

Financial Sustainability Health Check of the Childcare Sector in Scotland:

Analysis and Evidence

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Introduction

1. The Scottish Government is committed to maintaining a robust but proportionate means of monitoring the financial sustainability of the childcare sector to ensure that both national and local policy is informed by up to date evidence about the health of the sector.
2. To support this in January 2023 the Scottish Government began work to update the previous [Financial Sustainability Health Check](#) of the Childcare Sector in Scotland (published in August 2021).
3. The previous Financial Sustainability Health Check has been a vital source of evidence and has helped the Scottish Government to tailor support for childcare providers. However, since Summer 2021 there has been substantial economic impacts as the result of the costs crisis, labour market pressures, and potential continuing impacts from the pandemic.
4. The update was undertaken to help provide detailed information as to how these events are impacting on the childcare sector, as well as allowing for analysis of any changes in underlying trends in the sector. This includes understanding where there may be disproportionate impacts across different types of providers.
5. As with the previous Health Check the findings from this analysis will also be used to inform future policy development.
6. The Health Check has been informed by evidence and analysis from:
 - Detailed surveys of childcare providers, with separate surveys for day care of children and childminding services. Surveys were open from 20 January 2023 to 27 February 2023.
 - Analysis of trends in Care Inspectorate registration and cancellations data.
7. The Health Check has enabled a wide range of rich data and information to be captured, which is set out in this document. Whilst the key findings have been summarised in the [Financial Sustainability Health Check of the Childcare Sector in Scotland](#), this paper is intended to provide a resource for readers who wish to explore the underlying evidence and analysis in more detail.
8. Given the range of analysis that is available across different types of services, this has meant that the majority of the information is presented in reference tables.

Section 1: Recent Trends in the Childcare Sector

Care Inspectorate Registration Data

9. This section presents analysis of Care Inspectorate registration data of childcare services to provide an overview of trends across the sector. Detailed information on all registered services is available from the [Care Inspectorate datastore](#).
10. The analysis covers the period from 31 March 2018 to 31 March 2023. This was the most recent monthly data available at the time of preparing this report.
11. The analysis sets out the broad trends in registrations across the sector by different types of providers, and then explores how the structure of the childcare sector has changed over the period 31 March 2018 and 31 March 2023. In particular, this allows for analysis of changes since the start of the pandemic impacts in March 2020.
12. Changes in the overall number of registrations in the sector reflect the net effect of: (1) newly registered services that are now operating; and (2) services that have cancelled their registration with the Care Inspectorate and are now no longer operating.
13. As with other sectors of the economy the childcare sector – which operates as a mixed economy model with services delivered by public, private and third sector services, including childminders (and for those services delivering funded Early Learning and Childcare (ELC) they will receive income from both public and private sources) – experiences continued changes in the number of services operating, with new providers entering, and other providers leaving the sector throughout the year.
14. In addition to the general trends in registrations and cancellations, this section sets out details on changes by size and type of provider and explores changes in services across local authority areas.

Summary of the Analysis

Change in Registered Services

15. Table 1.1 shows the number of registered childcare services on 31 March in each year over the period 2018 to 2023. The one exception is for 2021 data, which captures the number of registered services on 22 March 2021. Registered childcare services fall under the following broad care service classifications: Day Care of Children Services; and Childminding Services. Day care of children services are disaggregated into service types (reflecting the type of provider operating the service) using the following Care Inspectorate registration classifications:
 - Health Board
 - Local Authority
 - Private; and
 - Voluntary and not-for-profit (we refer to these services as ‘Third Sector Services’ in the analysis).

16. Table 1.2 presents the annual changes in the number of services for each category, in the period to March each year. Table 1.3 shows the annual percentage change in each service type in the period to March each year.

17. Tables 1.1 to 1.3 highlight that:

- The highest rates of decline have been for registered childminding services which have decreased in each year over the period from March 2018 to March 2023, with a decline of 9.9% in the total number of childminding services in each of the two most recent years (the years to March 2022 and March 2023);
- There have been year on year decreases in the number of registered third sector services, with the rate of decline increasing to 6.0% between 2020 and 2021. The rate of decline has remained at similar levels in 2022 and 2023; and
- There have been small declines in the number of registered private sector childcare services in each year since March 2018, with a slight increase in the rate of decline since the year to March 2021.

Table 1.1: Number of registered childcare services, March 2018 to March 2023

Type of service	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023
Health Board	3	3	3	3	3	3
Local Authority	1,719	1,719	1,743	1,761	1,781	1,785
Private sector	1,093	1,083	1,077	1,057	1,046	1,028
Third Sector	839	820	810	761	723	684
Total Day care of children services	3,654	3,625	3,633	3,582	3,553	3,500
Childminding Services	5,333	4,972	4,656	4,263	3,841	3,462

Source: Care Inspectorate [Datastore](#)

Table 1.2: Annual change in number of registered childcare services, March 2018 to March 2023

Type of service	Change 2018 to 2019	Change 2019 to 2020	Change 2020 to 2021	Change 2021 to 2022	Change 2022 to 2023
Health Board	0	0	0	0	0
Local Authority	0	24	18	20	4
Private sector	-10	-6	-20	-11	-18
Third Sector	-19	-10	-49	-38	-39
Total Day care of children services	-29	8	-51	-29	-53
Childminding Services	-361	-316	-393	-422	-379

Source: Care Inspectorate [Datastore](#)

Table 1.3: Annual percentage change in the number of registered childcare services, March 2018 to March 2023

Type of service	Change 2018 to 2019	Change 2019 to 2020	Change 2020 to 2021	Change 2021 to 2022	Change 2022 to 2023
Health Board	0.0%	0.0%	0.0%	0.0%	0.0%
Local Authority	0.0%	1.4%	1.0%	1.1%	0.2%
Private sector	-0.9%	-0.6%	-1.9%	-1.0%	-1.7%
Third Sector	-2.3%	-1.2%	-6.0%	-5.0%	-5.4%
Total Day care of children services	-0.8%	0.2%	-1.4%	-0.8%	-1.5%
Childminding Services	-6.8%	-6.4%	-8.4%	-9.9%	-9.9%

Source: Care Inspectorate [Datastore](#)

Registered Capacity in the Sector

18. In addition to changes in the numbers of registered services in the sector, we can also measure changes in registered places (capacity) across different types of services. Changes in registered places may vary from reported changes in the number of services. For example, existing services may increase their capacity, and/or average capacity across new services entering the sector may be higher/lower than that of services leaving the sector. Analysis of these underlying trends is presented later in this section.

19. Table 1.4 shows the number of registered places by type of service. Tables 1.5 and 1.6 set out the annual change in the number of registered places, and the annual percentage change in registered places, respectively. Tables 1.4 to 1.6 highlight that:

- In the year to March 2023, the number of registered places in private sector services has remained relatively unchanged (a very small decline of 0.1%), whilst registered places in third sector services declined by 3.5%.
- Total capacity, in terms of registered places, across the whole childcare sector (and including childminders) is higher in March 2023 compared to March 2018. Total capacity across registered day care of children services has increased in each year over the period from March 2018 to March 2023.

