Financial Sustainability Health Check of the Childcare Sector in Scotland:

Analysis and Evidence

August 2021

Scottish Government
Riaghaltas na h-Alba
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Contents

Introduction

1. In April 2021 the Scottish Government commenced work on a Financial Sustainable Health Check to assess the impact of COVID-19 on the business sustainability of childcare providers, and to assess the impact of financial support which has been available.

2. 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.
   - In-depth case study interviews with a range of providers;
   - In-depth one-to-one discussions with each the provider representative bodies (Care and Learning Alliance, Early Years Scotland, National Day Nurseries Association, Scottish Childminding Association, and the Scottish Out School Care Network (SOSCN); and
   - Analysis of trends in Care Inspectorate registration data.

3. 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.

4. 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. We have attempted to make this information as accessible as possible, but appreciate that, particularly for some of the survey analysis, some tables can be dense.

5. As part of this exercise we have also published updated information from all local authorities on: the sustainable rates that they have set for their funded providers in the private, third and childminding sectors; rates paid for the delivery of the free meal commitment; their approach, in-line with guidance published in April 2019, for setting sustainable rates; and any additional support that has been offered to their funded providers during the pandemic.

Section 1: Recent Trends in the Childcare Sector

Care Inspectorate Registration Data

6. This section presents analysis of Care Inspectorate data on registrations and cancellations of childcare services to provide an overview of broad trends across the sector. Detailed information on registered services is available from the Care Inspectorate datastore.

7. The analysis in this section covers the period up to 30 June 2021. This was the most recent monthly data set available at the time of preparing this report.

8. 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.

9. As with other sectors of the economy the childcare sector experiences continued changes in the number of services operating, with new providers entering, and other providers leaving the sector throughout the year.

10. The analysis in this section explores annual changes to June in each year over the period 2017 to 2021.

11. Comparisons over the year to June also enables us to capture lags in registration cancellations that were made before the start of the pandemic impacts (from March 2020 when restrictions were introduced) as services should give the Care Inspectorate 3 months' notice to cancel their registration. As a result this means that any changes in the period March 2020 to June 2020 could reflect previously taken decisions and are therefore not necessarily directly due to the impact of the pandemic.

Summary of the Analysis

Change in Registered Services

12. Table 1.1 shows the number of registered childcare services at 30 June in each year over the period 2017 to 2021. Day care of children services are disaggregated using the Care Inspectorate registration classifications. As highlighted above the Care Inspectorate classify third sector services as voluntary and not-for-profit in their registration database.

13. Table 1.2 presents the annual changes in the number of services for each category, in the period to 30 June each year, and the corresponding annual percentage change in each service type.

14. Tables 1.1 and 1.2 highlight that:

    - The highest rates of decline have been for registered childminding services which have decreased in each year over the period from June 2017 to June 2021, and annual rate of decline in overall childminding services has continued to increase;

- The number of registered private sector childcare services has declined in each year since June 2017, although the rates of decrease were lower in the two most recent years (the years to June 2020 and to June 2021); and
- Whilst there have been year on year decreases in the number of registered third sector services the highest rate of decline has been reported in the year to June 2021 (with the number of services declining by nearly 6% over this period).

Table 1.1: Number of registered childcare services, June 2017 to June 2021

Type of service	June 2017	June 2018	June 2019	June 2020	June 2021
Day Care of Children services					
Health Board	3	3	3	3	3
Local Authority	1,725	1,718	1,722	1,741	1,772
Private sector	1,140	1,105	1,078	1,071	1,062
Third Sector	848	834	811	808	760
Total Day care of children services	**3,716**	**3,660**	**3,614**	**3,623**	**3,597**
Childminding Services	5,523	5,268	4,929	4,596	4,240

Source: Care Inspectorate

Table 1.2: Annual change in number (no.) of registered childcare services, and annual percentage (%) change, June 2017 to June 2021

	Change 2017 to 2018		Change 2018 to 2019		Change 2019 to 2020		Change 2020 to 2021	
Type of service	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Day Care of Children services								
Health Board	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Local Authority	-7	-0.4%	4	0.2%	19	1.1%	31	1.8%
Private sector	-35	-3.2%	-27	-2.4%	-7	-0.6%	-9	-0.8%
Third Sector	-14	-1.7%	-23	-2.7%	-3	-0.4%	-48	-5.9%
Total Day care of children services	**-56**	**-1.5%**	**-46**	**-1.2%**	**9**	**0.2%**	**-26**	**-0.7%**
Childminding Services	-255	-4.8%	-339	-6.1%	-333	-6.8%	-356	-7.7%

Source: Care Inspectorate

Cancelled Services

15. Annual changes in registrations reflect services both entering and leaving the sector. A key concern is whether the pandemic, to date, has resulted in an increase in the number of services (either in total or for specific types of services) leaving the sector – for example, above the normal levels of change that we would expect to see (based on recent trends).

