

The logo for SPICe, consisting of the letters 'SPICe' in a white, sans-serif font on a dark purple background.The text 'The Information Centre' and 'An t-Ionad Fiosrachaidh' in white, sans-serif font on a dark blue background.

Social Justice and Social Security Committee

**15th Meeting, 2023 (Session 6), Thursday,
08 June**

Parental Employment and Child Poverty: Childcare

Introduction

This is the second evidence session in the Committee's inquiry into how to address child poverty through improving parental employment. A focus group in Glasgow and visits have been held in North Ayrshire and South Uist. A call for views attracted 108 responses. Notes of this work and individual responses are [available here](#). A [summary is available here](#).

The fact-finding work and call for views have been used to shape the themes for oral evidence taking. Today the focus is on the main theme emerging from our engagement work – availability of affordable, flexible childcare. This is the second of two panels on this theme. The other themes to be addressed in future meetings are:

- Employability programmes
- Education and training
- Fair and family friendly working
- Transport

Today the Committee will hear from:

- Susan McGhee, Chief Executive, [Flexible childcare services Scotland](#)
- Kirsty Ramage, Project Leader, [The Bellsbank Project](#)
- Beverley Isdale, Chief Executive [First4Kids](#)
- Rami Okasha, Chief Executive Officer, [Children's Hospices Across Scotland](#)

Next week the Committee will discuss barriers to accessing training and education and employability provision for parents.

This paper provides background on today's witnesses, a brief summary of issues raised last week and two new reports published since 25 May. It then suggests six themes for discussion from page 7 onwards.

Background

Today's witnesses

The focus this week is on individual childcare providers, and how their experiences can help understand what needs to happen to create childcare provision that boosts earnings for low-income parents.

[Flexible Childcare Services Scotland](#) is a charity that evolved from a One Parent Families Scotland project. It launched as a separate organisation in 2019. They provide services mainly in Dundee, Moray, Aberdeen, Aberdeenshire and Kilmarnock. They focus on flexible, high quality childcare and also provide specialist services for children with additional support needs. Their [annual report 2021-22](#) sets out the background, including their commitment to campaign for more out of school care provision, increased flexibility, and improved provision in rural areas and for children with additional support needs.

[Bellsbank Project](#) is a voluntary organisation in rural East Ayrshire offering adult classes and activities and a creche for local parents who need childcare, employment and respite.

[First4Kids](#) is a charity which runs seven out of school care clubs, two breakfast clubs and a holiday club in the Falkirk area, providing services for 15 Falkirk schools.

[Children's Hospices Across Scotland](#) (CHAS) provide a full family support service for babies, children and young people with life-shortening conditions – including family respites and support

Previous Consideration

The [paper for the 25 May evidence session](#) gave background on childcare policy and usage.

On 25 May, the Committee heard from: COSLA, the Scottish Out of School Care Network, Scottish Day Nurseries Association and Scottish Childminding Association. The discussion gave the impression that Scottish Government expansion plans are still at a fairly early stage. The Official Report for the meeting is available [here](#). Points made included that:

- Key lessons from the expansion to 1,140 hours include the need to build capacity, understand parents' requirements, to understand the infrastructure that already exists and work in partnership.
- Workforce recruitment is very challenging which could impact on ambitions to expand further. Pay is generally low. A policy to pay the real living wage may

need to be subsidised. There are tensions between policy agendas of Fair Work and childcare expansion. The expansion of ELC in the public sector attracted staff away from the private and voluntary sectors. Universal Credit conditionality pushes people to increase their earnings.

- Quality of provision is crucial, but regulatory requirements can be burdensome and impact on the sustainability of providers
- SCMA are running pilots to support people to become childminders – this could target both parental employability and expand childcare provision.
- There are policy tensions between the aims of ‘child development’ and enabling parents to work
- Targeting on the lowest income risks creating stigma and ideally, provision would be universal. However, given the financial climate, there was agreement that focusing on the lowest incomes was the right priority.
- There are particular challenges for ASN provision and provision in rural areas.

