The Financial Mismanagement of the SHU Collegiate Nursery and a Case Against Its Closure

This paper is part of a wider collection of reports produced by SHU UCU on the management cuts and proposed cuts at Sheffield Hallam University: *Sheffield Hallam: UCU State of the University Report 2026*; *SHU UCU Report into the Human Impact of the University's 'Death Spiral'* (2026); and, *Sheffield Hallam: UCU State of the University Report 2025* (see: www.ucuhallam.org).

We stand in full solidarity with the workers, parents and carers of SHU Collegiate Nursery.

An injury to one is an injury to all.

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I. Context and summary

How does an Ofsted Outstanding rated nursery, in a city where so few nurseries are similarly rated and demand for early years childcare outstrips supply, get threatened with closure? Read on.

We are now seeing Sheffield Hallam University (SHU) management expanding its drastic approach to cuts and restructuring by proposing closure of entire services. SHU is currently proposing to close part of its nursery provision at Collegiate, which has existed for 47 years. The nursery site at 23 Broomgrove Road sits on the edge of the part of Collegiate campus which is proposed for sale, and is a former children's home.

SHU management are justifying this proposed closure by pointing to 'falling demand' and '£600k operating deficits since 2020', and highlighting that only 13 of the 39 children attending are those of SHU staff and students. Unsurprisingly, the evidence points to mismanagement and missed opportunities to improve the financial viability of the nursery, resulting in the current proposal to offer staff a voluntary redundancy package.

It is worth noting that the current arrangements for funded hours are also likely to change - the Government publicly set out in the Best Start in Life publication in July 2025 that by summer 2026 it will review the early years funding arrangements and will consult on changes to how early years funding is allocated and distributed. This means that positive changes could be on the horizon, which could result in Collegiate nursery being supported back to a much more financially viable position.

Following the announcement of the University's proposal to close the Collegiate nursery, parents and carers have been campaigning for a reconsideration of this decision, emphasising:

- The University has allowed the strategic direction and aim of the nursery to become confused;
- The University is ignoring the value the nursery can bring to staff, students, alumni and the wider public, as well as to its research and community;

- The University did not plan for any childcare facilities in its new multi-million pound city campus expansion - a staggeringly poor management decision given how popular and profitable a city centre based nursery would be;
- The Collegiate nursery has the capacity to return to a profitable state, if management follows the models set by other nursery settings which minimise costs to parents and maximise the amount of funded hours claimed;
- The University has consistently failed to steer the nursery to respond appropriately to changes in the wider context including changing ratios in 2023, the rollout of extended funded hours for 0-3 year olds, and guidance on the use of consumables fees. As a result, costs to parents have increased substantially, which have made the nursery less popular with staff and students, whilst overall the nursery earns significantly less than its competitors for its provision. This misguided approach is entirely reversible with the right decisions and direction. The right approach would increase the nursery's income even with no additional occupancy, maximising the number of funded hours claimed whilst reducing costs to parents;
- If the nursery were to re-profile its intake carefully, taking into the account ratios and the amount of funding it can claim for each age of child, and the total space it has available within its premises, even without any changes in fee structures there is potential for profitability;
- It is likely there are funding uplifts which could be found through negotiation with the local authority which are not currently being considered, and could further increase the nursery's income. These are particularly in relation to special educational needs and disabilities (SEND), training, system leadership, and providing flexibility for parents e.g. through extended opening hours;
- The nursery's premises are not currently being exploited to their full potential, and could provide a valuable source of additional income if used well.

II. On the financial mismanagement of SHU Collegiate Nursery and how the nursery could survive and thrive

We can trace back the viability of the nursery over the past six years of operating deficit as cited by the University Executive Board as justification for closure. The nursery has a longstanding excellent reputation, and for many years demand outstripped supply, with a waiting list of up to two years for places. In the past the nursery had varying ways of increasing income, which in recent years have been lost. This included providing a creche for families at weekends paid for by the Children's Hospital, operating holiday clubs for older children, and advertising through links with local schools.

The pandemic restrictions will certainly have contributed heavily to the deficits being quoted by SHU management. In 2020, the nursery was forced by national government restrictions to close for three months (March to July), after which it opened partially for key workers only. During the closure the nursery did not charge parents fees, resulting in no income for over a quarter of 2020.

SHU management has also made strategic decisions which have not helped the nursery's position. The Collegiate nursery was significantly impacted by SHU's decision to open the Meadows nursery in the north of the city in 2021, which is jointly funded with Save the Children and supports research. Many of the Collegiate staff moved to Meadows, resulting in the use of expensive agency staff to fill staffing gaps during 2021 and 2022.

