



Scotland
National Day Nurseries Association

2018 Nursery Survey Scotland



www.ndna.org.uk

★ Brighter thinking
for early years

Executive Summary

“Underfunding of 1140 hours will cripple us”

The Scottish Government has promised an ambitious expansion of funded early learning and childcare, consistent with national strategic objectives to improve the lives of children and their families.

As our report shows, without improved funding and investment, this programme is at risk.

NDNA and the sector knows how crucial early learning and childcare is. It changes outcomes for children, and provides more, much-needed support for parents. The Scottish Government’s commitment to almost doubling the number of hours for every child by 2020 to 1140 hours could be a positive step. But for it to succeed requires more investment, increases in staffing levels, and collaboration between local authorities, private and third sector nurseries.

Our survey this year, taking views from over 200 providers across Scotland – a third of the Scottish sector – shows nurseries are facing a huge challenge ahead of this expansion in early learning and childcare. With chronic funding shortfalls for funded places, low levels of staff retention, and more businesses expecting to make a loss, the sector’s confidence is at an all-time low.

With many nurseries struggling to make ends meet for the 600 hours, respondents expressed real concern as to whether they will be able to deliver the extended entitlement, let alone make it to 2020. They need action now, otherwise the 1140 hours programme will not work.

Without better funding nurseries will not be able to pay and retain the qualified staff that make the difference for young children. The Scottish Government has rightly recognised the need to expand the childcare workforce in order to make sure there are enough places for new childcare entitlement.



LACK OF FUNDING



The Scottish Government requires providers to pay staff delivering the 1140 hours the Real Living Wage, with an expectation that in practice all staff will receive this higher rate of pay. Unless funding is increased sufficiently, this will cripple nurseries.

Higher costs and more qualified staff leaving the nursery sector are compounding the pressure, all at a time when nurseries need to feel confident about delivering the scheme.

Restrictions on choice are not helping nurseries or parents. A fifth of private and third sector nurseries report local authorities are capping the number of funded places they offer. This is bad news for parents, limiting choice for flexible childcare places. It also constrains nurseries' revenues and limits what they can pay staff compared with the public sector.

NDNA and our members welcome the Scottish Government's decision to exempt nurseries from business rates. Nurseries are waiting to see this policy put into practice.

But with only two years until the 1140 hours scheme is rolled out, it is clear more support is needed. A more realistic funding settlement and strong partnerships between local authorities, private and third sector nurseries lies at the heart of the solution.

If we do not make plans and take decisions now, the 1140 hours scheme is at risk.

2018 COSTS

£

National Living Wage

National Minimum Wage

Cost of Living

Utilities

Pension Costs

= TOTAL BURDEN

£1.98 shortfall

Average shortfall for three and four year olds this year per hour

1140 hours: nurseries more concerned than ever

With the Scottish Government's policy of 1140 funded hours due to launch in 2020, nurseries have reported feeling underfunded and unprepared.

Based on NDNA survey results, the number of nurseries that are unlikely or very unlikely to get involved in the scheme has almost doubled in the space of a year – from 24% to 46%. This means almost half the sector is expressing negative feelings about the expansion.

A lack of funding is cited as the main barrier to settings, with the overwhelming majority of nurseries stating a better hourly rate would enable them to have more confidence to provide the expanded scheme.

Significantly, only 7% of nurseries who participated in our survey said they could deliver the 1140 hours at the current funding rate.

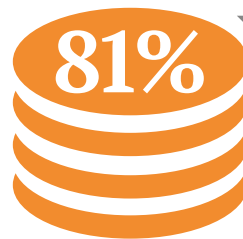
Respondents also reported concerns over funding for the current system of 600 hours of early learning and childcare. Hourly shortfalls are the highest they have ever been, with nurseries experiencing an average yearly funding shortfall per child of £1,188. Over half the sector are planning to increase their fees with rises set to be higher as nurseries must offset greater losses on funded hours. This is not sustainable.

The size and scale of the expanded scheme demands a greater role for private and third sector nurseries. This is essential for the nurseries, for childcare practitioners, and particularly for parents and their children.



