About us
1. National Day Nurseries Association (NDNA) is the charity and membership association promoting quality care and early learning for children in nurseries across the UK.

2. NDNA supports its members to develop their quality of care and to run a healthy sustainable business by providing members with information, training and support. NDNA works closely with its members to represent the sector to government, local authorities and the media. NDNA Scotland has a thriving membership base representing over a third of private day nurseries, with active provider networks in local authority areas across the country and an office in Edinburgh.

3. Our member nurseries are independent, private and third sector organisations who deliver early learning and childcare in partnership with local authorities. Some 60,000 children, approximately half of all children taking up nursery places, do so in the independent, private or third sector. For under-threes this rises to 60% of children, with nearly 40,000 under-threes in care and early learning in private nurseries alone.

Did you take part in either of the Scottish Government consultation exercises which preceded the Bill and, if so, did you comment on the financial assumptions made?
4. Yes. NDNA submitted formal responses to the September 2012 consultation on the Children and Young People Bill and to the 2011 consultation on the Rights of Children and Young People. We attended government consultation events and, with a delegation of nursery members, met with government officials to inform the Business and Regulatory Impact Assessment. We have also met with Ministers Aileen Campbell MSP and Angela Constance MSP and discussed issues around the Bill and policy direction.

Do you believe your comments on the financial assumptions have been accurately reflected in the FM?
5. Not fully. The comments we have made verbally in meetings and formally in our written response to the September 2012 consultation have not been fully reflected. In particular the level of funding shortfalls for early learning and childcare partner providers is not fully taken account of and has not been fully addressed in the FM – see comments in response to questions 4 and 5.
Did you have sufficient time to contribute to the consultation exercise?
6. Yes. The consultation exercise was well publicised, allowed a reasonable timescale and the investment in consultation events and meetings was particularly welcome.

Costs
If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the FM? If not, please provide details?
7. NDNA is the representative body for children’s nurseries. The comments we have made here, and in response to the consultations, relate to the implications of the Bill for our nursery members, rather than the charity itself. The primary impact on our members is in relation to the Bill’s content on early learning and childcare.

8. The FM states that the commitments on early learning and childcare are the most significant costs within the Bill. The FM goes on to consider in detail the implications for local authorities, and notes that ‘local authorities secure around 40% of provision through independent, private or third sector partners’, and briefly (paragraph 82) acknowledges implications for these partners where it includes the following:

‘National Day Nurseries Association’ and some partner providers have raised the issue of unsustainable funding levels for the majority of partner provider placements.’

9. The FM (paragraph 82) uses an inflationary linked estimate of costs of funding partner providers based on the ‘advisory floor’ hourly rate that was in place until 2007. The advisory floor was issued by Scottish Executive until 2007 as a minimum rate that local authorities should not go below when funding providers. There is an uncertain history of how the advisory floor’s original level was decided, but we do not believe it was calculated on a basis of the real costs of delivery for partner providers. It was also intended as a ‘floor’ rate, below which funding should not fall, rather than a recommended rate for all partner providers which seems to be the assumption of the FM. We therefore believe that uprating this figure is inappropriate and forms a weak basis for estimating future costs.

10. The uprated estimate used by the FM is £4.09 per hour. In our most recent survey www.ndna.org.uk/scotland-nursery-report nurseries reported average funding rates of £3.28, giving them an average shortfall of £1.23 per child per hour. Therefore, even if rates were increased to a £4.09, this would still incur an average shortfall of £0.42 per child per hour, equivalent to £252 per child per year for 600 hours of provision. Shortfalls will be significantly greater than this in higher cost areas.

11. If funding went ahead on the basis outlined by the FM, then partner providers would still be experiencing funding shortfalls and the implications for them have not been considered – paragraph 84 Costs on other bodies, individuals and businesses states ‘There are no further costs anticipated for others’.
12. The FM notes the impact on staffing costs of the increase to 600 hours and more flexible delivery as staff ratios increase from 1:10 to 1:8 when children attend for more than 4 hours (paragraph 72). In practice, full day care nurseries must always operate at a 1:8 ratio, due to the extended, flexible hours they offer parents. Extension to 600 hours also means that children taking up places are also more likely to be in nursery for lunches which will incur additional costs. However, the FM does not fully take account of the impact of requirements to invest in and develop the skills and qualifications of the early years workforce to meet the wider agenda of the Children and Young People Bill around GIRFEC and integrated working and the level of funding that will be needed to support partner providers properly to reward this workforce.

13. Relevant sections of the evidence we submitted in our September 2012 response are copied below for reference – appendix 1.

Do you consider that the estimated costs and savings set out in the FM and projected over 15 years for each service are reasonable and accurate?

14. As discussed above, we believe the assumptions made around early learning and childcare are flawed and therefore the projections will also need reconsideration.

If relevant, are you content that your organisation can meet the financial costs associated with the Bill which your organisation will incur? If not, how do you think these costs should be met?

