divided by net direct running costs is £0.52 per visit. Financial pressures on the council have forced it to rationalise the service in the 2011/12 budget, but even at East Leeds, which was the most subsidised of the sites affected by the budget proposals, the subsidy per sports visit was £2.49. This was only about a quarter of the subsidy required to support individual crèche visits.
- 4.3 In 2011/12 the Sports service will have to work hard to contain spending within budget, and has to prepare for further economies in future years. The judgement to be made is whether the crèche subsidy can be justified against other sports and council priorities, such as keeping leisure centres open.
- 4.4 In view of the above, further consideration will take place on the ability of the Council to keep the crèches open in consultation with the Executive Member for Leisure. A delegated decision will be brought forward at the appropriate time, once the considerations ongoing have been concluded.

## 5.0 Recommendations

- 5.1 Members are asked to discuss the contents of this report.

### Appendix A Analysis of secondary income

### Appendix B Long term Sustainability of Crèche Provision in Leisure Centres.

## Background Papers

- Withdrawal of remaining crèche provision at leisure centres - Delegated decision notice of 6 October 2010 by Chief Recreation Officer.
- Appendices to Appendix B Crèche report
  - Appendix 1 Illustrations of income on various cost and attendance assumptions
  - Appendix 2 Survey of parents and carers – survey form
  - Appendix 3 Survey of parents and carers – results
  - Appendix 4 Market sounding – form and guidelines
  - Appendix 5 Market sounding – cover letter
  - Appendix 6 Market sounding – information sheet

Appendix 7      Market sounding – evaluation criteria

Appendices 8 and 9 not listed as background papers as subject to data protection regulations.

## APPENDIX A

### **Report to Sports & Active Recreation.**

### **Long term Sustainability of Crèche Provision in Leisure Centres.**

### **Prepared by Children Services.**

*Prepared by David Ball  
Early years Services  
Business Advisor team  
February 2011*

### **Report on the viability of Crèche facilities in LCC Leisure centres.**

Initial investigation into the numbers of families accessing the crèche facilities showed that the income was not sufficient to cover the cost of providing the service. This is due in part to the number of parents with under school age children accessing the service and in part to the fees per hour that has been maintained at an artificially low and further discounted figure over the years. This long term sustainability situation has not improved since the previous investigation in 2006.

A cost/income exercise based on 2 & 3 members of staff (minimum statutory requirement) paid £7.64 per hour plus on costs indicated that to ensure the service was cost effective and remained sustainable in the future the cost would need to increase by 100% minimum, with immediate effect and increase year on year to keep pace with inflation and wage increases. This was also based on an aspirational average 6/8 children per hour being cared for at the full (not discounted) rates.

The initial calculations were only based on the direct cost of the provision and not related to the overall cost of providing space and utilities in the centres. A more realistic approach would be to re-calculate on Full Cost Recovery basis. However this would increase the required level of fees considerably.

#### **Appendix 1**

The Childcare Consultant team was initially involved in the discussions around the statutory requirements for a crèche service and the welfare requirements required by Early Years Foundation Stage Framework.

It was decided to conduct a survey of parents and carers of under school age children who use the Leisure Centres. The purpose being to determine what level of usage may be expected if there were to be an aggressive marketing campaign. Further to establish if the provision (as currently delivered) was

sufficient for the needs of parents and were they prepared to pay a full economic fee to ensure the long term future of the service.

### **Appendix 2 Paper copy of questionnaire**

An e mail went out on 22.12.10. addressed to everybody with a leeds.gov.uk / leedslearning or educationleeds address and a supply of 100 paper copies were delivered to Leisure Centres across the City advising of the consultation and inviting everyone to participate if they were parents or carers of under school age children and used the leisure centres. The consultation closed on 31<sup>st</sup> January 2011. There have been **574** responses to the consultation. Paper copies (**149**) returned from the centres were added manually. A further e mail was distributed on 13<sup>th</sup>/14<sup>th</sup> January 2011 giving people who may have missed the first e mail the opportunity of taking part. All submissions up to 04.02.11 were included in the statistics.

