

# Citizen Participation and Public Petitions Committee

19th Meeting, 2022 (Session 6), Wednesday  
21 December 2022

## PE1970: Create an online account for parents to manage the 1140 hours of Early Learning and Childcare funding

**Lodged on** 19 October 2022

**Petitioner** Sharon Fairley on behalf of the Scottish Private Nursery Association

**Petition  
summary** Calling on the Scottish Parliament to urge the Scottish Government to reform the funding model of the 1,140 hours of Early Years Learning and Childcare to allow parents direct control of childcare funding via an online account.

**Webpage** <https://petitions.parliament.scot/petitions/PE1970>

### Introduction

1. This is a new petition that was lodged on 19 October 2022.
2. A full summary of this petition and its aims can be found at **Annexe A**.
3. A SPICe briefing has been prepared to inform the Committee's consideration of the petition and can be found at **Annexe B**.
4. While not a formal requirement, petitioners have the option to collect signatures on their petition. On this occasion, the petitioner elected to collect this information. 2,165 signatures have been received.
5. The Committee seeks views from the Scottish Government on all new petitions before they are formally considered. A response has been received from the Scottish Government and is included at **Annexe C** of this paper.

6. The Committee has also received submissions from the National Day Nurseries Association. This can be found in **Annexe D**.
7. Members may wish to note that the Education, Children and Young People Committee held a one-off evidence session to review how the expanded funded childcare hours are working on [25 May 2022](#). As part of the roundtable discussion, the proposal to introduce a childcare passport was raised by the National Day Nurseries Association.

## Action

8. The Committee is invited to consider what action it wishes to take on this petition.

**Clerk to the Committee**

## Annexe A

# PE1970: Create an online account for parents to manage the 1140 hours of Early Learning and Childcare funding

## Petitioner

Sharon Fairley on behalf of the Scottish Private Nursery Association

## Date Lodged:

21/09/22

## Petition summary

Calling on the Scottish Parliament to urge the Scottish Government to reform the funding model of the 1,140 hours of Early Years Learning and Childcare to allow parents direct control of childcare funding via an online account.

## Previous action

We have written to and continue to engage with multiple Government and opposition MSPs, as well as the First Minister, the Cabinet Secretary for Education, and the Minister for Children and Young People on multiple occasions. We have written to and maintain contact with the MSPs on the Education Children and Young People Committee, and we are members of the Cross-Party Group on Children and Young People.

## Background information

An online account would allow parents to pay a standardised rate of funding, as set by the Scottish Government, directly to their choice of registered and regulated childcare providers regardless of the ownership model of that childcare. The Government funds each council an amount of money for the 1140 hours of Early Learning and Childcare to be provided in their area. Councils contract with private nurseries and childminders (partner providers) in their area.

The Scottish Government sets guidelines for councils to follow to work out how much to pay partner providers. It is then up to each council to determine the hourly rate for partner providers for each eligible child in their area.

Councils are in a tough position – they have to fund their own nurseries, as well as work out how much to pay to their partner providers. It's logical that a council will make sure their own nurseries are properly funded and then pay whatever is remaining to the partner providers. In our view councils shouldn't be a childcare provider as well as a funder of partner providers. Our proposal makes it simpler and fairer for families to choose where their funding goes.

## Annexe B



**The Information Centre**  
An t-Ionad Fiosrachaidh

### **Briefing for the Citizen Participation and Public Petitions Committee on petition [PE1970](#): ‘Create an online account for parents to manage the 1140 hours of Early Learning and Childcare funding’, lodged by Sharon Fairley on behalf of the Scottish Private Nursery Association**

#### **Brief overview of issues raised by the petition**

The petition is concerned about the method of distribution and level of funding for private, voluntary or independent (PVI) providers of funded early learning and childcare (ELC).

[Eligible children](#) are entitled to up to 1,140 hours of Early Learning and Childcare. Local authorities are responsible for securing the funded ELC for families. Local authorities have a dual role of being an ELC provider and a commissioner of ELC services from private voluntary and independent (“PVI”) nurseries and childminders. Currently around 30% of this provision is met by PVI providers. Local authorities [have a statutory duty](#) to “secure that the mandatory amount of early learning and childcare is made available for each eligible pre-school child belonging to its area.” This can be through local authority provision or by entering into an arrangement with a third party, such as a PVI provider, or another local authority. [Section 3 of the Standards in Scotland’s Schools etc. Act 2000](#) provides for a duty on local authorities to “endeavour to secure improvement in the quality of school [and ELC] education”. This includes ELC where the local authority has an arrangement with another provider.