Childcare a priority policy: Medium Term Financial Strategy

Since the last meeting, the Scottish Government published its [Medium Term Financial Strategy](#) (MTFS) which describes childcare as a priority area in order to achieve its ‘key mission’ of reducing child poverty. It noted the funding of £1 billion for current 1,104 hours and £15 million for out of school care and links it to boosting labour market participation:

“Ahead of Budget 2024-25, the Scottish Government will explore areas such as [...] further boost labour market participation including through an enhanced childcare offer.”

Setting out a difficult financial context, the MTFS identifies childcare as a priority area:

“We need to prioritise the programmes, such as early learning and childcare, which have the greatest impact on delivery of our three missions. In order to do this and to absorb the impacts of pay and other inflation into our baseline, the Scottish Government will need to take difficult decisions to stop spending money on programmes that make a less meaningful contribution to our missions.”

[...]

“we need to help parents, in particular, to access more and better paid work. Not only is this a vital part of tackling child poverty, but helping parents earn more can also reduce pressure on social security spending. Childcare provision in particular has a vital role to play here, particularly when integrated with other local services, and we already invest around £1 billion per year to provide high-quality funded early learning and childcare. One key objective of

this funding is to support parents and carers to take up or sustain work, training or study opportunities.”

The First Minister referred to a £25m [‘helping hand fund’](#) during his leadership campaign in February, which would be for childcare for parents returning to work, but there have not yet been any Scottish Government announcements on this.

Implementation of 1,140 Hours – new report

Since the meeting on 25 May, Audit Scotland have published a report on [progress in implementing the 1,140 hours](#) funded early learning and childcare for 3 and 4 year olds and eligible two year olds. It notes that the expansion was achieved, and additional staff recruited, however the sector remains fragile:

“there are risks to the sector that could affect flexibility and choice for families. These include budget pressures, workforce recruitment challenges, and the ability of funded providers such as private nurseries and childminders to stay in business.”

Most of the recommendations are of relevance to the Committee’s inquiry and focus on data gathering and planning:

The Scottish Government and local authorities should address data gaps including:

- the movement of the ELC workforce between the public, private and third sectors;
- demand for both funded ELC and childcare paid for directly by parents;
- demand for both funded ELC and childcare paid for directly by parents;
- the extent to which children with additional support needs are not accessing funded ELC, the reasons for this, and the extent of any unmet needs.

The Scottish Government should:

- work with councils and other stakeholders to develop long-term workforce plans for the sector to address the risks to sustainability and meet future demand;
- work with councils to urgently put in place a process for monitoring progress with providers paying the living wage to staff delivering funded ELC. This information is crucial to inform future decisions on funding and workforce which are key risks to the sustainability of the sector;
- improve planning for, and implementation of, future policies by working with stakeholders to make plans to gather the necessary data for managing and planning services at an early stage. This should include plans to gather consistent data on the costs of delivering future policies, to help assess whether they are achieving value for money and delivering the intended outcomes.

Current childcare offer

The current offer of funded childcare is 1,140 hours per year for:

- all 3 and 4 year olds, from term following third birthday;
- low income two-year olds from term following second birthday ([Estimated 25%](#) of two year olds are eligible. [Eligibility](#) is similar to that for free school meals, e.g. Universal Credit and income £726 or less per month).

Around 14% of all two year olds, 100% of 3 year olds and 98% of four year olds attend funded provision ([ELC statistics December 2022](#)).

The majority of parents of school age children also use childcare, but this is mostly informal childcare - especially grandparents. Only a minority of parents used formal care such as out of school clubs, breakfast clubs or holiday playschemes. There is no funded offer, but parents may get help with costs through tax-free childcare or Universal Credit/Working Tax Credit.

Commitment to further expansion

Commitments to [further expansion](#) are:

- develop a funded early learning and childcare offer for one and two year olds, focusing on those who need it most; and
- build a system of school age childcare, by the end of this Parliament, providing care before and after school, all year round, supporting parents and carers – particularly on low incomes – to have secure and stable employment. Those on the lowest incomes will pay nothing.

The exact timing, hours of provision, eligibility and income thresholds have yet to be announced. Policy development plans were set out in [Best Start – strategic early learning and school age childcare plan 2022 to 2026](#) (October 2022). This year the Scottish Government will continue to develop the evidence base and start lived experience engagement to understand what families want and need for young children alongside work to evaluate different models of provision.