Table 1.4: Number of registered places by type of provider in each year over the period March 2018 to March 2023

Type of service	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023
Health Board	170	170	170	170	170	170
Local Authority	72,389	74,521	78,857	84,550	87,377	88,967
Private sector	61,753	62,599	62,828	62,886	62,608	62,551
Third Sector	31,442	31,501	31,234	30,030	29,309	28,291
Total Day care of children services	165,754	168,791	173,089	177,636	179,464	179,979
Childminding Services	33,007	30,821	28,914	26,513	23,913	21,601
Total (all services)	198,761	199,612	202,003	204,149	203,377	201,580

Source: Care Inspectorate [Datastore](#)

Table 1.5: Annual change in number of registered childcare services, March 2018 to March 2023

Type of service	Change 2018 to 2019	Change 2019 to 2020	Change 2020 to 2021	Change 2021 to 2022	Change 2022 to 2023
Health Board	0	0	0	0	0
Local Authority	2,132	4,336	5,693	2,827	1,590
Private sector	846	229	58	-278	-57
Third Sector	59	-267	-1,204	-721	-1,018
Total Day care of children services	3,037	4,298	4,547	1,828	515
Childminding Services	-2,186	-1,907	-2,401	-2,600	-2,312
Total (all services)	851	2,391	2,146	-772	-1,797

Source: Care Inspectorate [Datastore](#)

Table 1.6: Annual percentage change in the number of registered places, March 2018 to March 2023

Type of service	Change 2018 to 2019	Change 2019 to 2020	Change 2020 to 2021	Change 2021 to 2022	Change 2022 to 2023
Health Board	0.0%	0.0%	0.0%	0.0%	0.0%
Local Authority	2.9%	5.8%	7.2%	3.3%	1.8%
Private sector	1.4%	0.4%	0.1%	-0.4%	-0.1%
Third Sector	0.2%	-0.8%	-3.9%	-2.4%	-3.5%
Total Day care of children services	1.8%	2.5%	2.6%	1.0%	0.3%
Childminding Services	-6.6%	-6.2%	-8.3%	-9.8%	-9.7%
Total (all services)	0.4%	1.2%	1.1%	-0.4%	-0.9%

Source: Care Inspectorate [Datastore](#)

Summary of changes since the start of the Pandemic

20. In March 2020 restrictions were introduced in response to the COVID-19 pandemic. This included a number of restrictions on the operation of childcare providers in Scotland, which are detailed in the previous [Financial Sustainability Health Check](#) published in August 2021. The data points used in this report allow us to consider changes in the sector in the three year period since the pandemic impacts began to impact on the sector.

21. Table 1.7 provides a summary of the changes in registered services and capacity (registered places) between March 2020 and March 2023. This highlights that:

- Whilst there has been 4.5% decline in the number of private sector services over this period, there has only been a small decline of 0.4% in the overall capacity in private sector day care of children services. As Table 1.7 highlights this reflects the move to larger services within this part of the sector.

- There have been declines in capacity across both third sector and childminding services over the three year period, with a 9.4% fall in capacity across third sector services and 25.3% decline in childminding services.
- Capacity in local authority services increased by 12.8% to enable delivery of 1140 hours (which became a statutory entitlement from August 2021).

Table 1.7: Change in number of registered services and registered places in the period March 2020 to March 2023

Type of service	Number of registered services	Percentage change in registered services	Number of registered places	Percentage change in registered places
Health Board	0	0.0%	0	0.0%
Local Authority	42	2.4%	10,110	12.8%
Private sector	-49	-4.5%	-277	-0.4%
Third Sector	-126	-15.6%	-2,943	-9.4%
Total Day care of children services	-133	-3.7%	6,890	4.0%
Childminding Services	-1,194	-25.6%	-7,313	-25.3%
Total (all services)	-1,327	-16.0%	-423	-0.2%

Size of Service

22. The differences between changes in registered services and registered places across different types of providers indicate that there have been changes in the structure of the sector. Table 1.8 sets out the number of registered services by size and type of provider for the period March 2018 to March 2023. Services are grouped into six different size bands based on the number of registered places in the service. Table 1.9 sets out for each type of provider the percentage of services falling within each size band over the period March 2018 to March 2023.

23. Tables 1.8 and 1.9 highlight that:

- Across private, third sector and local authority services there has been a move over the five year period towards a higher proportion of services being accounted for by larger capacity providers (in particular those with 51 or more registered places).
- There has been a continued decline over the five year period in the number of smaller services, in particular those with 25 or less registered places.
- The majority of smaller services are delivered by local authorities, with local authorities delivering 59% of services with a registered capacity of 25 or less (and 81% of services with a registered capacity of 1-10 places).

Table 1.8: Registered services by type of provider and size of setting (in terms of registered places)

Type of service	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023
Health Board	3	3	3	3	3	3
1 to 10	0	0	0	0	0	0
11 to 25	1	1	1	1	1	1
26 to 50	1	1	1	1	1	1
51 to 75	0	0	0	0	0	0
76 to 100	0	0	0	0	0	0
101+	1	1	1	1	1	1
Local Authority	1,719	1,719	1,743	1,761	1,781	1,785
1 to 10	99	99	95	87	85	80
11 to 25	429	417	403	379	372	369
26 to 50	723	697	664	647	635	620
51 to 75	286	304	357	384	401	415
76 to 100	132	140	146	162	178	181
101+	50	62	78	102	110	120
Private sector	1,093	1,083	1,077	1,057	1,046	1,028
1 to 10	1	0	1	1	1	0
11 to 25	124	104	110	95	90	79
26 to 50	449	445	423	413	409	395
51 to 75	293	295	301	296	293	298
76 to 100	137	142	145	151	152	152
101+	89	97	97	101	101	104
Third Sector	839	820	810	761	723	684
1 to 10	27	24	34	27	20	19
11 to 25	295	289	277	258	240	214
26 to 50	358	338	325	298	282	272
51 to 75	100	105	113	119	122	118
76 to 100	44	44	39	38	38	41
101+	15	20	22	21	21	20
Total Day care of children services	3,654	3,625	3,633	3,582	3,553	3,500
1 to 10	127	123	130	115	106	99
11 to 25	849	811	791	733	703	663
26 to 50	1,531	1,481	1,413	1,359	1,327	1,288
51 to 75	679	704	771	799	816	831
76 to 100	313	326	330	351	368	374
101+	155	180	198	225	233	245
Childminding Services	5,333	4,972	4,656	4,263	3,841	3,462
1 to 10	5,283	4,918	4,602	4,207	3,784	3,407
11 to 25	49	53	52	54	55	53
26 to 50	1	1	2	2	2	1
51 to 75	0	0	0	0	0	1
76 to 100	0	0	0	0	0	0
101+	0	0	0	0	0	0

Table 1.9: Split of registered services by type of provider and size of setting (in terms of registered places)

Type of service	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023
Health Board	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1 to 10	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
11 to 25	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
26 to 50	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
51 to 75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
76 to 100	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
101+	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Local Authority	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1 to 10	5.8%	5.8%	5.5%	4.9%	4.8%	4.5%
11 to 25	25.0%	24.3%	23.1%	21.5%	20.9%	20.7%
26 to 50	42.1%	40.5%	38.1%	36.7%	35.7%	34.7%
51 to 75	16.6%	17.7%	20.5%	21.8%	22.5%	23.2%
76 to 100	7.7%	8.1%	8.4%	9.2%	10.0%	10.1%
101+	2.9%	3.6%	4.5%	5.8%	6.2%	6.7%
Private sector	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1 to 10	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%
11 to 25	11.3%	9.6%	10.2%	9.0%	8.6%	7.7%
26 to 50	41.1%	41.1%	39.3%	39.1%	39.1%	38.4%
51 to 75	26.8%	27.2%	27.9%	28.0%	28.0%	29.0%
76 to 100	12.5%	13.1%	13.5%	14.3%	14.5%	14.8%
101+	8.1%	9.0%	9.0%	9.6%	9.7%	10.1%
Third Sector	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1 to 10	3.2%	2.9%	4.2%	3.5%	2.8%	2.8%
11 to 25	35.2%	35.2%	34.2%	33.9%	33.2%	31.3%
26 to 50	42.7%	41.2%	40.1%	39.2%	39.0%	39.8%
51 to 75	11.9%	12.8%	14.0%	15.6%	16.9%	17.3%
76 to 100	5.2%	5.4%	4.8%	5.0%	5.3%	6.0%
101+	1.8%	2.4%	2.7%	2.8%	2.9%	2.9%
Total Day care of children services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1 to 10	3.5%	3.4%	3.6%	3.2%	3.0%	2.8%
11 to 25	23.2%	22.4%	21.8%	20.5%	19.8%	18.9%
26 to 50	41.9%	40.9%	38.9%	37.9%	37.3%	36.8%
51 to 75	18.6%	19.4%	21.2%	22.3%	23.0%	23.7%
76 to 100	8.6%	9.0%	9.1%	9.8%	10.4%	10.7%
101+	4.2%	5.0%	5.5%	6.3%	6.6%	7.0%
Childminding Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
1 to 10	99.1%	98.9%	98.8%	98.7%	98.5%	98.4%
11 to 25	0.9%	1.1%	1.1%	1.3%	1.4%	1.5%
26 to 50	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
51 to 75	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
76 to 100	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
101+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