Local authorities hold the budget for funded ELC for children in their area. The number of statutory hours a child is entitled to increased from 600 to 1,140 hours in August 2021. The Scottish Government provides ringfenced money to local authorities for the expanded 540 hours, the other 600 hours are funded through the local authorities’ core budgets. The total spend on ELC is around £1 billion per year.

The policy intention is that parents/carers would have a high degree of choice in where and how their children would access funded ELC. The delivery of the expansion is underpinned by the “Funding Follows the Child” approach and the “National Standard”. The Funding Follows the Child approach is intended to be

“provider neutral”. Families should be able to choose their preferred ELC setting, subject to availability, that setting meeting the National Standard, agreeing the rate with the local authority, and providing the place in line with the local ELC delivery plan.

The National Standard is intended to ensure that the ELC provided in any setting is of a high quality, with suitably trained staff and that staff are paid at least a real living wage.

Local authority rates of funding for PVI providers are set at the local level. The Scottish Government published [guidance for local authorities to set sustainable rates in August 2019](#)<sup>1</sup>. The guidance does not set out a particular rate local authorities ought to pay. Rather it sets out approaches local authorities may wish to take in determining the local rate, which includes engaging with local PVI providers and ensuring the process is transparent.

In August 2021, the government published the rates paid to PVI providers by different local authorities, covering the period 2020-21 and 2021-22. Rates vary from one local authority to another and can depend on the age of the child and other factors, such as additional support needs and how the free meal entitlement is administered. For 3-5 year olds, rates paid range from £5 per hour (Orkney) to £6.40 per hour (West Lothian). Different rates applied for 2 year olds and for some local authorities, different rates were paid to childminders.

[Submissions to the Education, Children and Young People Committee](#) in May 2022 argued that some PVI providers’ funding from local authorities was not meeting the full cost of the place<sup>2</sup>.

A key driver of the costs of delivering ELC is staffing. The National Standard required all providers to pay the real living wage. Local authority workers’ pay and conditions fall under local government national bargaining and there can be a substantial difference between the terms and conditions of local authority staff and equivalent PVI staff.

The petitioner’s proposal would remove the funding of statutory ELC from local authorities. Rather this funding would sit with the parent/carer to spend on the ELC provider of their choice. This is similar to the payment process for [tax-free childcare vouchers](#) and would mean that PVI providers would be funded at the same level per place as local authority settings.

**Ned Sharratt**  
**Senior Researcher**  
5 October 2022

The purpose of this briefing is to provide a brief overview of issues raised by the petition. SPICe research specialists are not able to discuss the content of petition briefings with petitioners or other members of the public. However, if you have any comments on any petition briefing you can email us at [spice@parliament.scot](mailto:spice@parliament.scot). Every effort is made to ensure that the information contained in petition briefings is correct at the time of publication. Readers should be aware however that these

briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

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## Annexe C

### Scottish Government submission of 10 October 2022

#### PE1970/A: Create an online account for parents to manage the 1140 hours of Early Learning and Childcare funding

##### Background

1. High quality childcare that is flexible, accessible and affordable plays a critical role in our society. It is vital to giving children the best possible start in life, to supporting families to thrive, and to ensuring that parents and carers can work, train or study. This is why the Scottish Government has nearly doubled the hours of funded early learning and childcare (ELC) for eligible children, from 600 hours to 1,140 hours per year.
2. Since August 2021, all 3- and 4-year-olds, and eligible 2-year-olds, have been entitled to 1,140 hours of funded ELC a year. Local authorities have a statutory duty to ensure eligible children can access this entitlement, and the Scottish Government provides funding to local authorities to make this funded ELC available.

##### Funding Follows the Child

3. [Funding Follows the Child](#) (FFTC) allows families to access their child's funded entitlement from any setting – in the public, private, third or childminding sector – which meets the National Standard, wishes to deliver the funded entitlement, has a place available, is able to offer the funded hours in-line with local ELC delivery plans, and is willing to enter into a contract with their local authority.
4. This approach places a statutory duty on local authorities to ensure availability of funded ELC that meets the needs of parents and carers in their local area.
5. Under Funding Follows the Child, and in-line with the long-standing legal position, settings must ensure that the funded hours are free at the point of access. Funding Follows the Child is a

provider neutral approach, and is underpinned by a National Standard that all services wishing to offer funded ELC must meet.

6. Local authorities are responsible for setting sustainable rates for the delivery of funded ELC. [Joint Scottish Government and COSLA guidance](#) is clear that rates should reflect the costs of delivery, provide scope for reinvestment and enable private and third sector services to pay at least the Real Living Wage to staff delivering funded ELC.