16. Table 1.3 sets out the number of cancelled services in each year to 30 June. This information is presented in aggregate for day care of children services and for childminding services.

17. Table 1.3 highlights that:

- The number of day care of children services cancelling their registration had declined in each year over the period June 2018 and June 2020. However the number of cancellations increased in the year to June 2021.
- The number of childminding services cancelling their registration with the Care Inspectorate has declined in each of the last two years.
- Whilst the annual rate of cancellations of childminding services has seen a slight fall between June 2019 and June 2021, the overall rate of decline in the total number of registered childminding services in each of these years (as highlighted in table 2.2) has continued to increase. This indicates that there have been continued falls in the number of new childminding service registrations in each of these years.
- The rate of cancellations of registrations remains significantly higher for childminding services compared to day care of children services.

Table 1.3: Number of cancelled services in the year to 30 June in each year over the period 2017 to 2021

Type of service	June 2017	June 2018	June 2019	June 2020	June 2021
Day care of children services	160	166	136	118	139
Cancellations as a percentage of all day care of children services	4.3%	4.5%	3.8%	3.3%	3.9%
Childminding Services	837	679	695	610	522
Cancellations as a percentage of all Childminding Services	15.2%	12.9%	14.1%	13.3%	12.3%

Source: Care Inspectorate

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.

19. Table 1.4 shows the number of registered places by type of service, whilst Table 1.5 shows the annual changes (both number and percentage) across services. The tables highlight that:

- Total registered places (capacity) across both private and third sector services in June 2020 was broadly the same as in June 2017.
- Whilst there has been a small increase in total registered places across private services in the year to June 2021, there has been a nearly 4% decline in registered places across third sector services in this period.
- As a result of these changes the average capacity of both private and third sector services has increased between June 2017 and June 2021.

Table 1.4: Number of registered places by type of provider in each year over the period June 2017 to June 2021

Type of service	June 2017	June 2018	June 2019	June 2020	June 2021
Day Care of Children services					
Health Board	170	170	170	170	170
Local Authority	71,384	72,583	75,077	79,316	85,337
Private sector	62,886	62,313	62,348	62,947	63,112
Third Sector	30,992	31,307	31,021	31,276	30,088
Total Day care of children services	**165,432**	**166,373**	**168,616**	**173,709**	**178,707**
Childminding Services	34,255	32,619	30,538	28,531	26,363

Source: Care Inspectorate

Table 1.5: Annual change in the number of registered places by type of provider in each year over the period June 2017 to June 2021

	Change 2017 to 2018		Change 2018 to 2019		Change 2019 to 2020		Change 2020 to 2021	
Type of service	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Day Care of Children services								
Health Board	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Local Authority	1,199	1.7%	2,494	3.5%	4,239	5.6%	6,021	7.6%
Private sector	-573	-0.9%	35	0.1%	599	1.0%	165	0.3%
Third Sector	315	1.0%	-286	-0.9%	255	0.8%	-1,188	-3.8%
Total Day care of children services	**941**	**0.6%**	**2,243**	**1.4%**	**5,093**	**3.0%**	**4,998**	**2.9%**
Childminding Services	-1,636	-5.0%	-2,081	-6.1%	-2,007	-6.6%	-2,168	-7.6%

Section 2: Analysis of Survey Responses

20. To inform the [Financial Sustainability Health Check] separate detailed provider surveys were undertaken for day care of children services and for childminding services.

21. The surveys asked for information on areas including costs of delivery, income, capacity/demand, staffing and charges to parents and carers. In particular, many of the questions were designed to explore any changes in these factors between March 2020 (or the period to March 2020) and the point at which providers completed the survey (for most this would have be in May 2021).

22. This section sets out the 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. We summarise these written comments where relevant throughout the paper.