[£15m was announced in April 2023](#) to expand the delivery of school age childcare services, expanding on the ‘tests of change’ pilots and summer holiday provision. This includes:

- continued investment in Access to Childcare projects and the Scottish Government’s ‘early adopter’ communities;
- support to identify and fund new early adopter communities including in remote, rural areas;
- [£4.5m ‘Inspiring School Age Childcare Spaces \(ISACS\) fund](#) announced in May 2023 to deliver improvements to the school estate that will support provision of school age childcare in the most disadvantaged communities.

- £2 million in partnership with the Scottish Football Association to support more after school and holiday club provision through local football clubs in deprived areas.

A **School Age Childcare Delivery Framework** is due to be published which will define action areas for the next three years, describe the approach and consider how the Scottish Government will measure and evidence the impact of early delivery. (A [draft framework](#) was published in 2019 and [progress report](#) in 2021.)

The general approach is to work in partnership and:

“we will be taking the time to get policy design and engagement on our future childcare offers right,” (Best Start, October 2022)

Childcare expansion in England

[The UK spring budget](#) announced further expansion in England. In their submission to this inquiry, the Institute for Public Policy Research (IPPR) estimated that the budget would create Barnett consequential of:

- £24m in 2023-24
- £257m in 2024-25
- £422m in 2025-26

The majority of additional funding arises from childcare expansion which, in England, is focused on working parents. This will be phased in so that by September 2025 parents working more than 16 hours a week and earning less than £100k per year will be entitled to 30 hours of funded childcare from when their child is nine months old until they start school. [Low income two year olds](#) are entitled to 15 hours - income threshold of £15,400 or less if getting Universal Credit. Other parents are entitled to [15 hours a week funded provision for 3 and 4 year olds](#).

The table below summarises the main eligibility for current and planned provision in England.

| Age of child | current | By Sept 2025 |
|-----------------|---|---|
| 9 mths to 2 yrs | n/a | 30 hours if working 16+ hrs |
| 2 yrs | 15 hrs if on UC and earning <£15,400 | 15 hrs if on UC and earning <£15,400 30 hours if working 16+ hrs |
| 3 and 4 yrs | 30 hours if working 16+ hrs 15 hours otherwise | No change |

The UK budget also announced an increase to the amount that can be claimed in childcare costs through Universal Credit and allowed payments to be made upfront rather than in arrears. This will [come into effect from 28 June](#). Alongside this, the Department for Education is consulting on changes in England to “remove unnecessary burdens the childcare sector faces.”

Suggested themes

Theme 1: Flexible childcare

The need for flexibility was a key theme in the call for views which fits with findings of [qualitative research on funded early learning and childcare \(ELC\) commissioned by the Scottish Government](#) (2022):

“Parents also often perceived the provision to be inflexible, with providers offering set days/hours which families had to fit in with, and no ability to swap a day if needed.”

The [Scottish Household Survey](#) (2021) found that most parents (72%) had no problems with funded ELC. The main issues raised were not enough hours (10%) and lack of flexibility (10%).

Today’s witnesses provide different types of flexibility.

Flexible Childcare Services allow parents to book by the hour, with no upfront fees. They have developed “Caerus” – a software to help childcare providers manage flexible childcare bookings, advertise spare capacity and find workers to cover shifts. They describe their service as: “the test site for a scalable business model for flexible childcare.”

Bellsbank Project described their service:

“We offer a drop in/flexible system where parents choose the times they need dependent on their family circumstances which works really well for the parents. We also open throughout school holidays because not everyone works term time.”

First4Kids provide breakfast clubs, after school care and holiday childcare. They offer a mix of ‘permanent’ places – that are booked ahead with 28 days notice for changes, and ‘occasional’ places requested when needed, but with no guarantee of availability. They also offer a small number of places at a lower rate for students.

There is a statutory duty for early learning and childcare provision to be planned with regard for flexibility¹ but this is not a requirement to provide flexibility.