46% UNLIKELY/VERY UNLIKELY TO BE INVOLVED IN SCHEME

COMPARED TO 24% LAST YEAR



say better funding would allow them to provide funded places for the expanded scheme

ONLY 7%

can offer the 1140 hours with current funding rate



TWICE AS MANY NURSERIES UNLIKELY TO OFFER THE 1140 HOURS THIS YEAR

Top three concerns

We asked nurseries what their biggest challenges are in 2018:

1 RISING STAFF WAGES

For the second year in a row, higher staff wages, driven by increases in the National Living Wage and National Minimum Wage, are having the biggest impact on Scottish nurseries' ability to operate sustainably.



2 RECRUITMENT AND RETENTION OF STAFF

Despite recent Scottish Government initiatives, the sector is struggling to recruit and retain the highly qualified staff necessary to deliver funded places in time for the 1140 hours scheme.



3 MAKING A PROFIT OR SURPLUS

Nurseries' sustainability is at risk if they cannot achieve a profit or surplus, which could undermine parental choice and the availability of funded childcare places. Low funding rates coupled with higher staff costs are adversely affecting business confidence.



NDNA Recommendations

To address these concerns and protect high-quality, sustainable childcare provision, NDNA is calling on the Scottish Government to act now to:

INCREASE FUNDING RATES NOW FOR THE 600 HOURS

With four out of five nurseries saying their funding rate is too low and funding shortfalls rocketing, action is needed now. Many providers are making significant losses already, which are set to double by 2020. The sector is struggling to deliver the current 600 hours, so how can they be expected to deliver double this amount?



INCREASE FUNDING FOR THE 1140 HOURS IN LINE WITH PROJECTED COSTS

The Scottish Government's flagship 1140 hours policy is at risk. With two years to go until national roll-out. The Scottish Government must provide sufficient funding in line with increasing costs to ensure nurseries can deliver the policy sustainably. If nurseries knew there were sustainable funding rates for 2020, it would give them the confidence to plan to deliver the scheme.



INCREASE INVESTMENT IN THE SECTOR TO SUPPORT THE TRAINING AND DEVELOPMENT OF NURSERY STAFF

Recruitment and retention of staff is an increasing concern, with many losing staff to local authority nurseries or schools. More investment is crucial to maintain high-quality provision, attract new talent to the sector, and to enable nurseries to deliver the 1140 hours sustainably. Funding should be sufficient to enable nurseries to pay their staff the Real Living Wage.

MANY STAFF MOVE TO LOCAL AUTHORITY NURSERIES OR SCHOOLS



BRING IN A 'CHILDCARE PASSPORT'

NDNA backed the Scottish Government's decision to include proposals for a single, parent-held account for all childcare funding in the Blueprint Action Plan. We maintain there needs to be a complete overhaul of the childcare and early education funding system, bringing together all childcare funding schemes. This should include: funded early years entitlements, Tax-Free Childcare, Childcare Vouchers, and Tax Credits/ Universal Credit. A complex administrative system with ever increasing paperwork is taking qualified professionals away from their roles. We need to simplify the process.



Key Issues - Funding

Funded places

Our survey results show that restrictions on the choice of early learning and childcare for parents in Scotland continues. 16% of nurseries have waiting lists for children for funded places, and more than a fifth of local authorities are capping the number of funded places. This often leads to parents missing out on the childcare support they are entitled to – and children lose out on vital early years education.

Many parents also experience issues with funded places across local authority boundaries. Around a quarter (23%) of nurseries who responded to our survey do not fund places for across boundary children, and 17% report differences in funding.

A fifth (20%) of nurseries experience administrative issues due to such variations in funding.

“Cross boundary funding is a serious issue in certain nurseries. In one nursery the MSP had to get involved to ensure children on the borders were funded. In at least one LA there are constant battles with neighbouring LAs to fund children.”