Survey design and response rate

23. 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.

24. A key challenge in designing the surveys was balancing the need for collecting as much detailed information as possible, with making them as straightforward as possible for respondents to complete. With this in mind the survey 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).

25. We are aware however, that despite these efforts completion of the survey required a significant time investment from respondents, and we are very grateful to those who took the time to complete the surveys.

26. The surveys were completed using an online form, with links to the surveys sent out to the sector via various routes including through the Care Inspectorate and the representative bodies.

27. The day care of children survey was live from 28 April 2021 to 20 May 2021, whilst the separate survey for childminding services was live from 30 April 2021 to 20 May 2021.

28. There were 167 responses to the day care of children services survey. Based on the latest registration data for the sector this represents around 9% of all registered private and third sector services. There were 203 responses to the childminding services survey, which represents just under 5% of all registered childminding services.

29. Scottish Government analysts undertook data cleaning of some of the data provided. This was predominately focussed on remove outliers, which was defined as data that looked to be outside the plausible range of responses for a particular question. The majority of the data cleaning was undertaken on the responses to the survey questions on the average costs of delivering an hour of childcare across different age groups and provision, and on the hourly charges for families for paid for childcare (again over different age groups and provision). We are aware from the

feedback from providers, and from responses to the surveys, that some respondents experienced difficulties in being able to present their average costs of delivery on an hourly basis.

30. 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

31. 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 enable meaningful and robust analysis to be presented. To maintain consistency with reporting on other surveys for the sector each sub-category for analysis of the day care of children surveys must have at least 50 responses and we have prioritised as follows:

- Funded early learning and childcare (ELC) services;
- Services not delivering funded ELC;
- All private sector services;
- All third sector services; and
- Services delivering only school age childcare (SAC).

32. 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.

33. The analysis of the childminding services survey splits between services delivering funded early learning and childcare (ELC) services and services not delivering funded ELC. It is important to note that respondents to the childminding survey were significantly more likely, relative to the overall childminding services population, to be delivering funded ELC.

34. 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-multiple choice questions).

35. 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=167

Type of Service	Number of respondents in Group	% of respondents	Average Registered Places	% of services open
Funded ELC service	77	46%	54	100%
Service does not deliver funded ELC	90	54%	53	98%
Private Services	86	51%	61	100%
Third Sector Services	81	49%	45	98%
School age childcare only	73	44%	60	99%

Table 2.2: Summary of respondents to Childminding Services Survey, total respondents=203

	Number	% of services	% of services open
Funded ELC service	60	30%	100%
Service does not deliver funded ELC	143	70%	94%

Access to financial support during the pandemic

36. Childcare services have been able to access a range of financial support, including UK level schemes (for example, the Coronavirus Job Retention Scheme, the self-employment income support scheme, and the Bounce Back Loan Scheme), Scottish Government economy wide support (including the small business support grants, Pivotal Enterprise Resilience Fund, and the newly self-employed hardship grant), and targeted support for the childcare sector (including the Transitional Support Fund, Temporary Restrictions Fund, and the Childminding Business Sustainability Fund). The surveys asked a number of questions to establish the extent to which different types of childcare services had accessed financial support.

37. Given the different support schemes for the self-employed we have set out the information for day care of children services and childminding services separately.

Coronavirus Job Retention Scheme

38. The Coronavirus Job Retention Scheme (CJRS) is a UK Government scheme which has enabled employers to claim grants to cover the wages of workers furloughed since March 2020. The scheme was initially due to run until 30 May 2020, but has been extended on a number of occasions. The CJRS is currently scheduled to end on 30 September 2021.

39. The CJRS initially covered 80% (up to a maximum of £2,500 per month) of a furloughed workers wages as well as their national insurance and pension contributions. The level of support provided through the CJRS has varied at different points since August 2020.

40. From July 2020 flexible furloughing arrangements were introduced to allow employers to claim for usual hours not being worked by their employees (but who were now working some of their hours).

41. Table 2.3 sets out the proportions of services in each group who have drawn on any form of support from the CJRS since it was launched, whilst Table 2.4 shows the proportions of services that were accessing CJRS support at the time of the survey. This shows that:

- The majority of respondents to the survey reported that they had accessed support through the CJRS at some point since March 2020.
- School age childcare only services were the most likely to have accessed the CJRS (95%), whilst services in the third sector were least likely (73%).
- At the time of the survey some services were still accessing support through the CJRS. School age childcare only services were most likely to still be accessing CJRS support (65%), with funded ELC services least likely (18%).