New and Cancelled Services

24. Annual changes in registrations reflect the net effect of the number of services entering and leaving the sector. We can monitor these trends using Care Inspectorate registration data. All day care of children services and childminding services must be registered with the Care Inspectorate. When a service ceases to operate the registration for the service with the Care Inspectorate is cancelled.
25. This section explores the recent trends in the cancellations and registrations by type of service to understand what has been driving the overall changes in registrations.
26. The Care Inspectorate provides a list of all cancelled services, which is updated monthly and is available from their [online statistics tool](#) (Datastore). Childcare services are grouped into all day care of children services and childminding services in the cancellation data set. In order to explore the trends by different types of day care of children services (local authority, private and third sector) we have matched the cancellations data set with full Care Inspectorate registered services database using registration numbers (each service has a unique CS number). This covers the period March 2018 to March 2023. This has also enabled us to produce analysis by the size of the service.
27. There was one record where the cancellation data could not be matched with the full database and impacts the data for the year to March 2019. Whilst this record can be included in the day care of children total, it is not included in the disaggregated analysis. There are also a small number of services where the registered capacity is listed as zero in the dataset (this can be due to the capacity for the service varying dependent on the amount of space available in the venue, which is likely to be shared with other services). Where a service is listed as zero registered places, we have not included this service in the analysis by size.
28. There are also caveats to highlight regarding the cancellation data. A cancelled registration does not always mean that the service is no longer operating but can reflect a range of factors including changes in: (1) ownership; (2) classification of the business (for example from private to voluntary/not-for-profit); or (3) location/premises.
29. For example, the cancellation (and new registration) numbers for third sector services in the year to March 2020 should be treated with caution, as they reflect a substantial number of services cancelling their registration and then registering due to a change in ownership. We have included an explanation in the notes section under each table to show the impact of adjusting for these cancellations.
30. The analysis is presented for the year to 31 March each year. For example, the cancellation data for March 2023 covers all cancellations in the period 1 April 2022 to 31 March 2023.

Cancellations by Type of Service

31. Table 1.10 sets out the number of cancelled registrations for each type of service in the year to 31 March for each year in the period 2019 to 2023. An annual cancellation rate

has been estimated for each type of service and is set out in Table 1.11. This shows annual cancellations as a percentage of all services as of 31 March in that year (for example, for March 2019 the cancellation rate shows all cancellations in the period 1 April 2018 to 31 March 2019 as a percentage of total services as of 31 March 2019).

32. Tables 1.10 and 1.11 highlight that:

- The number of cancellations for all types of services, with the exception of those in the private sector, fell between March 2022 and March 2023.
- Cancellation rates were highest for third sector services and childminding services.
- The cancellation rate for private sector services has remained relatively stable over the period March 2019 to March 2023.
- The cancellation rate for childminding services fell at the start of the pandemic (the year to March 2021) but has been higher in recent years. The underlying monthly data shows that this was due to cancellations in the period January 2021 to July 2021 being substantially below levels in this period in other years (and, in particular, for the January to March period when cancellation levels are typically higher).

Table 1.10: Number of cancelled services in the year to 31 March in each year over the period 2019 to 2023 by type of service

Type of service	March 2019	March 2020	March 2021	March 2022	March 2023
Local Authority	10	12	23	13	10
Private sector	58	70	57	59	64
Third Sector	71	49	57	61	48
Total Day care of children services	140	131	137	133	122
Childminding Services	719	648	564	574	552

Source: Care Inspectorate

Note: (1) For year to March 2020 Third Sector services include 14 services who were cancelled and then re-registered due to change of service provider (ownership).

Table 1.11: Annual cancellation rate by type of provide in the year to 31 March in each year over the period 2019 to 2023

Type of service	March 2019	March 2020	March 2021	March 2022	March 2023
Local Authority	0.6%	0.7%	1.3%	0.7%	0.6%
Private sector	5.4%	6.5%	5.4%	5.6%	6.2%
Third Sector	8.7%	6.0%	7.5%	8.4%	7.0%
Total Day care of children services	3.9%	3.6%	3.8%	3.7%	3.5%
Childminding Services	14.5%	13.9%	13.2%	14.9%	15.9%

Source: Care Inspectorate

Note: (1) For year to March 2020 Third Sector services include 14 services who were cancelled and then re-registered due to change of service provider (ownership). If these services were excluded from the analysis, then total cancellations for third sector services in the year to March 2020 would fall to 35 and the cancellation rate for this type of service would be 4.3%.

Components of Annual Change in Registrations

33. Table 1.12 sets out, for each type of service, the overall annual change in registered services and the annual cancellations and new registrations in the year to March. As the annual change in each year should reflect new registrations minus cancellations, the new registrations figure has been calculated by adding together the total change and cancellation figures.

34. Table 1.12 shows that:

- There has been a substantial drop since the start of the pandemic (March 2020) in the number of new registered third sector and childminding services.
- There was an initial fall in new registrations of private sector services at the start of the pandemic, which has now returned to a similar level as reported in the year to March 2019.
- New registrations of local authority services increased over the period March 2020 to March 2022 as part of the expansion to 1140 hours. It is also expected that some of the local authority cancellations over this period will reflect services being replaced by the new settings.

Table 1.12: Components of annual change in registered services by type of service in year to 31 March for 2019 to 2023

Type of service	March 2019	March 2020	March 2021	March 2022	March 2023
Total Day Care of Children Cancellations	140	131	137	133	122
Total Day Care of Children New Registrations	111	139	86	104	69
Total Day Care of Children Annual Change	-29	8	-51	-29	-53
Local Authority Cancellations	10	12	23	13	10
Local Authority New Registrations	10	36	41	33	14
Local Authority Annual Change	0	24	18	20	4
Private Sector Cancellations	58	70	57	59	64
Private Sector New Registrations	48	64	37	48	46
Private Sector Annual Change	-10	-6	-20	-11	-18
Third Sector Cancellations	71	49	57	61	48
Third Sector New Registrations	52	39	8	23	9
Third Sector Annual Change	-19	-10	-49	-38	-39
Childminding Services Cancellations	719	648	564	574	552
Childminding Services New Registrations	358	332	171	152	173
Childminding Services Annual Change	-361	-316	-393	-422	-379

Cancellations by Size of Service

35. Table 1.13 provides a breakdown of annual cancellations by type and size of setting, whilst Table 1.14 presents cancellation rates in each year by type and size of service. Settings have been grouped into six size bands based on their registered capacity. As highlighted previously a small number of services are listed as having zero registered places and have been excluded from the analysis in Tables 1.13 and 1.14. Cancellation rates are calculated by dividing the annual cancellations in each size band by the total services in that size band as of 31 March in that year. These rates allow for easier identification of which type of service are more likely to have been cancelled.