SHU management has also stated that the Collegiate nursery no longer provides 'on site' childcare for students and staff due to the move into new city centre buildings. However, when planning for the multi-million pound capital building spend, management did not consider what childcare would be needed on site and failed to offer the nursery space in the new buildings. Management have missed the opportunity to maximise the benefits of on-site childcare which supports reduction of the gender pay gap, and could be used by student parents who otherwise may not be able to access higher education.

From late 2022, higher levels of inflation impacted running costs for the nursery, including heating, lighting and materials. This is a sector-wide issue, exacerbated by increasing wage rates, rising by 58-62%[1] since 2017. These increased costs have

[1] Childcare funding rates 2024-25

not been reflected in the funding received from the local authority for funded hours, resulting in a funding gap which all nurseries have been working to bridge. These issues are not specific to the Collegiate nursery, and with competent management it is possible to remain profitable in the sector, as shown by nearby nurseries in the locality.

In March 2023, the Sunak government announced what it called ‘a childcare revolution’, extending government funded childcare for children over the age of nine months. A staged rollout commenced in April 2024 with eligible two-year-olds of working parents being able to access 15 funded hours. The promise of expanded funded childcare was upheld by the subsequent Labour government from July 2024, and in April 2025, all children of working parents could access 30 hours of funded childcare from the term after they turned nine months. How SHU management has responded to these changes has set the tone for an inevitable, but entirely avoidable, decline in numbers at the nursery.

SHU management introduced caps on the number of funded hours which could be used at Collegiate nursery, because of their concerns about government funding per hour not covering the nursery’s costs. These caps exacerbate issues, as they reduce the amount of funding the nursery can claim from the local authority, whilst simultaneously increasing costs to parents. Other nearby nurseries have managed to minimise costs to parents whilst maximising the amount of funding they can claim through employing intelligent fee models which include affordable consumables charges for funded hours, and charge for additional non-funded days. This results in nearby nurseries earning significantly more overall per year for the same number of days of provision, while keeping costs lower for parents in total across the year. It is a challenging balance to strike, in a difficult funding context, however the current Collegiate model means they charge parents more in comparison to competitors, and allow them to use fewer funded hours meaning the nursery can claim less funding. The result is Collegiate nursery earns thousands of pounds less per place than competitors for the same provision. SHU management are claiming the Collegiate nursery model cannot be turned around into a profitable business, yet all around competitors are managing to make it work, albeit in a challenging context.

As the birth rate has been dropping post-2020, the management of the nursery has not adapted its provision to take account of this, and to ensure that it fills its occupancy with the right balance of children, which will provide a sufficient pipeline of children into the toddler and pre-school rooms, whilst recognising that the pre-school provision has perhaps the greatest potential for increasing income due to the ratio options.

From April 2024, as the two-year-old funded hours rolled out, the nursery revised its fee structure. Prior to this, the fees paid for 0–2-year-olds cross-subsidised the 3-4 year old funded hours provision. The statutory guidance at the time was clear that funded childcare entitlements should be delivered completely free of charge, and that funding was not intended to cover the costs of meals or other consumables (such as nappies or sun cream), additional hours or additional activities (such as trips). The guidance was clear that providers could charge a fee for these additions but that ‘top up fees’ were not acceptable. The 2024 revised fees model at Collegiate nursery was built on charging consumables fees, and made it difficult to opt out of these. In February 2025, following a High Court judgement, the government published updated statutory guidance including clarification of how consumables fees should be used, emphasising they must not be mandatory. Management decided to remove consumables fees entirely, rather than making them optional, which was out of line with the rest of the sector and significantly reduced their income.

In September 2025, SHU management rolled out a revised structure which resulted in a notable fee increase for 3 and 4 year olds. In reality this structure works for nobody - it means the nursery earns less money than competitors for the same hours of care at a higher standard, and parents pay more. This came at a time when the government had announced significant funding for school-based nurseries and was seeking to increase the proportion of pre-school provision it controlled from 50% to 80%. The pricing of the Collegiate nursery pre-school offering became increasingly out of step with competitors, at a time when this part of the market was expanding rapidly. SHU management therefore priced many parents out of the Collegiate nursery, and it is likely this had a particular impact on staff and students using the nursery. Many parents dropped their hours and opted for shorter days, meaning the wraparound care (charged at £12 per hour) became less used. This price change happened against a backdrop of rising living costs for students - Hallam Students' Union produced a cost of living report[2] in 2024/25 which showed the personal negative impact of the rising costs of basic essentials such as food (96%), clothing (84%) and rent (79%). 21% of respondents had caring responsibilities, showing the impact of the increased cost of living on student parents.