Members may wish to discuss:

- 1. Flexible Childcare Services described themselves as: “the test site for a scalable business model” – what insights can they provide about how flexible services impact on child poverty?**

¹ Section 52, Children and Young People (Scotland) Act 2014

2. **What would be needed from the Scottish Government or local authorities to increase the level of flexibility available - both in pre-school and school age childcare?**
3. **Are there particular issues with delivering flexible provision in rural areas?**

Theme 2: Workforce Issues

On 25 May, the Committee heard about difficulties recruiting and retaining staff – especially where staff could get better pay and conditions elsewhere. Many private and voluntary sector providers have lost staff to better paid public sector provision – in part driven by the way the early learning and childcare expansion to 1,140 hours was delivered. Audit Scotland has pointed out that is not possible to quantify this effect, but Scottish Government and the Scottish Social Services Council are identifying what additional information may be possible.

Audit Scotland has recently highlighted the risk posed by recruitment difficulties noting that vacancies in 2021 were running at almost five per cent FTE across children’s daycare. They also note that:

“The Scottish Government is working with stakeholders to draft a strategic framework for the ELC and school-age childcare workforce and an associated action plan for the next four years, to address the continued pressures in recruitment and retention in the sector. This is due to be published in summer 2023.”

On 25 May, Irene Audain described how staffing shortages:

“are closing down some services or stopping the expansion of services that have space to expand or are allowed to expand because of their registration numbers. That has a knock-on effect on the parents who are desperate for school-age childcare.”

In the call for views First4Kids said:

“currently the school age childcare sector is itself in poverty, between a rock and a hard place. Where we have more need than places available, we can’t recruit or retain staff to expand. Where there has been a change in working status for some families, we have vacant places and at risk of having to close services.”

They describe how some of their staff also work as support for learning assistants in schools, and combining both part time jobs provides additional income for them as well as continuity for children attending both school and out of school care. They suggest that this could be further developed.

Bellsbank suggested that wage costs should be funded, saying:

“We are full to capacity all the time with a waiting list but are now finding it extremely hard to secure grant funding for staff wages.”

Qualifications

In recent years there has been a focus on increasing qualification requirements for those working in childcare. Irene Audain (Scottish Out of School Care Network) suggested that:

“our solution is that we need to widen the range of skills, experience and qualifications that is accepted in order for a person to register with the Scottish Social Services Council. The Care Inspectorate also has a role, as it judges whether you have the right mix of staff with the right mix of skills.”

Pay

The Scottish Government expects local authorities to fund providers to pay the [real Living Wage](#) (£10.90 per hour), for those workers delivering funded early learning and childcare.

For a 20 hour week, that’s £11,336 per annum (below NI and income tax thresholds). For 35 hours it’s £19,838 (£17,534 after tax). The ‘poverty line²’ for a single parent with two children under 10 in 2023-24 is in the region of £17,500 (SPICe calculations).

Audit Scotland has noted that councils cannot refuse to enter a contract on the sole basis of the provider not paying the living wage. They need to consider fair work practices as a whole. The ELC Living Wage and Fair Work Implementation Group was established in December 2022. They are due to consider how the living wage commitment is monitored.

On 25 May, Graeme McAlister (Scottish Childminding Association), said:

“The problem is that the real living wage and ELC are complementary but almost competing policy agendas. We entirely support increasing the value of pay, but, at the moment, the requirements around the real living wage threaten to derail ELC expansion.”

Jonathan Broadbery (NDNA) referred to their [recruitment campaign in Wales](#).

Members may wish to discuss:

- 4. What is the scope for further expansion, given current difficulties in recruitment and retention?**
- 5. How can the Scottish Government help with recruitment and retention in the childcare sector?**

² The ‘poverty line’ is 60% of median equivalised household income. Income includes all household earnings and social security after tax and housing costs. “Equivalised” means it varies by whether a household is single or couple, number and age of children. This recognises that larger families have more costs.

6. In their submission First4Kids suggest that staff could work both in childcare and in the school as learning assistants. Can they expand on how that might be developed and what impact it could have?

Theme 3: Cost pressures and funding

Staffing costs are a key element of the cost of running childcare provision, but other costs such as energy, rent, insurance etc also impact on sustainability of services.