36. Tables 1.13 and 1.14 show that:

- Cancelled local authority, private and third sector services are most likely to be in the smaller size bands, reflecting the general pattern of adjustment in this part of the childcare sector towards larger services.
- Cancellation rates for third sector services have been highest for services with 1-10 registered places, in particular during the period from year to March 2020 and year to March 2022. However, it is important to note that the year to March 2020 includes 10 services which were cancelled and then re-registered to reflect a change of ownership.

Table 1.13: Cancellations in year to 31 March by capacity (registered places) and type of service for day care of children services, 2019 to 2023

Type of service	March 2019	March 2020	March 2021	March 2022	March 2023
Local Authority total	10	12	23	13	9
1 to 10 places	4	3	8	0	1
11 to 25 places	3	3	9	3	1
26 to 50 places	3	5	4	4	5
51 to 75 places	0	0	0	2	1
76 to 100 places	0	1	1	2	0
101+ places	0	0	1	2	1
Private Sector total	58	67	57	59	64
1 to 10 places	1	0	0	0	1
11 to 25 places	17	11	13	14	12
26 to 50 places	26	29	25	33	38
51 to 75 places	9	19	10	9	7
76 to 100 places	2	2	6	3	2
101+ places	3	6	3	0	4
Third Sector total	71	46	57	60	48
1 to 10 places	3	11	6	5	2
11 to 25 places	33	14	28	27	21
26 to 50 places	28	18	20	24	17
51 to 75 places	3	2	1	2	6
76 to 100 places	1	1	1	1	1
101+ places	3	0	1	1	1

Notes: (1) The figure for third sector services with 1-10 registered capacity in the year to March 2020 includes 10 services which were cancelled and then re-registered to reflect a change of ownership.

Table 1.14: Cancellation rates in year to 31 March by capacity (registered places) and type of service for day care of children services, 2019 to 2023

Type of service	March 2019	March 2020	March 2021	March 2022	March 2023
Local Authority total	0.6%	0.7%	1.3%	0.7%	0.5%
1 to 10 places	4.0%	3.2%	9.2%	0.0%	1.3%
11 to 25 places	0.7%	0.7%	2.4%	0.8%	0.3%
26 to 50 places	0.4%	0.8%	0.6%	0.6%	0.8%
51 to 75 places	0.0%	0.0%	0.0%	0.5%	0.2%
76 to 100 places	0.0%	0.7%	0.6%	1.1%	0.0%
101+ places	0.0%	0.0%	1.0%	1.8%	0.8%
Private Sector total	5.4%	6.2%	5.4%	5.6%	6.2%
1 to 10 places	-	0.0%	0.0%	0.0%	-
11 to 25 places	16.3%	10.0%	13.7%	15.6%	15.2%
26 to 50 places	5.8%	6.9%	6.1%	8.1%	9.6%
51 to 75 places	3.1%	6.3%	3.4%	3.1%	2.3%
76 to 100 places	1.4%	1.4%	4.0%	2.0%	1.3%
101+ places	3.1%	6.2%	3.0%	0.0%	3.8%
Third Sector total	8.7%	5.7%	7.5%	8.3%	7.0%
1 to 10 places	12.5%	32.4%	22.2%	25.0%	10.5%
11 to 25 places	11.4%	5.1%	10.9%	11.3%	9.8%
26 to 50 places	8.3%	5.5%	6.7%	8.5%	6.3%
51 to 75 places	2.9%	1.8%	0.8%	1.6%	5.1%
76 to 100 places	2.3%	2.6%	2.6%	2.6%	2.4%
101+ places	15.0%	0.0%	4.8%	4.8%	5.0%

Notes: (1) A rate cannot be calculated for private services in size band 1-10 in the year to March 2019 and year to March 2023 as there were zero services in the size band as of 31 March in each year (cancellations were in January 2019 and February 2023 in each year respectively).

(2) The figure for third sector services with 1-10 registered capacity in the year to March 2020 includes 10 services which were cancelled and then re-registered to reflect a change of ownership. If these services were excluded, then the cancellation rate would fall to 2.9% in the year to March 2020.

Section 2: Analysis of Survey Responses

37. To inform the [Financial Sustainability Health Check](#), separate detailed provider surveys were undertaken for day care of children services and for childminding services.
38. The surveys asked for information on areas including costs of delivery, income, capacity/demand, staffing and payment of the real Living Wage. The majority of the questions were designed to enable for comparisons to be made, where possible, between the position at the time of completing the surveys (for most this would have been in February 2023), and at the same point 12 months ago.
39. This section sets out detailed analysis of the surveys. Alongside some of the quantitative questions, respondents could also provide supporting written information to provide more context to their answers. These written comments have been summarised where relevant throughout the paper.

Survey design and response rate

40. The surveys were designed to capture detailed information on services' costs of delivery, income flows, capacity and demand, charges to family, staff recruitment and retention, and overall sustainability.
41. Drawing on lessons from the previous Health Check, the surveys have been updated and streamlined, to make them as straightforward as possible for respondents to complete. The survey questions were developed to allow for a level of comparability with the 2021 surveys, while limiting the ask on childcare providers. Similarly to the previous exercise, the questions were a mixture of multi-choice, numerical data entry (particularly for costs, income and charges), and optional text boxes to provide more information and context. We also worked to ensure that survey questions were neutral and balanced, so that respondents were able to present the factors that were key to their service (and to avoid leading respondents to a certain answer).
42. The surveys were live from 20 January until 27 February 2023. They were completed using an online platform called SmartSurvey, with links to the surveys sent out to the sector via various routes, including through the Care Inspectorate and the representative bodies. Feedback from the previous Health Check suggested that the lack of a 'save progress' function on the surveys prevented some providers from responding. We therefore used a platform that allowed respondents to save their responses and return to the survey later.
43. It is important to highlight however, that despite these efforts, the response rate to the surveys was lower than in 2021. There were 108 responses to the day care of children services survey. Based on the latest registration data for the sector, this represents around 6% of all registered private and third sector services. There were 58 responses to the childminding services survey, which represents around 1.7% of all registered childminding services.
44. We are aware that the surveys were issued at a busy time of the year for childcare services, when there were requests for information from other parts of the Government

and other membership organisations. We will take learning from this exercise, to ensure that the need for collecting as much detailed information as possible is balanced with a proportionate time investment from respondents. We are very grateful to those who took the time to complete the surveys.

45. Scottish Government analysts undertook data cleaning of some of the data provided. This was predominately focused on removing outliers, which was defined as data that looked to be outside the plausible range of responses for a particular question. We also compared some numerical responses with comments when there was uncertainty around the values provided and removed responses for certain questions where the figures did not match the explanation. For example, a respondent may have written in the comments box that their costs have increased due to a number of factors but then the figures they have provided for this year and 12 months ago suggest a decrease in costs.
46. There has been no imputing of missing values in survey responses to inform the analysis presented in this paper.

Overview of responses to the surveys

47. As previously mentioned, the response rate to the surveys was lower than we had hoped for, and for certain questions responses needed to be removed as they did not seem plausible. Therefore, it is important that caution is used when interpreting the analysis set out in this report, as it may not be representative of the sector.
48. In order to disaggregate the data to capture evidence across different types of services we have had to ensure a high enough number of responses in each sub-category to ensure the data is not disclosive. No data based on less than five responses is included.
49. Where possible, the data is disaggregated by:
- Services delivering funded early learning and childcare (ELC);
 - Services not delivering funded ELC;
 - All private sector services;
 - All third sector services; and
 - Services delivering only school age childcare (SAC).
50. There are overlaps across some of these categories. For example, all private sector services will include both private services delivering funded ELC and private services not delivering funded ELC. However, the use of these broad categories allows for general variations across provider types to be identified.
51. Due to a low number of responses to the childminding services survey, a split into sub-categories (between services delivering funded ELC and services not delivering funded ELC) has not been possible.