As part of the rollout of the extended funded childcare hours in 2025, the government increased the amount it paid to nurseries for funded hours. The funding rates have increased by 27% since 2017. However, management of Collegiate nursery has failed to maximise the value of this increase, by capping the amount of hours parents are able to use at 4 per day. Other nearby competitor nurseries maximise their income by allowing parents to claim the maximum amount of funded hours (10 per day), not allowing them to 'stretch[3]' their funded hours beyond the 38 weeks of term, and not allowing term time only contracts. The competitor model means the cost to parents is lower over the year. For three days a week, a total of 30 hours, for 52 weeks of provision a parent would pay £6840 versus £9360 for the same provision at Collegiate nursery, noting that the below calculations are utilising the published rate of funding for each age group, which the local authority does have the ability to top slice. Collegiate nursery management then further limit their income by capping funded hours and not charging for consumables. Other nearby competitor nurseries who charge £2.50 per funded hour for consumables, and £95 per day outside of the 38 funded weeks, earn more across 52 weeks for 3 days 8-6 provision in total, despite charging parents significantly less as outlined:

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[2] Cost-of-Living-Report-2024-25.pdf

[3] 'Stretching' funded hours involves childcare providers calculating how many funded hours the parent is entitled to across the 38 term time weeks, and spreading these hours evenly across a greater number of weeks, for example 48 or 51. This means that the parent can access some of their funded hours during school holidays, by utilising a smaller number of funded hours for a greater number of weeks.

Age	Collegiate annual total for three days 8-6 (parent fees plus funding claimed)	Competitor annual total for three days 8-6 (parent fees plus funding claimed)	Difference
9 months to 2 years	£16, 367.52	£22,492	£6125
2 years	£14,526	£19,139.20	£4613.20
3 and 4 years	£12,860.64	£16,085.40	£3224.76

There are almost certainly ways in which SHU could access additional funding streams which are not currently being maximised. In calculating hourly funding rates, the local authority does have the discretion to apply permissible supplements, including flexibility (to enable local authorities to support providers in offering flexible provision for parents, to support parents' working patterns and needs and giving them greater choice and convenience, such as by offering longer hours), and quality (focused on supporting workforce qualifications, or system leadership, through supporting high quality providers leading other providers in the local area). It is not clear whether the local authority offer these supplements, or whether SHU management attempts to access them, or indeed to shape its provision to enable access to them.

Collegiate nursery also has a fantastic reputation for supporting children with varying levels of SEND needs, yet we do not know how much funding is accessed for these children, and whether all avenues are being maximised. All local authorities are required to have a Special Educational Needs Inclusion Fund (SENIF) for all children below compulsory school age who have SEN regardless of the number of hours taken. All early years providers who are eligible to receive funding for the entitlements can also receive support from the SENIF, to help them support children with SEN attending their settings. There is also the Disability Access Fund (DAF) which supports disabled children's access to the entitlements, and can be used to support providers in making reasonable adjustments to their settings, including building capacity or staff training. DAF is payable as an annual sum of £975 for all eligible pupils and is payable across all age ranges.

Until 2024/25, SHU Collegiate nursery had a significant waiting list and many staff were turned away for a place. From September 2025, when the new fee structure was brought in, and as new provision from school-based nurseries came on stream, the waiting list quickly disappeared. Those who had contacted the nursery with an interest in places were not proactively contacted to increase occupancy of places. As a result, the number of children attending the nursery has fallen from 50 in 2023/24 to 38 in 2025/26. The majority of this reduction took place over summer 2025, as parents were asked to renew their contracts for September, and received increased invoices. The nursery has never previously had to advertise widely due to its long waiting list and excellent reputation. SHU management has not significantly increased its marketing efforts of the Collegiate nursery, and does not offer dedicated marketing support.

This analysis supports our conclusion that the Ofsted Outstanding rated SHU Collegiate nursery has been managed into decline and closure, while - with competent and committed management - it could remain open and thrive. Indeed, if SHU management had factored nursery provision into the new multi-million pound city campus development (open to city centre workers as well as their own staff and students), they would have potentially generated a very profitable avenue stream.