

PE1648/R

Petitioner submission of 29 August 2017

This petition called on the Scottish Parliament to urge the Scottish Government to abolish or freeze rates for nurseries. The key issues for nurseries surrounding business rates include balancing the books, building a sustainable business and keeping the fees affordable for parents. The wider impact on Scotland of increasing the business rates include economic growth, supporting parents back to work and the take up of training to build a sustainable economy. This issue has been recently highlighted in the Report of the Barclay Review of Non-Domestic Rates. This review recommended the move as part of wider support for childcare. The review said “Although rates are only one overhead for this sector, we believe a reduction in the rates burden may help enable more of the workforce to return to work after starting a family.”

Looking at the comments from the petition consultation both Parenting across Scotland and Voice Scotland support the suggestion that for the Scottish Government to deliver the planned extension of funded childcare hours to 1140, the full support of the private sector will be required to ensure success. Clearly there is distress amongst parents as 69% of the comments made to the petition appear to be from parents expressing concern around affordability of nursery places due to increases fees as a direct result of the increase in business rates to nurseries. One comment stated *“As working parents, nursery is a vital part of our children’s childcare. The increase in business rates hitting nurseries is far too big. Nurseries will be forced to increase their charges which in turn will force some parents to give up work and pull their children out. Not only do the children and parents suffer but in turn it will mean there is less tax and national insurance being paid into the economy.”* This is a sentiment which is reflected, many times throughout the comments given. Given the expansion program is designed to support parents back to work then it would seem counter-intuitive to that. Another parent agrees saying *“Nursery fees are already expensive and to raise them higher is going to have a negative impact on everyone. I thought the Government wanted to get mums back to work for society but this is not going to support this. Nursery fees are already like mortgage fees and more. They should be decreasing and subsidised not increased. It should be all about a healthy work/life balance where both kids and parents benefit from this structure”*. Without private nurseries and childminders working, parents would be unable to work as local authority nurseries opening hours are not compatible with working hours. Many petition comments support this *“While I understand the govt has provided provision for free childcare for 3 & 4 year olds in Scotland, in reality this is not accessible due to oversubscription, lack of facilities who run this and the completely unworkable 3 hours over 5 days being offered instead of flexibility (or offering two, seven hour days) which would allow mother to return to work.”*

Turning to the views from nursery owners, there is considerable anxiety around sustainability of their businesses. Those who responded raised issues such as increased fees, rising running costs, staff retention and ultimately nursery closures as a result of the rising business rates. All nursery owners who responded said that the rising cost of business rates would most definitely be passed onto parents. One comment indicated *“Any increased costs to the nursery will be passed onto the parents. This will limit the access to private childcare that parents with full time roles need to support their employment obligations, and is completely counter intuitive to the scheme of offering increased childcare support”*. There is also some concern over the impact of increased rates on the economic growth of towns, cities and villages, with one owner suggesting *“The increase in rates is ripping the heart out of every town, city and village across the country. Small businesses cannot survive with the increase of business rates”*.

Fourteen Local Authorities responded to the call for submissions to the petition. Fife Council makes the argument that *“If rates were abolished or frozen for private sector nurseries it would be unfair to all other business sectors who have had to budget for similar or indeed greater increases as a result of the revaluation”*, I (Stephanie Dodds) would argue that we are not similar to other businesses as a nursery owner in the petition commented *“Factor in that we are not allowed to claim back VAT like other businesses and our maximum number of customers (income) and minimum staffing levels (our biggest expense) are tightly controlled, the only way we can increase our income is by passing on the costs to the parents and increasing fees which makes it difficult for families to afford”* if we do not pass these costs onto parents then nurseries will close and as Voice Scotland put it *“in helping to deliver Scottish Government’s commitment to a near doubling of funded hours, it seems inappropriate to impose business rates upon private nurseries as though they were not helping to deliver a public service, such as the restaurant sector”*. Private Nurseries appear to be frowned upon for making a profit but I would question what other service is paid an hourly rate by the local authority less than it costs to deliver the service. The Scottish Government will require the support of the private sector to deliver the increased hours but in turn the private sector nurseries will need support to play a full part in the expansion program. This view is supported by many of the comments. Several Local Authorities including Inverclyde Council raised the point that if nurseries were to be considered a special case for abolition of rates then so too should other commercial ventures such as care homes for the elderly as they face some of the same challenges and operate in a restricted market. In response to this I (Stephanie Dodds) would make the point that Local Councils have the discretion to offer local business rates relief through the Community Empowerment (Scotland) Act 1995 and that the Blueprint for Expansion sets nurseries in a different light at the current moment. Several of the Local Authorities including West Lothian Council made the point that if the action called for in the petition was agreed to, then it would affect all nurseries, both in the public and private sector. This is something