52. The level of disaggregation that can be provided across tables in this paper will be dependent on the number of responses available (for example, not all respondents will answer all of the non-mandatory questions).

53. Tables 2.1 and 2.2 provide an overview of the respondents to each of the surveys.

Table 2.1: Summary of respondents to Day Care of Children Services Survey, total respondents=108

Type of Service	Number of respondents in group	% of respondents	Average Registered Places
Funded ELC service	64	59%	54
Service does not deliver funded ELC	44	41%	45
Private Services	53	49%	63
Third Sector Services	55	51%	38
School age childcare only	38	35%	48

Table 2.2: Summary of respondents to Childminding Services Survey, total respondents=58

Type of Childminding Service	Number	% of services
Funded ELC service	26	45%
Service does not deliver funded ELC	32	55%

Delivery Costs

54. This section explores the information from the surveys regarding the costs of delivering childcare services. It also sets out the responses to questions regarding the type of premises used to deliver childcare provision, and whether services anticipated further changes in their costs of delivery in the next six month period (from answering the survey).

Changes in Total Monthly Costs of Delivering Childcare Services

55. The surveys asked respondents to provide information regarding their total monthly costs of delivering childcare.

56. To capture any changes in the costs of delivery and to enable comparisons to be made, a number of questions asked providers to consider their current monthly costs of running their childcare service (in February 2023), and then to set out, if possible, their costs at the same point 12 months ago.

57. Respondents were also asked whether they anticipated any changes to these costs in the next six months (from answering the survey).

58. It is also helpful for us to understand how the estimated costs of delivering childcare can vary across age groups. The surveys therefore included a question about current estimated average costs of delivering an hour of childcare to different age groups.
59. It is important to note however, that the main focus of the analysis was on the changes in the total monthly costs of delivery, as the response rate to the surveys didn't enable a full analysis of how the estimated costs of delivering childcare varied across age groups. Some respondents to the surveys also had difficulties in presenting their average costs of delivery on an hourly basis.
60. The range of values (in terms of the gap between the minimum and maximum responses reported) provided in response to the questions on the average costs of delivery was large and indicated some variations as to how respondents answered the questions. There were a number of outliers with very high values, and some respondents (in particular childminding services) were not able to estimate their costs of delivery on an hourly basis.
61. As highlighted earlier, in order to improve the accuracy of the figures, Scottish Government analysts undertook data cleansing of the cost information. The key adjustment that has been made here is that the analysis set out in tables 2.4 to 2.6 is based on responses where the average hourly cost of delivery was in the range of greater than £0 and less than £20 for day care of children services. (No range was set for childminding services.)
62. The average costs in tables 2.4 to 2.7 are presented using both the median and mean. The dataset contains a small number of responses which are close to the maximum figure (£20 per hour) used in the range and are considerably higher than the majority of responses. They therefore exert a disproportionate influence on the mean. The median, which is less affected by outliers in the dataset, provides a meaningful measure of the average costs of delivery.
63. There are some figures in the table that are shown as an asterisk (*) as there were less than five responses for that category, and so the figure has not been included as it is unlikely to be representative of the sector.

Table 2.3: Comparison of average total monthly running costs (£) by different types of providers

Type of Service	Current Average Monthly Cost	Average Monthly Cost 12 months ago	Percentage change in average monthly costs
Funded ELC service	£37,327	£32,764	16%
Service does not deliver funded ELC	£9,172	£8,159	17%
Private Services	£39,233	£34,407	16%
Third Sector Services	£12,060	£10,709	16%
School age childcare only	£9,628	£8,483	19%
Total (all services)	£26,361	£23,181	16%

Table 2.4: Estimated average cost to deliver an hour of childcare (£) across different age groups (day care of children services only)

Age Group	Minimum	Maximum	Mean	Median
Under 2 years	£4.00	£19.32	£7.99	£7.28
Age 2 years	£3.85	£19.32	£6.96	£6.60
Children aged 3-5	£3.21	£19.32	£6.81	£6.46
School age child	£1.21	£14.00	£5.99	£5.40
Holiday cost	£2.17	£19.32	£6.16	£5.92

Table 2.5: Estimated average cost of delivering an hour of childcare across different age groups and by type of provision delivered (funded ELC services and services that do not deliver funded ELC; day care of children services only)

Age Group	Funded ELC Service - Mean	Funded ELC Service - Median	Service does not deliver funded ELC - Mean	Service does not deliver funded ELC - Median
Under 2 years	£8.06	£7.28	*	*
Age 2 years	£6.99	£6.60	*	*
Children aged 3-5	£6.82	£6.46	*	*
School age child	£7.41	£7.00	£5.10	£5.00
Holiday cost	£7.81	£7.00	£4.51	£3.30

Table 2.6: Estimated average cost of delivering an hour of childcare across different age groups and by different types of day care of children services (private, third sector and school age childcare only services)

Age Group	Private Services - Mean	Private Services - Median	Third Sector Services - Mean	Third Sector Services - Median	School Age Childcare Only - Mean	School Age Childcare Only - Median
Under 2 years	£7.92	£7.25	*	*	n/a	n/a
Age 2 years	£7.04	£6.47	£6.69	£6.85	n/a	n/a
Children aged 3-5	£6.66	£6.46	£7.19	£6.59	n/a	n/a
School age child	£6.31	£6.20	£5.57	£4.80	£4.96	£4.90
Holiday cost	£6.22	£5.95	£6.03	£5.40	£4.23	£3.30

Table 2.7: Estimated average cost of delivering an hour of childcare (£) across different age groups (childminding services only)

Age Group	Minimum	Maximum	Mean	Median
Under 2 years	£0.50	£27.80	£4.71	£4.50
Age 2 years	£0.30	£27.80	£4.76	£4.40
Children aged 3-5	£1.00	£27.80	£5.31	£4.75

School aged children	£1.00	£27.80	£5.27	£5.00
Holiday cost	£2.00	£27.80	£6.01	£5.00

64. Respondents to the surveys were given the opportunity to set out more details as to what factors had driven any changes in their costs of delivery over the last year. The factors highlighted included:

- The cost of living crisis was the most commonly reported factor - covering a wide range of specific cost elements, including increased prices of energy, fuel, food, utilities, equipment and learning resources
- Staffing costs (higher wages due to pay rises, pension contributions, cost of accessing bank staff)
- Costs of paying staff the real Living Wage
- Costs associated with staff training and recruitment
- Increase in insurance costs
- PPE costs and cleaning resources
- Higher rental rates
- Rising mortgage interest rates (especially reported by childminders)
- Increased professional membership fees
- Cost of outings and transportation (again, relevant particularly to childminders)
- Some respondents highlighted it was the cumulative effect of all costs increasing that resulted in real challenges for their services.
- In addition, a number of providers reported continued reduced demand for the service as a lasting impact of the pandemic, in particular school age childcare and childminding services. Services delivering funded ELC were less likely to report falls in demand/occupancy.

Potential changes in delivery costs

65. Respondents were asked if they anticipated that their delivery costs will change in the six months following the survey. Table 2.8 sets out the responses for day care of children services.

66. 62% of the respondents to the childminding survey indicated that they anticipated increased costs of delivery in the next six month period.

67. The surveys offered respondents the opportunity to set out more information as to why they expected a change in costs. The factors highlighted were:

- Continued high cost of living and inflation
- Increase in the National Minimum Wage and the real Living Wage in April 2023
- Withdrawal of the UK Government energy support schemes
- Upcoming increase in rental rates, mortgage payments and utility bills.