Cost pressures

In common with the rest of the economy, childcare businesses will be affected by the increased cost of living. The UK Government has published [research on the impact of rising costs on childcare and early years providers](#). This found that, in November 2022:

- Most commonly, Group-Based Providers (GBPs) and Childminders (CMs) experiencing cost pressures picked out staffing costs (46%) and energy bills (31%) as the main drivers of cost pressures.
- Over nine-in-ten (92%) of GBPs and CMs said that their energy bills had increased in the last 12 months. Bills increased by an average of 50%.

Audit Scotland has noted that:

“The Scottish Government is gathering more information on sustainability as part of a financial health check of the childcare sector. This had not been published at the time of finalising our audit.” (May 2023)

Funding model for ELC

In May 2022, the Education, Children and Young People Committee held [an evidence session on the implementation of 1,140 hours funded ELC](#). A briefing provided by the Scottish Government stated:

“Central to delivering on the aims and outcomes of the 1140 programme has been ensuring that there is a financial settlement in place which provides local authorities – who have the statutory duty to ensure that the funded entitlement is available for all eligible children in their area – with the necessary resources to deliver the expansion.”

Under the ‘[funding follows the child](#)’ model, funded hours for 3 to 5 year olds should be available at any setting that meets the national standard, has a place available and is willing to enter into a contract with the local authority. In [2022-23, local authorities paid partner providers an average of £5.77 per hour for 3 to 5 year olds and £6.40 for two year olds](#).

The Scottish Government and COSLA are working with councils to review the approach to setting rates and identify any possible improvements to ensure that rates reflect the costs of delivering funded ELC and paying staff the living wage. This is due to be published in Autumn 2023.

In their submission Flexible Childcare Services Scotland note that: “the true cost of flexibility is £3 to £4 per hour more than current rates.” [...] “The funding provided for places at a flexible nursery needs to be at a higher level than for commercial or local authority nurseries with a traditional pattern of care if the concept is to be a viable one.”

Members may wish to discuss:

7. **Other than staffing, what are the major cost pressures for childcare providers – both pre-school and school age? How are these changing? Do they differ by rurality?**
8. **What do these changing costs mean for plans to expand funded pre-school and school age childcare – particularly if that expanded provision were to be much more flexible?**
9. **Are partner provider rates for funded early learning and childcare keeping up with these rising costs?**
10. **Flexible Childcare Services Scotland note that “targeted access to flexible childcare” will cost more to deliver, but that “this higher funding need may only be for a temporary period.” Can they expand on why these high costs would be temporary?**

Theme 4: Additional Support Needs

A key theme in the Call for Views was a lack of provision for children with additional support needs.

Local authorities are required to make provision for daycare of ‘children in need’, which includes disabled children and covers both pre-school and after-school care ([See papers from 25 May for full definition](#)).

[Flexible Childcare Scotland](#) provides “specialist and complex care for children with Additional Support Needs” services include, home based care, complex care and a drop off and pick up service “to get children safely to and from their day care setting.”

[Children’s Hospices Across Scotland](#) provide support to families whose children have life shortening conditions. In their [‘manifesto’ for the 2021 Scottish Parliament elections](#) they called for: “better financial support for struggling families, including after a child dies.” This highlights the role of other policy areas – including social security and social care in supporting families – including providing an adequate infrastructure of services that enable parents to work.

In their submission, they note that “87% of mothers with disabled children could not work as much as they would like to, often due to a lack of suitable childcare.” In their 2021-22 annual report CHAS referred to research on the experiences of fathers of children with life-shortening conditions.

“Many fathers who took part in this study revealed how they had to reduce their hours, and in some cases completely stop working to support their wife or partner in providing care to their child, resulting in a reduction or loss of income.”

Recommendations in the submission from CHAS include: a taper on Carer Support Payment (i.e. a gradual reduction in benefit once earnings threshold is reached), extending Carer Support Payment for six months following a bereavement. The Committee will be considering Carer Support Payment in the autumn.

They also call for more options for specialist holiday and after-school playschemes for children with complex needs, and that employability services are “attuned to the specific needs of carers re-entering the workforce.”