Table 2.3: Have you, at any point since March 2020, accessed support through the Coronavirus Job Retention Scheme? (Day Care of Children Services)

Type of Service	No	Yes
Funded ELC service	26%	74%
Service does not deliver funded ELC	10%	90%
Private Services	8%	92%
Third Sector Services	27%	73%
School age childcare only	5%	95%

Table 2.4: Do you currently have any staff furloughed - either for all or part of their hours - through the Coronavirus Job Retention Scheme? (Day Care of Children Services)

Type of Service	No	Yes
Funded ELC service	82%	18%
Service does not deliver funded ELC	42%	58%
Private Services	50%	50%
Third Sector Services	72%	28%
School age childcare only	35%	65%

Targeted Support accessed by day care of children services

42. The Scottish Government has provided two targeted schemes for day care of children services in Scotland since the onset of the pandemic:

- The Transitional Support Fund (TSF) which provided one-off grants (ranging from £1,500 to £8,000 dependent on the size of the service) for day care of children services to enable them to meet the costs of meeting the requirements of the public health guidance for these services. The scheme was open for applications between September and October 2020.
- The Temporary Restrictions Fund, which has provided grants to services during the period of temporary restrictions in place from Boxing Day 2020. There have been 3 rounds of grants through the Fund with the final round targeted at school age childcare services.

Table 2.5: Day Care of Children Services who have accessed grant support through the Transitional Support Fund (TSF) and the Temporary Restrictions Fund (TRF) (Day care of children services)

		Access to TRF grant(s)			
Type of Service	**% that received TSF Grant**	**No**	**Yes - both Rounds 1 and 2**	**Yes - Round 1 only**	**Yes - Round 2 only**
Funded ELC service	95%	16%	61%	10%	13%
Service does not deliver funded ELC	82%	36%	30%	1%	33%
Private Services	87%	22%	52%	5%	21%
Third Sector Services	89%	*31%*	*37%*	*6%*	*26%*
School age childcare only	88%	31%	32%	0%	38%

<u>Other support accessed by day care of children services</u>

43. Table 2.6 sets out the range of broader support that has been made available and the percentage of day care of children services that have accessed these schemes. Respondents accessing any of these schemes were given the opportunity to provide more information and highlighted that:

- The average value of loan secured through the Bounce Back Loan Scheme is around £40,000 (and the most common loan value reported is £50,000).
- The majority of respondents who have taken out a loan through the Bounce Back Loan Scheme have indicated that they will have started to make repayments by July 2021.
- For those who have accessed support through the Coronavirus Business Interruption Loan scheme the average value of the loan is around £120,000.
- Services that have secured a Coronavirus Business Interruption Loan indicate that they will make their first repayment between May 2021 and December 2021.

Table 2.6: Percentage of Day Care of Children Services who have accessed different support schemes that have been made available

Type of Service	**Small Business Support Grant**	**Pivotal Enterprise Resilience Fund**	**Other Grant Scheme**	**Bounce Back Loan Scheme**	**Coronavirus Business Interruption Loan**	**Delayed Tax Payments**
Funded ELC service	26%	9%	12%	23%	9%	0%
Service does not deliver funded ELC	15%	3%	21%	29%	0%	15%
Private Services	28%	5%	14%	51%	8%	15%
Third Sector Services	11%	7%	20%	1%	0%	0%
School age childcare only	10%	4%	22%	32%	0%	18%

Self-Employment Income Support Scheme

44. The Self-Employment Income Support Scheme (SEISS) is a UK Government scheme that has made grant support to the self-employed. The scheme initially opened in May 2020, with the initial support available determined by average monthly trading profit. The initial grant provided support for a 3 month period based on 80% of average monthly trading profit (up to a maximum grant of £7,500).

45. To date five rounds of SEISS grants have been made available with the maximum level of grant support available varying across the various grants provided through the SEISS.

46. Initially to be eligible for a SEISS grant the claimant must have been trading, and submitted a tax return, for the 2018-19 tax year (in later rounds those who became self-employed in the 2019-20 tax year could apply).