Table 2.8: Anticipated changes in costs of delivery by different types of day care of children services

Do you anticipate that in the next 6 month period your costs of delivery will...	% of services that provide funded ELC	% of services that do not provide funded ELC	% of private providers	% of third sector providers	% of SAC only providers	% overall
Increase	83%	77%	81%	80%	79%	81%
Decrease	0%	0%	0%	0%	0%	0%
Remain broadly unchanged	17%	23%	19%	20%	21%	19%

Premises

68. Respondents to the day care of children survey were asked whether they owned or let the building(s) in which they delivered their service; and whether any of these premises were owned by a local authority.

69. Table 2.9 sets out for the different types of day care of children services the type of building in which their service is delivered, and table 2.10 shows what percentage of respondents let the premises from a local authority.

Table 2.9: Best description of building in which service is delivered (Day Care of Children Services)

Type of Service	Building/all buildings in which service is delivered are rented / provided for a fee from a private owner / charity or church	Building/all buildings in which service is delivered are rented from local authority / other public sector organisation	Other*
Funded ELC service	45%	16%	39%
Service does not deliver funded ELC	32%	43%	25%
Private Services	42%	17%	42%
Voluntary/not-for-profit Services	38%	36%	25%
School age childcare only	29%	45%	26%
Total	40%	27%	33%

*Note: (1) Other options included: Building/all buildings in which service is delivered are provided rent free; Building/all buildings in which service is delivered are being bought with a mortgage; Building/all

buildings in which service is delivered are owned outright; or service is delivered over a mixture of owned and let buildings.

Table 2.10: Are any of the buildings in which your service is delivered owned by a local authority? (Day Care of Children Services)

Type of Service	Yes - local authority building subject to free let agreement	Yes - local authority building not subject to free let agreement	No - not local authority building
Funded ELC service	16%	9%	75%
Service does not deliver funded ELC	21%	44%	35%
Private Services	10%	13%	77%
Third Sector Services	25%	33%	42%
School age childcare only	22%	46%	32%
Total	18%	23%	59%

Note: (1) One response has been excluded where respondent did not know if the building was owned by a local authority

Occupancy and Demand

70. The questions relating to occupancy levels provide an indication of changes in demand for services across the sector. Respondents were asked to consider occupancy in terms of the amount of their registered capacity they were currently utilising and comparing this to the position at the same point 12 months ago.

Changes in Occupancy Levels

71. Table 2.11 shows the reported occupancy levels (measured as the percentage of registered capacity being utilised) for the different types of day care of children services at the time of answering the survey. Table 2.12 reports occupancy levels at the same point 12 months ago (from when providers answered the survey). Table 2.13 shows the data at both points in time for childminding services.

Table 2.11: Occupancy Levels (percentage of registered capacity) for Day Care of Children Services at time of survey

Percentage of registered capacity	Funded ELC Service	Service does not deliver funded ELC	Private Services	Third Sector Service	School age childcare only	Total (all day care of children services)
81-100%	55%	27%	42%	45%	24%	44%
61-80%	30%	27%	32%	25%	26%	29%
60% or less	16%	45%	26%	29%	50%	28%

Table 2.12: Occupancy Levels (percentage of registered capacity) for Day Care of Children Services 12 months ago

Percentage of registered capacity	Funded ELC Service	Service does not deliver funded ELC	Private Services	Third Sector Service	School age childcare only	Total (all day care of children services)
81-100%	63%	25%	53%	42%	21%	47%
61-80%	28%	34%	38%	24%	34%	31%
60% or less	9%	41%	9%	35%	45%	22%

Table 2.13: Changes in Occupancy Levels (percentage of registered capacity) for Childminding Services

Percentage of registered capacity	Childminding services (2023)	Childminding Services (2022)
81-100%	47%	59%
61-80%	21%	27%
60% or less	33%	14%

Income and Charges

72. The surveys collected information on changes in both overall levels of income that services received and in the proportion of total income that came from different sources.

Changes in total monthly income

73. In order to enable comparisons to be made, the surveys asked respondents to consider their total monthly income and different income sources at the time of completing the surveys (the column marked 'Current' in table 2.14), and then set out this information as at the same point 12 months ago.

74. Table 2.14 sets out the changes in average total monthly income for day care of children services and childminding services.

Table 2.14: Changes in total monthly income by type of provider

Type of Service	Current Average Monthly Income	Average Monthly Income 12 months ago	Percentage change in average monthly income
Funded ELC service	£38,006	£36,316	5%
Service does not deliver funded ELC	£7,068	£6,643	6%
Private Services	£40,832	£38,563	6%
Third Sector Services	£10,024	£9,932	1%
School age childcare only	£7,635	£7,183	6%

Total (Day Care of Children Services)	£25,284	£24,114	5%
Childminding services	£1,979	£1,983	0%

Income from delivery of funded ELC

75. The surveys asked respondents for the following information:

- What is the current monthly income from payments from your local authority for the delivery of funded Early Learning and Childcare (ELC) hours in your service?
- Of your total monthly income 12 months ago, what was the monthly income from payments from your local authority for the delivery of funded Early Learning and Childcare (ELC) hours in your service?

76. Table 2.15 sets out the changes in average total monthly income from delivery of funded ELC for day care of children services and childminding services.

Table 2.15: Changes in average monthly income accounted for by payments for the delivery of funded ELC, day care of children services and childminding services

Type of Service	Current Average Monthly Income from ELC	Average Monthly Income from ELC 12 months ago	Percentage change in average monthly income from ELC	Current Monthly Income from ELC as % of total income	Income from ELC as % of total income 12 months ago
Funded ELC service	£18,146	£18,199	0%	61%	65%
Private Services	£22,874	£22,127	3%	46%	48%
Third Sector Services	£10,960	£12,228	-10%	84%	91%
Childminding services	£722	£806	-10%	17%	18%

77. Respondents to the surveys were given the opportunity to set out more information regarding any changes in total monthly income (covering all sources of income) for their service over the last year. The key factors raised were:

- Sustainable rates for the delivery of funded ELC considered insufficient to cover current costs of delivery
- Limited possibility to fundraise due to the costs crisis
- Reduction of service users due to parents still working from home and wider costs crisis implications (particularly raised by school age childcare providers)
- A number of providers indicated that last year their shortfall was covered via the Coronavirus Job Retention Scheme and other Government support grants, which have now stopped

- Limited capacity to cross-subsidise income by funded ELC providers
- School age childcare providers highlighted that families were switching to using blended childcare (i.e., funded term-time only provision and family members delivering the childcare through school holidays or at the end of the day), rather than placing their children in formal settings
- A number of childminders reported that children moved to nurseries for their funded entitlement
- Some childminders highlighted that the number of funded hours they were being allocated didn't enable them to operate their services in a financially sustainable way.

Charges to families

78. The surveys intended to capture information on the charges in childcare services, and how they have changed over the last 12 months. We understand that many childcare services offer a variety of sessions, which will have different charges. Some services also offer the opportunity for families to purchase additional hours where they are required.

79. As such, respondents were asked to provide details of the sessions that they offer to children of different age groups across their service by setting out:

- The number of hours of childcare that they deliver in a session
- The total charge for the session.

80. These questions were not mandatory and not all respondents provided this information.

81. The response rate to the surveys didn't enable a disaggregation of the obtained data into different types of day care of children services. Table 2.16 therefore sets out average charges per session type offered to children of different age groups across all day care of children services. Table 2.17 sets out the responses from childminding services. There are some figures in the two tables below that are shown as an asterisk (*) as there were less than five responses for that category, and so the figure has not been included as it is unlikely to be representative of the sector.