Members may wish to discuss:

- 11. Additional support needs cover a huge spectrum of need. Some parents may not wish to work or work full-time, but others would want to work more. What can the Scottish Government do to give parents genuine choice about their decisions around work?**
- 12. What is the role of other policy areas - for example health, social care and social security – in supporting parents of children with additional support needs who wish to work?**

Theme 5: Priorities for expansion

For one and two year olds the Scottish Government is planning to focus on “those who need it most”.

School age childcare expansion has a particular focus on those on low incomes to have secure and stable employment. Those on the lowest incomes will pay nothing.

The UK Government is focused on extending hours for working families.

The current [eligibility for two year old funded childcare](#) is based mainly on low income. For example, earnings of c£8,717 for those getting Universal Credit. It is estimated that around 25% of two year olds are eligible. The Committee has received a submission from Early Years Scotland, who have concerns that this excludes many low income working families.

“There is a real danger that families who are ‘poor, but not poor enough’ will fall through the cracks and their children will miss out on vital access to funded ELC as a result of the criteria.

[...]

The majority of the parents impacted by these decisions are in-work and feel that they are being punished for doing so, particularly when their financial

circumstances only just exceed that which is set out in the eligibility criteria. The system as it stands is actually stopping parents from expanding their working hours, as they do not want their children to lose out, and are aware that the main criteria is financial and not level of need.”

First4Kids suggested the following prioritisation for further expansion to under 2's and school age childcare:

- Families with lone parents or lack of family support close by.
- Families where there is support needed to prepare or train parents for the job market.
- Families who have a disabled adult or child.
- Families with multiple young children.
- Families who are socially isolated, new to the country or area and need support to become settled and contribute to the community / neighbourhood.
- All P1's, P2's & P3's who wish it

Bellsbank suggested that extension to free or subsidised childcare should be offered to parents that are working. The priority should be:

“to have childcare available locally that does not cost a weeks' wages. All working parents should have access to help with childcare costs.”

In the call for views, First4Kids describe how:

“The school day supported by good quality school aged childcare is the peace of mind and support parents need to engage better in the workforce or training opportunities, the ability to improve their income and therefore impact positively on the families longer term outcomes

Flexible Childcare Services Scotland support targeted provision:

“There is now a need to move away from a universal approach to a targeted, person centred offer for priority groups.”

Members may wish to discuss:

13. What kind of eligibility for school age childcare would best “support parents and carers – particularly on low incomes – to have secure and stable employment”

14. Is the current earnings threshold for ‘eligible twos’ set at the right level?

15. How do we ensure that any targeting on low incomes doesn't create disincentives to increase earnings?

16. A possible design might be a sliding scale of fees. Would that be difficult to administer?

Theme 6: Pace and scale of policy development

From the meeting on 25 May it appeared that policy development is at quite an early stage. Witnesses emphasised the need for partnership working, taking time to plan, to understand existing provision and parents' needs.

The Scottish Government's [strategic priorities for childcare, set out in October 2022](#) are:

- Realise the benefits of the 1140 hours expansion
- Progress the expansion, including building a system of school age childcare and developing a new offer for one and two year olds
- Ensure delivery is supported by a sustainable, diverse and thriving sector and profession
- Ensuring our ambitions are underpinned by the funding and outcomes frameworks, robust data and organisations that work together to regulate services and support quality improvement.

So far, [£15m was announced in April 2023](#) for out of school care. This builds on £5m over 2020-23 for pilot projects and £25m over two years for holiday provision.

The policy aim of expanding school age childcare is to build on existing infrastructure:

“Once we understand families' needs, we will ensure that we fully utilise existing services and infrastructure and only develop new services and infrastructure where that is needed” ([Scottish Government, Best Start Strategic plan](#))

Members may wish to discuss

- 17. What involvement have witnesses had in discussions around further expansion of childcare policy?**
- 18. The Scottish Government plans to “build a system of school age childcare” by the end of the Parliament (2026). What are witnesses impressions of the scale of that task? How different would it look compared to what is available today?**

Camilla Kidner
SPICe
5 June 2023