15. No. We are not confident that partner providers of early learning and childcare can meet the costs associated with the Bill unless measures are taken by government to ensure sufficient funding is allocated to local authorities and actually reaches providers in the form of a viable hourly rate for high-quality provision for children. As suggested in our response to the consultation, one option might be to reintroduce an advisory floor minimum level of funding that properly reflects real costs of delivery and review this annually. Survey evidence to NDNA shows that 45% of nurseries expect to make a loss or only break even; this is not a sustainable position and continued underfunding of the provision of a public service is a threat to the flexibility and availability of high-quality early learning and childcare. Funding needs to reflect the additional costs faced by partner providers outside the maintained sector, such as business rates, in which nurseries have suffered significant increases in recent years.

16. In addition, to ensure that there is sufficient capacity to meet demand for increase numbers of places and increased hours, local authorities’ capital funding should be available for investment, subject to appropriate terms and conditions, by partner providers. Historically this approach has been successful in some local authority areas. The assumption of the Bill and FM appears to be that capital will be used solely for maintained provision, but there is an opportunity for cost-effective development in private and third sector partner provision that can provide value for money, meet parents’ needs for flexible childcare and avoid duplication of existing services.
Does the FM accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Wider issues
Do you believe that the FM reasonably captures costs associated with the Bill? If not, which other costs might be incurred and by whom?

Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

17. There is presently an inequity in the number of hours of preschool education to which a child is entitled, depending on their birthdate. NDNA input to the report by Reform, ‘An Equal Start’ which highlighted that this can mean funding gap to families of £1,000 per child, depending on their birthdate [http://reformscotland.com/index.php/publications/details/1723](http://reformscotland.com/index.php/publications/details/1723) If action is taken by government in future to address this birthday discrimination, then additional costs would be incurred.
Appendix 1

Extracts from NDNA response to consultation on Children and Young People Bill, September 2012

We wholeheartedly welcome the recognition by the Scottish Government of the impact of high quality early learning and childcare and the commitment to extend this to a minimum of 600 hours per child per year.

Feedback to us from nursery members is that access to funded early learning and childcare varies locally, with children and families benefitting from different amounts of provision according to the policy of their local authority. We believe that as hours are extended, legislation should set out a clear right to 600 hours for every three and four year old with a duty on local authorities to ensure that these hours are available and accessible to families through a mix of provision, with true parental choice. This should be widely publicised to parents so that they are aware of their child’s right to these hours and can hold their local authority to account.

Feedback from our most recent survey of nurseries in Scotland published in our NDNA Insight Report August 2012 'The Nursery Sector in Scotland' www.ndna.org.uk/scotland-nursery-report suggested that a majority of nurseries are underfunded for free early learning and childcare places. Ninety-two percent of respondents reported making losses on the places, with an average loss of over £500 per child per year. This is a financially unsustainable position for nurseries and must be addressed if they are to be able to offer 600 hours. Funding levels also work against the objectives of a high quality professional workforce, as nurseries are unable to provide salaries commensurate with a profession.

Local authorities must direct sufficient funding to nurseries so that they are funded at a viable level that enables them to deliver the high-quality provision that makes a difference to children. The Scottish Government should assess the level of funding needed centrally and explore mechanisms to protect that investment at local level so that the significant financial commitment that will be made by government achieves the impact intended by the Bill. One option might be to reintroduce an advisory floor minimum level of funding and review this annually – in some local authorities funding to private nurseries has remained static since the advisory floor was removed several years ago. There is also a need for greater transparency on how local authorities direct funding and what funding is retained by the local authority and measures should be taken to make this information available to their local communities. NDNA would be happy to be involved in further discussions on solutions to funding issues.

NDNA and its members welcome plans to extend funded early learning and childcare and the recognition by government of the positive impact it has on children’s outcomes. The Business and Regulatory Impact Assessment notes that private sector nurseries may be impacted by the Bill’s proposals. The opportunity to provide for additional hours may be seen as a benefit for nurseries, however, if funded hours are delivered at a loss, and replace what would have formerly been
paid for hours, then the extension will become a threat and make businesses less sustainable, potentially reducing availability of flexible places.

In our recent survey, respondents delivering free hours were losing on average £584 per child per year. If hours are extended to 600 per year, this loss would become £738. With nurseries operating on low margins, and the sector already feeling the impact of recession, then increased losses could risk overall business sustainability and potentially lead to nursery closures.

There is capacity in the private and voluntary sector, with a vacancy rate of around 25% according to our survey, and so there is opportunity for local authorities to work with partner providers rapidly and cost effectively to scale up provision that is flexible and meets parents’ needs. The duty on local authorities should focus on securing places, rather than using government funds to duplicate existing provision in the private and voluntary sector.

The Bill’s ambitions for an integrated approach to working with children will require effective involvement of private and voluntary sector partners by public agencies, for example in the child’s plan. To promote the best outcomes for children, the workforce in nurseries will need to have the right skills and knowledge and nurseries will need to be able to resource the support needed for individual children. One of the greatest challenges highlighted by nurseries in our survey was the cost of staff wages, with feedback on the difficulty of appropriately rewarding staff at all levels. Nurseries also fed back that they are seeing reductions in local authority support, with 50% seeing reductions in support for training and 40% seeing reductions in support for quality. Local authorities must have clear duties to provide accessible and meaningful support to all settings in their area. To ensure we have the right workforce to deliver this vision for children, greater investment is needed, otherwise we will see upward pressure on fees for parents.