Table 2.16: Average Charges per session type (Day Care of Children Services)

Type of Childcare	Morning Session - Total Average Charge	Morning Session - Estimated Average Charge per hour	Afternoon Session - Total Average Charge	Afternoon Session - Estimated Average Charge per hour	Full Day Session - Total Average Charge	Full Day Session - Estimated Average Charge per hour	Charge for Additional Hour of Childcare
Under 2 years old	£34.13	£7.23	£31.79	£7.15	£57.31	£6.21	£7.31
Age 2 years	£43.07	£6.37	£29.95	£6.84	£51.69	£6.83	£7.09

3-5 year olds	£26.44	£5.78	£27.32	£6.20	£49.38	£5.63	£6.95
School age child	£6.34	£4.56	£12.73	£4.51	£12.46	£5.45	*
Holiday childcare for children not yet at school	£24.87	£5.53	£26.52	£5.95	£34.90	£3.93	£6.13
Holiday childcare for school age children	£18.90	£4.06	£18.46	£3.95	£29.73	£3.15	£5.49

Table 2.17: Average Charges per session type (Childminding Services)

Type of Childcare	Morning Session - Total Average Charge	Morning Session - Estimated Average Charge per hour	Afternoon Session - Total Average Charge	Afternoon Session - Estimated Average Charge per hour	Full Day Session - Total Average Charge	Full Day Session - Estimated Average Charge per hour	Charge for Additional Hour of Childcare
Under 2 years old	£26.71	£5.59	£26.48	£5.52	£46.68	£5.06	£5.70
Age 2 years	£26.52	£5.62	£27.36	£5.62	£48.05	£5.04	£5.22
3-5 year olds	£25.17	£5.38	£25.36	£5.84	£46.95	£4.94	£5.22
School age child	£7.37	£5.15	£13.88	£5.03	n/a	n/a	n/a
Holiday childcare for children not yet at school	£27.80	£5.40	£26.00	£5.07	£44.64	£4.95	*
Holiday childcare for school age children	£24.57	£5.03	£26.00	£5.20	£45.86	£4.95	*

82. Respondents were also asked if they had made changes to any of these charges over the last year. Table 2.18 sets out the percentage of services which have increased their charges.

Table 2.18: Percentage of services that have increased charges over the last year (Day Care of Children Services)

Type of Service	% of services that increased charges
Funded ELC service	76%
Service does not deliver funded ELC	60%
Private Services	81%
Third Sector Services	58%
School Age Childcare only	61%
Total	70%

83. Respondents to both surveys were asked if in addition to fees charged for an hour of childcare, there were any other charges that parents and carers may have to pay. Providers were also given the opportunity to set out more information on these charges and whether they had, or planned to, make any changes to them.

84. The majority of day care of children providers indicated that they did not charge parents and carers for additional expenses. Due to a small number of responses to the survey of childminding services, it has not been possible to set out this data for childminders.

85. Where respondents provided further information on these additional charges, the main points raised were:

- Meals and snacks
- Trips and outings
- Registration fees
- Additional classes offered at the service (music, sports classes, and language classes).

86. Only a very small number of respondents indicated that they had made any changes to these charges over the past year. However, the majority of respondents to the day care of children services survey reported that they planned to increase these charges or introduce new charges over the next six months (from answering the survey).

Workforce

87. The surveys asked respondents to provide a range of information relating to their staff. We have also used this as an opportunity to capture more information on staff movement and as to how many services currently pay the real Living Wage, and how many intend to do so in the future.

88. The analysis in this section focuses on staff vacancies and those aspects from the surveys most closely linked to financial sustainability.

Vacancies and Staff Movement

89. Respondents were asked a range of questions relating to the movement of staff in their services including:

- How many vacancies do you currently have?
- Have any members of staff left your service in the last 12 months?
- Have you recruited any new members of staff to your service over the last 12 months?

90. Tables 2.19-2.21 set out the responses to the above questions for day care of children services. Due to a small number of respondents to the survey of childminding services, it has not been possible to set out this data for childminders.

Table 2.19: Do you currently have any staff vacancies in your service? (Day Care of Children Services)

Type of Service	% of responses with a vacancy
Funded ELC service	44%
Service does not deliver funded ELC	36%
Private Services	55%
Third Sector Services	27%
School age childcare only	37%
Total	41%

Table 2.20: Have any members of staff left your service in the last 12 months? (Day Care of Children Services)

Type of Service	Yes	No
Funded ELC service	91%	9%
Service does not deliver funded ELC	70%	30%
Private Services	89%	11%
Third Sector Services	76%	24%
School age childcare only	71%	29%
Total	82%	18%

Table 2.21: Have you recruited any new members of staff to your service over the last 12 months? (Day Care of Children Services)

Type of Service	Yes	No
Funded ELC service	89%	11%
Service does not deliver funded ELC	68%	32%
Private Services	87%	13%
Third Sector Services	75%	25%
School age childcare only	71%	29%
Total	81%	19%

91. The surveys also asked providers about details of movement of staff who had left their service in the last 12 months, as well as their new recruits. Tables 2.22 and 2.23 set out information on staff who had left services, while tables 2.24 and 2.25 provide details of new employees. Due to the sample size, it hasn't been possible to disaggregate the data in tables 2.23-2.25 into different types of day care of children services or set out this data for childminders.

92. The day care of children services survey also asked respondents how many of their new recruits were fully qualified and what method of training did they undertake. Table 2.26 sets out the responses in relation to staff qualifications from providers.

93. Respondents were also given an opportunity to provide more information on whether the need to train and support new recruits had any impact on service delivery in the last year. They highlighted effects on service delivery, including:

- On the quality of delivered care and experience for the children, though providers worked very hard to minimise this
- A financial impact and pressure on current staff members to support new recruits; more time required off the floor for training
- Increased senior staff and management time dedicated to mentoring and induction
- Significant levels of support for new staff members who joined straight from school or college.

Table 2.22: Destination of staff who have left a service in the last 12 months

Type of Service	Left to join another service in the childcare sector	Moved to another job (not in the childcare sector)	Retired / left the labour market	Unknown
Funded ELC service	52%	24%	10%	14%
Service does not deliver funded ELC	45%	38%	11%	6%
Private Services	54%	25%	9%	12%
Third Sector Services	41%	33%	14%	11%
School age childcare only	45%	41%	8%	6%
Total	50%	27%	10%	12%

Table 2.23: Destination of staff who have left a service in the last 12 months to join another service in the childcare sector

	Left to join a service mainly delivering to 0-5 year olds	Left to join a school age childcare service or childminding service	Left to join a private sector childcare provider	Left to join voluntary/not-for-profit sector childcare provider	Left to join a local authority childcare provider
Total	90%	10%	32%	4%	64%

Table 2.24: Previous location of staff recruited to service over the last 12 months

	Joined from another service in the childcare sector	Moved from another job (not in the childcare sector)	Joined direct from school/college/university	Unknown
Total	26%	28%	31%	15%

Table 2.25: Location of staff recruited over the last 12 months who joined from another service in the childcare sector

	Moved from a service mainly delivering to 0-5 year olds	Moved from a school age childcare service or from being a childminder	Moved from an unknown location
Total	50%	12%	38%

Table 2.26: Qualifications of new recruits who joined the service over the last 12 months

Qualification	% of new recruits
Foundation or Modern Apprenticeship	9%
Technical Apprenticeship	0%
Graduate Apprenticeship	0%
SVQ	25%
HN	9%
BA or Masters	3%
Other	4%
Not fully qualified	50%

Payment of the real Living Wage

94. In order to capture information on payment of the real Living Wage across the childcare sector, the surveys asked respondents:

- Do you currently pay at least the real Living Wage to staff in your service?
- Do you intend to pay the real Living Wage to all staff in your service by August 2023?