NURSERIES ARE STRETCHED TO PAY THEIR STAFF THE NATIONAL LIVING AND MINIMUM WAGE

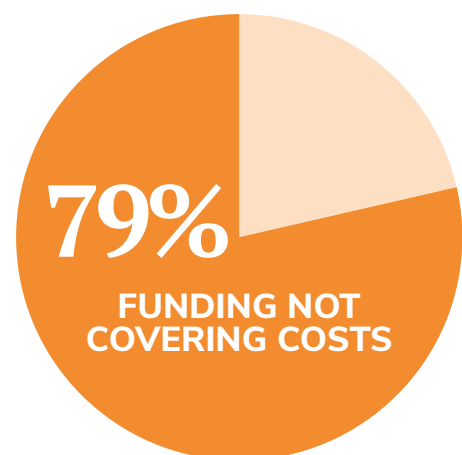
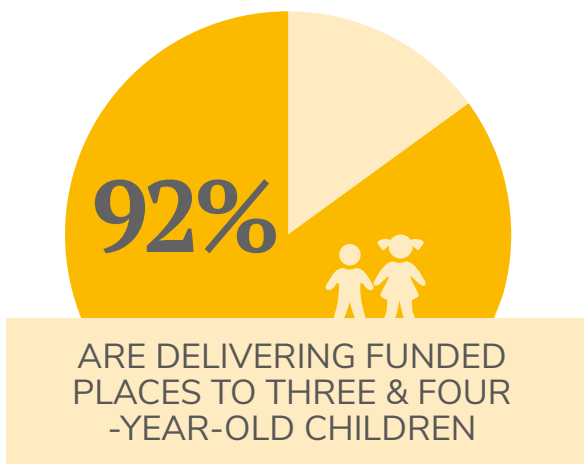
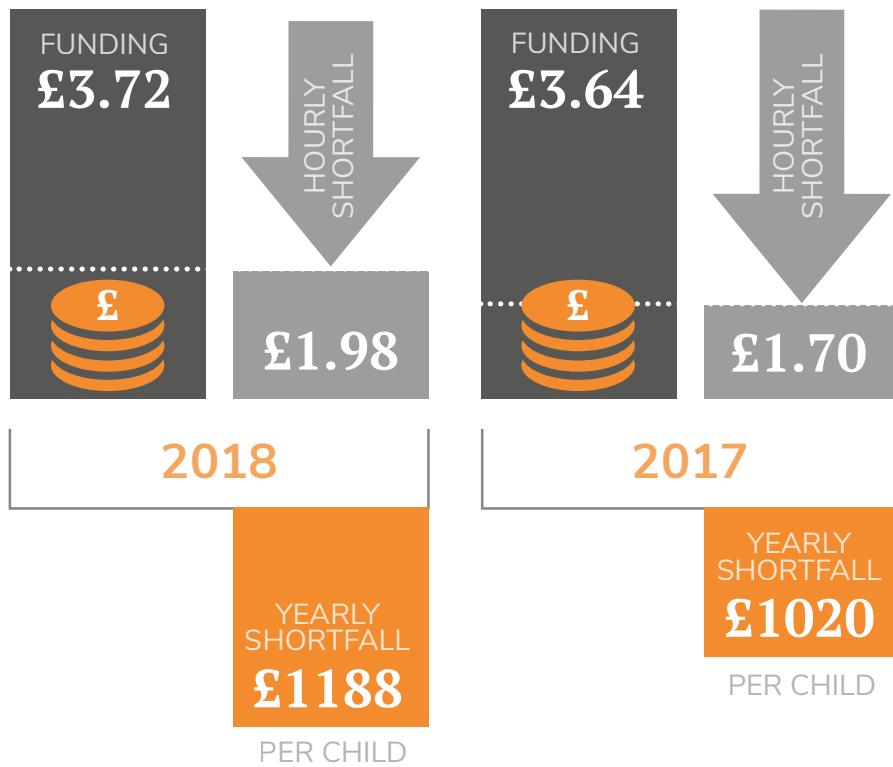
Three and four-year-olds

The vast majority of nurseries (92%) are delivering funded places for three and four-year-olds, but not getting enough funding to cover their costs.

Four out of five (79%) nurseries told us the hourly rate they receive from their local authority is too low. While the average rate received by nurseries has marginally increased from last year – £3.64 to £3.72, nurseries continue to report significant shortfalls in their hourly funding. Average reported loses are now £1.98 per hour, per child, representing an annual loss of £1,188. This is the biggest shortfall the sector has experienced. Due to these issues, over a fifth (21%) said delivering the 600 hours of funded childcare presented a significant challenge for their business over the past 12 months.

NDNA submitted a Freedom of Information (FOI) request in 2018 to local authorities about funding rates. Separately, we also asked the sector whether current funding rates were sufficient for nurseries to pay staff the Real Living Wage. Both the FOI response and our survey results showed that nurseries are struggling to pay their staff the National Living and Minimum Wage rates on these local authority funding rates. There is an expectation from the Scottish Government that all providers who deliver 1140 hours will have to pay the Real Living Wage. This demonstrates how crucial it is that the Scottish Government ensures local authorities offer a funding rate which is sustainable, encompassing the cost of delivering high-quality early learning and childcare.