which would need to be addressed to ensure parity for all nurseries in the Local, Private and 3rd Sector.

In the submission from the Scottish Government their commitment to delivering funded entitlement which is provider neutral is set out confirming that they *“will create a model which prioritises the settings that are best placed to deliver quality outcomes for children, and supporting our ambition to close the attainment gap, regardless of which sector they are provided by”*. Many of the comments indicated the need for the Scottish Government to work with the private sector to provide flexible, affordable childcare to families, with supporting comments such as *“The government cannot provide universal nursery provision through the public sector but wants to tax more heavily the businesses providing the childcare provision that the Scottish economy desperately needs”*.

To conclude, the following comments sum up the arguments: *“It seems that the nursery fee system is giving something with one hand and then taking it back with the other, the net effect of increasing business rates (that will inevitably increase the daily fees to parents) means we don’t actually receive any government help towards nursery costs. This has a direct effect on how people can live their lives and the extent to which they can add to their family. It is heart breaking really”* and *“This will directly impact on parents as the cost of increased business rates will be passed onto parents. Nurseries provide an essential service to working parents and also provide valuable pre-school education. The costs are already high and should not be forced to be higher by this change. Reduce or abolish the rates for nurseries”*.

If the Blueprint for Expansion sets out to grow the economy by supporting parents back to work then it would seem that the business rates increases is counter-intuitive to that. Nurseries will not be able to shoulder the cost of these increases and will undoubtedly pass the costs onto parents in the way of increased fees. The weight of feeling from the submissions is that this will surely lead to closures of the very nurseries the Scottish Government need to support the expansion.

I (Stephanie Dodds) am the National Day Nursery Association (NDNA) Network Chair for East and Midlothian and NDNA recognise that not only do communities benefit from having nurseries provide early learning and childcare but also that they create and support the local economy. Therefore, this should be recognised by support being given with business rates in order to keep costs down for parents. NDNA would therefore urge the Scottish Government to give all childcare provision, including the private sector, 100% rate relief.

From the figures submitted by the Local Authorities that have responded it is apparent that the steep rise of business rates does not affect all Local Authority areas/nurseries but I (Stephanie Dodds) feel the way these increases have been introduced and the method for assessing is unfair with buildings that have been invested in and purpose built being penalised as they are above the threshold for

assistance. If the nurseries affected do go out of business then this will have a detrimental effect on the Scottish Government's flag ship policy, the delivery of the 1140hrs in 2020. Out of 32 Local Authorities only 14 responded to this consultation and I am disappointed to see that Edinburgh, Dundee, East Lothian, Midlothian and Aberdeen have not responded as these are the areas worst affected by the business rates revaluation and therefore this does not provide a true reflection of the impact of the business rate rises across Scotland. As commented in the petition by a parent *"It seems ridiculous to have policies which directly contradict each other – trying to boost early years provision with various funding initiatives whilst at the same time increasing nursery overheads."* Increasing overheads faced by the private sector nurseries undermines the 'principles of quality, flexibility, accessibility and affordability' that forms the Scottish Government's vision for transforming early learning and childcare, as set out in their Blueprint for 2020. I would urge the Scottish Government to look upon this petition favourably as failure to do so could seriously jeopardise the introduction of the 1140hrs in 2020.