### Consideration of funding models

7. The Scottish Government consulted on different models for supporting the delivery of funded ELC between October 2016 and January 2017<sup>1</sup> – including using ELC accounts, where parents and carers would receive funding to spend at a provider of their choice.

8. An independent Consultation Analysis Report, published on 23 March 2017<sup>2</sup>, highlighted that the Funding Follows the Child (FFTC) model was identified most frequently as the preferred funding model to best support the vision for high quality and flexible ELC, which is accessible and affordable for all and ensures that every child is entitled to the same number of hours.

9. There was some support for ELC accounts, with benefits including giving parents choice and reducing bureaucracy. However, drawbacks included lack of certainty for private providers and local authorities; and risk of parents using funds for other things.

10. It should also be noted that introducing a new system would involve significant additional investment and take time to deliver.

## Annexe D

### National Day Nurseries Association

### submission of 17 November 2022

### PE1970/B: Create an online account for parents to manage the 1140 hours of Early Learning and Childcare funding

#### About NDNA

National Day Nurseries Association (NDNA) is the national charity representing private, voluntary and independent (PVI) children's nurseries across the UK.

#### The 1140 hours policy

The Funding Follows the Child (FFC) and National Standard for Early Learning and Childcare Providers: Operating Guidance<sup>i</sup> states that the FFC approach “places choice in parents’ and carers’ hands allowing them to access their child’s funded entitlement from any setting, in the public, private or third sector including a childminder – who meets the National Standard, has a place available and is willing to enter into a contract with their local authority”.

The guidance for local authorities setting a sustainable rate<sup>ii</sup> encourages:

- A rate that includes profit or surplus for reinvestment into the business
- A rate that is evidence based
- A rate that covers all the costs of delivery.

We know from members that the rates being set across Scotland are not meeting these aims.

**Research using FOI data<sup>iii</sup> from councils showed that on average councils have 30% of their ELC provision delivered by PVI providers but only spend 21.5% of their budgets with the sector, highlighting the discrepancy in funding between council run settings and other providers.**

## **NDNA Childcare Passport**

The suggestion of an online account for parents was raised in the 2017-2018 Blueprint Action Plan<sup>iv</sup> with action point 17 calling for a feasibility study to be carried out.

NDNA proposed the concept of a Childcare Passport in 2017 and explored the opportunity of bidding for this funding at the time with the Scottish Government and worked in partnership with a technology company to develop modelling which could be used for their Childcare Passport. However, the funding available for this feasibility study was not enough to cover the cost of working with their partner or the modelling that had been developed. As part of the bid NDNA were offering to run a pilot however the tender amount was too small to do justice to the piece of work required.

However, this point in the Blueprint was not actioned and the exploration of a childcare account was not carried out.

NDNA's Childcare Passport offers a model which means funding will truly follow the child as the family can work directly with providers to choose places for their children which best suit their needs. The Childcare Passport makes sense for parents, providers and taxpayers, providing an efficient solution that delivers childcare choice, flexibility and affordability for parents. There is an opportunity to develop Childcare Passports by building on the Tax-Free Childcare Accounts or a similar bespoke system. Moving to a Childcare Passport system would improve efficiency and maximise the spending power of government investment in early learning and childcare. It would also address low take up of funded childcare, especially among disadvantaged families, and Tax-Free Childcare accounts.

There are many challenges facing the sector, however at the heart of these issues is the dysfunctional funding model. Currently local authorities are clearly struggling to meet the rising costs of the delivery of the 1140 hours. In the Education, Children and Young People Committee of 25 May 2022 the COSLA representative acknowledged that there were issues with the funding model and the policy itself. This was reiterated by council officers on 26 October 2022 at another hearing of the EC and YP Committee. The issues raised were that it is difficult for local authorities to be both funder and provider, which leads to the point raised around inequity being built into the policy allowing for more funding to be allocated

to local authority settings. We raised the mismatch of funding in our own FOI investigation<sup>v</sup>.

The current funding model is not sustainable for the PVI sector. At present there is no consistent funding model applied across Scotland resulting in a lack of equity between the different providers of the 1140 hours funded ELC.

This needs to be addressed quickly in order to ensure the 1140 hours policy remains sustainable. Currently parents are not getting provider neutral choice because there is no parity between different providers. NDNA's Childcare Passport would be a viable option for parents to ensure that they can access their childcare choices as required.

***NDNA urge the Scottish Government to revisit this action and would be willing to re-examine work that has already been carried out and how this could be updated to provide a model for delivering the Childcare Passport.***