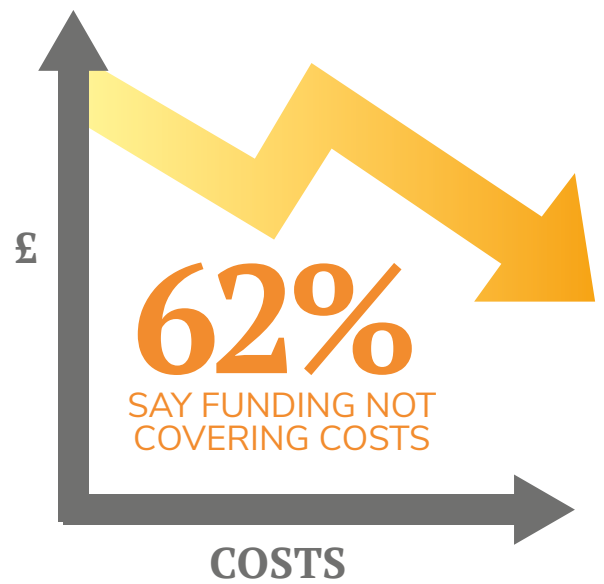
Funding shortfall for three and four-year-olds



Two-year-olds

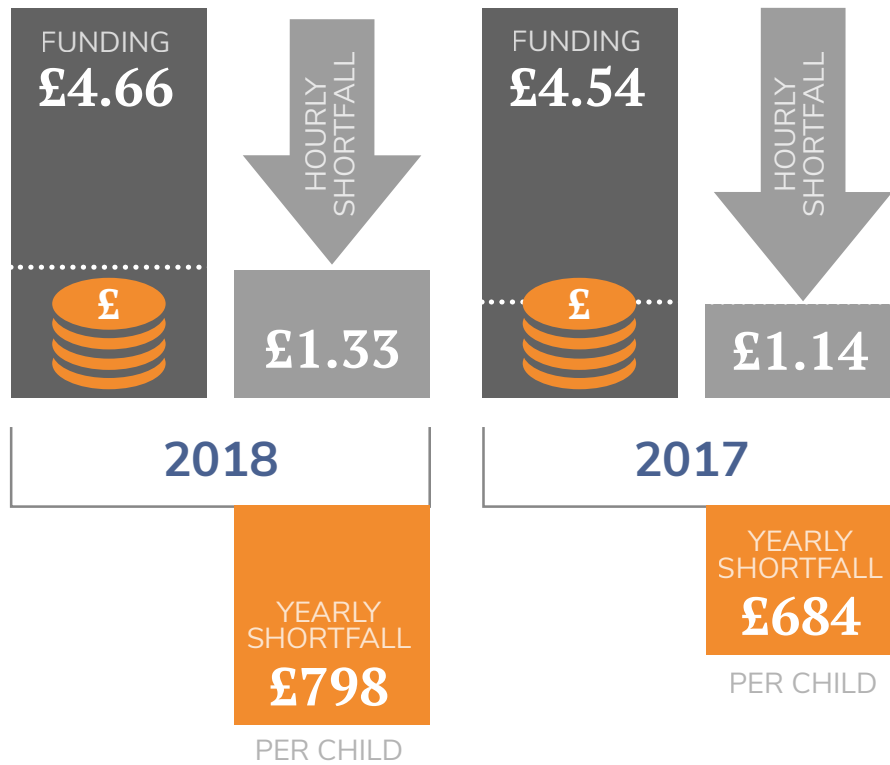
For the first time, this year's survey shows the number of nurseries providing funded two-year-old places is in decline, at 23% compared to last year's 29%. More than a third (37%) are unable to do so because their local authority is not commissioning more partner providers, while 8% have chosen not to deliver places.

Furthermore, the hourly rate received from the local authority does not cover costs for more than half (62%) of providers. While the funding received has increased from £4.54 in 2017 to £4.66 per hour in 2018, the average hourly shortfall has risen from £1.14 to £1.33. This is equivalent to an annual loss of £798 per child, per year for the 600 hours annual funded entitlement.



“We want to be able to deliver a high quality, flexible service, but without a fair rate of funding this will be a challenge.”