95. Tables 2.27 and 2.28 provide a summary of the responses to these questions from day care of children services.

Table 2.27: Do you currently pay at least the real Living Wage to staff in your service? (Day Care of Children Services)

Type of Service	Yes - all staff	Yes - staff delivering funded ELC	No
Funded ELC service	56%	25%	19%
Service does not deliver funded ELC	43%	n/a	57%
Private Services	47%	*	*
Third Sector Services	55%	*	*
School age childcare only	39%	n/a	61%
Total	51%	15%	34%

Note: (1) Figures in the table shown as an asterisk (*) indicate that there were less than five responses for that category.

Table 2.28: Do you intend to pay at least the real Living Wage to all staff in your service by August 2023?

Type of Service	Yes	No
Funded ELC service	73%	27%
Service does not deliver funded ELC	59%	41%
Private Services	60%	40%
Third Sector Services	75%	25%
School age childcare only	58%	42%
Total	68%	32%

96. Reasons set out by respondents for not paying all their staff the real Living Wage were:

- The hourly rate that they received from their local authority for delivering funded ELC did not enable payment of the real Living Wage to all staff (sustainable rates paid to services delivering funded ELC include funding to enable payment of the real Living Wage to those staff delivering funded ELC, and it is a business decision for funded providers as to whether they provide the additional resource to uplift the salaries of all workers in their settings, including those not engaged in delivery of the funded entitlement, to the real Living Wage).
- Some respondents indicated that staff working towards qualification were paid at least the National Minimum Wage; with respondents reporting that paying more to staff operating at this level, given the amount of supervision and training support required, would make the business unsustainable.
- Some providers highlighted that this would not be affordable without increasing fees and passing on the cost to parents and carers, which they were reluctant to do.

97. The survey for childminders asked respondents:

- Do you currently pay yourself at least the real Living Wage?

- Please provide an estimate of the average hourly rate that you currently pay yourself in £X.XX per hour.

98.72% of childminders who responded to the survey reported that they did not currently pay themselves the real Living Wage. Childminders estimated that, on average, they paid themselves £8.21 per hour.

99. The main reasons offered by childminders for not paying themselves at least the real Living Wage were that they were not making enough profit (which determines their overall pay) and limited ability to increase parental charges, as some respondents felt that would result in families leaving their service for a cheaper alternative.

Sustainability Self-Assessment

100. As in the 2021 Health Check, the updated surveys asked respondents to provide an assessment as to how sustainable they viewed their service on a scale of 1 to 10 (with 1 indicating very unsustainable/potential need to close in near future and 10 indicating very sustainable/no concerns). Following this question, respondents were then able to explain the reasons that led them to make their assessment.
101. We compare the provider sustainability assessments at the time of completing the current surveys (February 2023), with the results from the previous Financial Sustainability Health Check (for the majority of respondents this would have been during May 2021).
102. It is important to note that the compared samples vary in size and make up. There were 167 responses to the day care of children services survey in 2021, which represented around 9% of all registered private and third sector services at that time. In contrast, there were 108 responses to the day care of children services survey informing the 2023 update (which represents around 6% of all registered private and third sector services). In addition, in 2021 there were 203 responses to the childminding services survey, which represented just under 5% of all registered childminding services at the time of completing the 2021 survey, as opposed to 58 responses in 2023 (which represents around 1.7% of all registered childminding services).
103. Responses to the 2023 surveys comprised of a higher percentage of funded ELC settings (across both day care of children services and childminding services) in comparison with responses to the 2021 surveys. Table 2.29 sets out a summary of respondents to the provider surveys for both the 2021 and 2023 Health Check exercises.

Table 2.29: Comparison of respondents to the provider surveys in 2021 and 2023 by type of service

Type of Service	% of respondents to 2021 surveys	% of respondents to 2023 surveys	% change in sample make up
Funded ELC service	46%	59%	13%
Service does not deliver funded ELC	54%	41%	-13%

Private Services	51%	49%	-2%
Third Sector Services	49%	51%	2%
School age childcare only	44%	35%	-9%
Childminding service delivering funded ELC	30%	45%	15%
Childminding service not delivering funded ELC	70%	55%	-15%

104. Table 2.30 sets out a summary of the provider sustainability assessments at the time of completing the current surveys (February 2023), and how that compares with the results from the previous Financial Sustainability Health Check (for the majority of respondents this would have been during May 2021).

105. The sustainability assessments have been grouped into three categories depending on their sustainability rating: (1) services with significant concerns regarding sustainability – ratings between 1 to 4; (2) unclear on overall sustainability - ratings of 5 and 6; and (3) sustainable services – rating of 7 or higher.

Table 2.30: Summary of provider sustainability assessment by type of service according to the FSHC 2021 and at time of completing the current surveys (February 2023)

Type of Service	1 to 4 - FSHC 2021	1 to 4 - FSHC 2023	5 to 6 - FSHC 2021	5 to 6 - FSHC 2023	7 to 10 - FSHC 2021	7 to 10 - FSHC 2023
Funded ELC service	9%	31%	27%	28%	64%	41%
Service does not deliver funded ELC	26%	36%	28%	30%	47%	34%
Private Services	19%	42%	30%	28%	51%	30%
Third Sector Services	17%	25%	25%	29%	58%	45%
School age childcare only	29%	42%	25%	26%	47%	32%
Childminding services	28%	22%	27%	38%	46%	40%

106. The key factors raised by respondents to explain their current sustainability assessment were:

- Increased costs of delivery over the last year due to the costs crisis, particularly in relation to significantly higher energy and food prices; and increased mortgage interest rates.
- Whilst income has, on average, increased this has not kept pace with rising costs. Some services are facing pressures on income levels due to reduced occupancy levels (particularly school age childcare providers and childminders).
- Concerns about limited ability to generate additional income streams, as some providers indicated that increasing fees has only had a limited impact on their overall income. A number of respondents also reported feeling reluctant to pass on cost increases to families through higher fees. Some respondents also emphasised

that they did not have the capacity to increase the numbers of children attending their service due to the additional staff they would need to employ to keep within the required ratios, or not having the physical capacity in rooms for more children.

- Continued concerns about staffing – in particular providers in the private and third sectors reporting that they could not match levels of pay offered in local authority services, resulting in the loss of practitioners and challenges in recruiting suitably experienced new staff members. Some providers also reported that their current income levels prevented them from having additional staff to cover absences.
- Being a funded ELC provider was considered by a number of respondents as being positive for sustainability – however, some providers felt that the hourly rate that they received from their local authority for delivering funded ELC did not cover their current costs of delivery. A few respondents also noted that a higher contribution of ELC funding to their total income meant they had less direct control of overall income levels, and that any uncertainty over future rates setting timescales and decisions by local authorities would have a greater impact on the overall business. The average reported share of income from funded provision, for services delivering ELC, was 46% for private sector services and 84% for third sector services.
- Payment of the real Living Wage, in particular given the scale of the most recent increase, was highlighted as one of the main challenges for providers delivering funded ELC.
- Concerns about the lasting impacts of the pandemic which have put a significant pressure on financial reserves and the ability to create funds for some providers. A number of respondents indicated that they were currently sustainable but had no surplus for contingency, investment or replacement of resources.
- Some specific challenges for third sector providers were raised, such as costs that are difficult to be quantified in voluntary led, committee based settings.
- A number of childminders highlighted concerns about additional administrative requirements, paperwork and preparation needed.



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This publication is available at www.gov.scot

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The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83521-157-1 (web only)

Published by The Scottish Government, July 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1328922 (07/23)

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