### **Appendix 3 Results of the consultation**

Along side this it was decided to conduct a “Market Sounding Exercise” to determine the level of interest, amongst providers in managing the service on behalf of The Council. Providers have been asked to respond by 25<sup>th</sup> February 2011.

### **Appendix 4 Market sounding guidelines**

A procurement specification and evaluation was prepared and on 31.01.11 the documents were e mailed out to 32 providers of childcare who were either on the original childcare procurement approved list

Or

Geographically with in reach of a Leisure Centre

Or

Who were in the business of providing crèche facilities.

### **Appendix 5 Covering letter**

**6 Specification information**

**7 Evaluation Criteria**

**8. List of providers contacted**

We made contact with Iain Dunn (25.01.11) at corporate procurement unit. He was happy for us to go through a market testing exercise, provided that if it then became necessary to go through a full procurement process it would be handled by his team.

There were no responses from providers expressing an interest in providing the service at the time of writing (08.02.11).

The Family Hub has produced a list of all providers of childcare within the postcode of the 6 centres. It is possible to produce a list for all the centres and these can be displayed and/or available to parents on request.

### **Appendix 9 One example of the provider list**

## Conclusion:

The results of the consultation briefly summarised, would suggest that there is not sufficient interest in the service to provide a level of income that would make the service profitable and sustainable in the long term if the fees were increased to such a level that discounted rates were at an economical level. The number of responses represents less than 4% of the registered body line members, and in half of the cases the respondents are not prepared to pay substantially increased fees, or travel to another centre offering the service.

Should a provider express an interest in providing a service and were to approach their nominated business advisor in the Early Years Service. they would be given the benefit of our experience of looking at various crèches in a variety of situations over the last 8 years.

Our experience of providing crèche facilities as a stand alone service has always shown that they could not be established as a sustainable business opportunity. The advice we have always given, in the past, based on the research and a robust business model, is that a crèche should only be considered where it can be provided as a “loss leader” to generate additional income to their core business.

David Ball  
Early Years Business Advisor

08/02//2011

**Appendix B**  
**Crèche Income and Secondary Income**  
**Survey for Week commencing Monday 24th January 2011**

<b>Children attending crèche</b>	<b>Numbers</b>	<b>Income</b>	<b>per visit</b>
Full fee	3	£6.00	£2.00
Leeds Card discount	80	£144.00	£1.80
Leeds Card Extra	16	£20.80	£1.30
	<u>99</u>	<u>£170.80</u>	<u>£1.73</u>

**Related Secondary Activities**

**Bodyline Gym**

Full fee	3	£12.50	£4.17
Leeds Card discount	9	£30.00	£3.33
Leeds Card Extra	4	£9.33	£2.33
Bodyline card holder visit	30	<i>See below</i>	
	<u>16</u>	<u>£51.83</u>	<u>£3.24</u>

**Fitness & Gimminis**

Full fee	4	£15.40	£3.85
Leeds Card discount	7	£25.20	£3.60
Leeds Card Extra	0	£0.00	
Bodyline card holder visit	14	<i>See below</i>	
	<u>11</u>	<u>£40.60</u>	<u>£3.69</u>

**Swimming & Waterbabies**

Full fee	4	£14.75	£3.69
Leeds Card discount	20	£94.03	£4.70
Leeds Card Extra	6	£10.00	£1.67
Bodyline card holder visit	11	<i>See below</i>	
	<u>30</u>	<u>£118.78</u>	<u>£3.96</u>

<b>Bodyline card holder visits</b>		<b>Charge/yr*</b>	<b>Maximum total value/yr**</b>
Off peak	31	238	7,378
Premier	17	379	6443
Gym and swim	7	339	2373
Total bodyline card	55		16,194

<b>TOTALS</b>	<b>Visits pw</b>	<b>Value pw</b>	<b>Maximum total value / year**</b>
Non-member secondary income	57	£211.21	10,583
Bodyline card holder visit	<u>55</u>		<u>16,194</u>
Maximum estimated secondary income	<u>112</u>		<u>26,777</u>

\*before VAT

\*\* figures are significant over-estimates – see main report