Funding shortfall for two-year-olds



Plans for the 1140 hours offer

Respondents were particularly pessimistic this year on whether they plan to deliver the Scottish Government's funded 1140 hours early learning and childcare offer. Almost half (46%) of respondents said they were unlikely or very unlikely to deliver the additional hours. This figure has almost doubled from last year's survey, when only 24% of nurseries said they were unlikely to provide places.

The number of nurseries who are likely or very likely to provide the additional hours has, as a result, dropped from over half (51%) of settings in 2017, to less than a third (30%). Around a quarter (23%) of respondents are unsure of their plans.

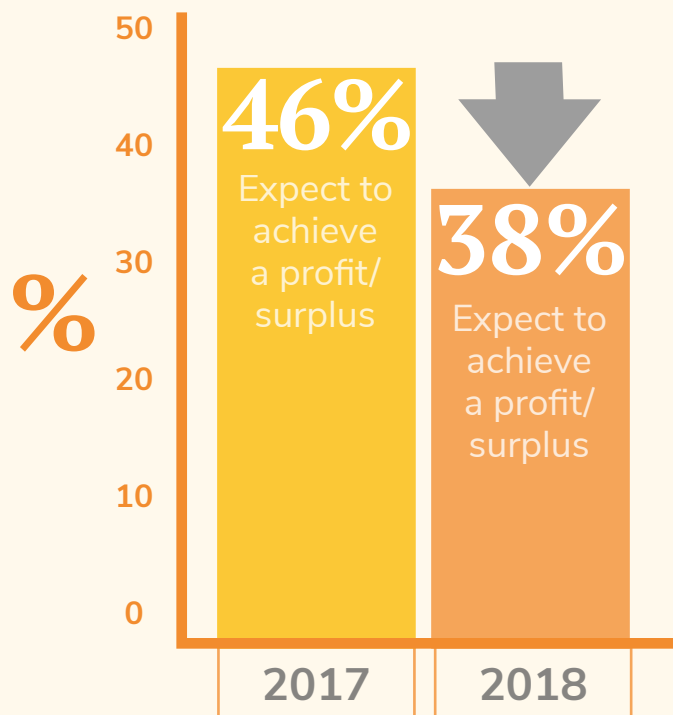
Four out of five (81%) nurseries said a better funding rate would enable them to offer the extended entitlement. More than half (53%) said making mandatory charges would allow them to, while 44% wanted to set session times. As it stands, only 7% of the sector can offer the 1140 hours on the current hourly rate.

If we do not expand we would not survive as we are based within the town centre and surrounded by Local Authority Nurseries who will be offering the 1140 hours. Though there are many hurdles to pass before we can offer this service.

Business burdens

NDNA greatly welcomed the Scottish Government's decision to exempt nurseries from paying business rates. This was something NDNA campaigned hard for, so it is positive that the government listened and responded accordingly. However, other financial burdens are so great that the supportive effect of this is undermined.

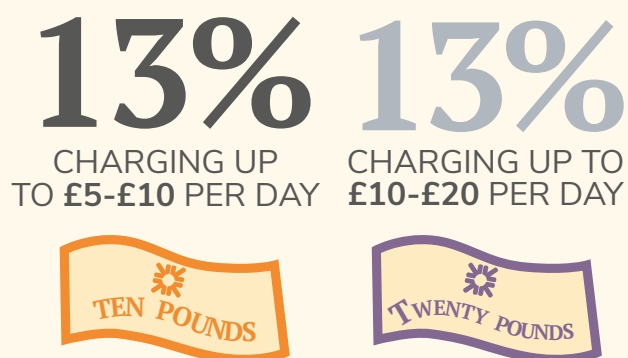
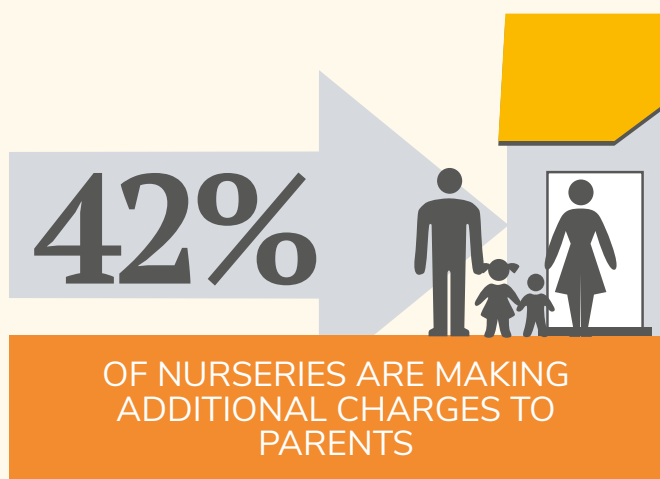
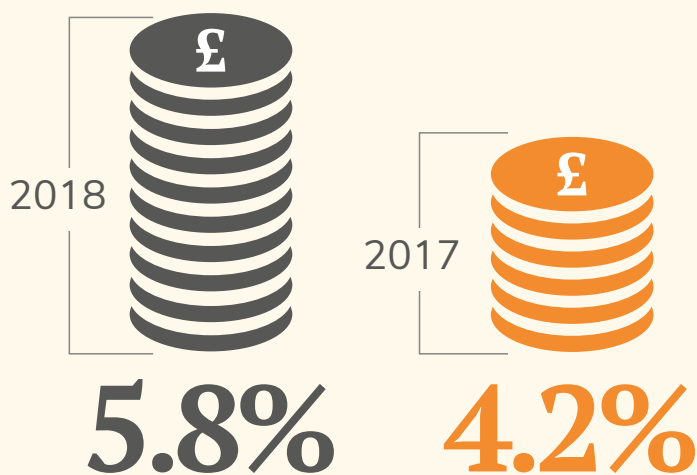
With pressure mounting on the sector to deliver the 1140 hours policy, as well as increases in the National Living and Minimum Wages, business confidence continues to decline. The ability to make a profit or surplus was cited as the third most pressing challenge for nurseries this year, with fewer nurseries expecting to make a profit. Only 38% expect to make a profit or surplus for 2018 compared to 46% in 2017. As such, more anticipate making a loss; 16% compared to 12% of respondents in 2017. Without profit nurseries cannot invest in their business and remain sustainable.



Fees and charges

While fewer nurseries plan fee increases in 2018, increases are set to be larger. More than half (51%) intend to increase their fees this year, with those planning to do so anticipating an increase averaging at 5.8%. This is a marked rise from 2017's figure of 4.2%.

Our survey results this year show more nurseries are having to make charges to parents to cover shortfalls in funding. 42% of respondents report having to do so; 13% of which charge parents between £5-£10 and 13% charge between £10-£20.



Workforce

Staffing challenges

Losing staff to local authority nurseries or schools is an increasing problem, with respondents reporting this as their fourth most significant concern in 2018. The average loss of staff per nursery has increased from 2.6 in 2017 to 3 staff members this year. This amounts to a loss of around 15% of total staff members per setting.

Despite recent Scottish Government initiatives on graduate recruitment to the sector, the average nursery employs only two graduates, with almost a fifth (23%) not employing any.

Nurseries continue to work in partnership with schools, which is positive. However, 46% of respondents report they do not have access to teachers.



Wage increases

Increases in the National Living and Minimum Wages continue to put pressures on nurseries' staffing costs.

In fact, rising staff wages was cited as the most pressing challenge for the sector this year.

Increases in staffing costs were 6% including wages, pension and national insurance costs.

Furthermore, the Scottish Government requirement for providers to pay staff delivering the 1140 hours the Real Living Wage (and an expectation that in practice all staff will get this higher rate of pay), has the potential to significantly impact nurseries' business sustainability in the medium to long term.



What do nurseries need?

Key recommendations

Our key recommendations to the Scottish Government are:

1. Act NOW to increase funding rates for the 600 hours.
2. Increase funding for the 1140 hours in line with projected costs.
3. Increase investment in the sector to support the training and development of nursery staff.
4. Scotland should bring in a 'Childcare Passport'.

Survey Details

The survey was conducted online in March and April 2018. The survey received 226 responses, equivalent to 24% of all private and third sector nurseries in Scotland. Single-site nurseries made up 37% of respondents and 63% were in nursery groups of two or more sites. Respondents covered all Scottish local authority areas with the majority of respondents (87%) private sector nurseries and 12% from the not-for-profit sector. Note: figures throughout the report may not total 100% due to rounding.



Scotland
National Day Nurseries Association


Who we are


NDNA is a national charity representing children's nurseries across England, Scotland and Wales. At NDNA we don't just provide nursery membership, lobby government and offer training, we are dedicated to making a difference. We are the voice of the sector, which totals 21,000 nurseries and employs 250,000 people – an integral part of the lives of one million children and their families.

National Day Nurseries Association

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