47. Table 2.7 sets out the proportions of each type of childminding service who have accessed some form of grant support through the SEISS and shows that:

- 70% of childminding services who had responded to the survey reported that they had accessed some grant support through the SEISS.
- Childminding services delivering funded ELC were more likely (78%) to have accessed SEISS support than childminding services not delivering funded ELC (66%).

48. For those childminding services who had accessed the SEISS the total average level of support received, at the time of completing the survey, was around £6,100. The average (mean) value of the total amount of support received through the SEISS is around £4,500 for funded ELC services and around £6,800 for childminding services who do not deliver funded ELC. Applications for the fourth SEISS grant were open (until 1 June 2021) at the time of the survey.

Table 2.7: Have you accessed a grant(s) through the Self-Employment Income Support Scheme? (Childminding Services)

	No	**Yes**
Funded ELC service	22%	78%
Service does not deliver funded ELC	34%	66%
Total	30%	70%

Other support accessed by Childminding Services

49. Childminding services could have accessed targeted grant support through either the Childminding Workforce Support Fund or the Childminding Business Sustainability Fund.

50. The Childminding Workforce Support Fund was targeted at childminding services experiencing financial hardship and who were struggling to access financial support through other schemes. Applications to the Fund could be made through two rounds in July 2020 and October 2020. Total funding of £420,000 (£390,000 from the Scottish Government funding and £30,000 from Scottish Childminding Association (SCMA)) was made available and the Fund was administered by the SCMA.

51. The Childminding Workforce Support Fund provided grants of £350 to 1,185 childminders in total.

52. The Childminding Business Sustainability Fund provided a one-off grant of £750 to all registered childminding services. Grants were issued in March and April 2021. The Fund was administered by the Scottish Government and 3,669 childminding services received a grant through the Fund (accounting for around 87% of all registered childminding services).

53. Table 2.8 shows the proportions of services responding to the survey who had accessed support through these funds. This shows that 46% of childminding services who responded to the survey reported that they had received a grant from the Fund. Those services delivering funded ELC were more likely to have received a grant (51% of services).

Table 2.8: Childminding Services who have accessed grant support through the Childminding Workforce Support Fund and the Childminding Business Sustainability Fund (Childminding Services)

	Did your service receive a grant from the Childminding Workforce Support Fund?		**Has your service received a grant from the Childminding Business Sustainability Fund?**	
	No	**Yes**	**No**	**Yes**
Funded ELC service	49%	51%	22%	78%
Service does not deliver funded ELC	57%	43%	28%	72%
Total	54%	46%	26%	74%

54. Childminding services responding to the survey were also given the opportunity to provide more information on other support that they may accessed. Only a small number of childminding services accessed further support with the most notable being:

- 5% of childminding service reported that they had received support through the newly self-employed hardship grant.
- 7% of childminding services had secured a loan through the Bounce Back Loan Scheme. The average value of the loan secured is around £4,400, and the majority of childminders who have taken out one of these loans will have started to make repayments by July 2021.

Delivery Costs and Investment

55. This section explores the detailed information from the surveys regarding the costs of delivering childcare services. It also sets out the responses to questions regarding specific cost elements, in particular let/rent costs, and whether services had undertaken any capital investment.

Average Costs of Delivering Childcare Services

56. The surveys asked respondents to provide information regarding their average costs of delivering an hour of childcare, and whether they anticipated any changes to these costs in the next 6 months (from answering the survey).

57. This includes detailed information on the cost of delivering childcare to different age groups. These questions were not mandatory and not all respondents provided this information.

58. 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 some respondents answered the questions. In particular 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.

59. As highlighted earlier, in order to ensure that figures can be presented on a comparable and robust basis 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 2.9 to 2.11 is based on responses where the hourly cost of delivery was in the range of £1 to £20.

60. The average costs in tables 2.9 to 2.11 are presented using both the median and mean. The data sets contain 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 data set, therefore provides meaningful measure of the average costs of delivery.

61. In light of these factors the key information to focus on in tables 2.9 to 2.11 is the average percentage changes across the different types of provision.

62. With regards to sustainable rates for the delivery of funded ELC hours, these should be set by local authorities in line with the guidance published in April 2019 and the additional Interim Guidance on implementation of Funding Follows the Child (the latest version of which was published in March 2021).

63. The average charges for School Age Childcare are presented separately in Table 2.10 due to the narrower range of provision in these services.

Table 2.9: Average cost of delivering an hour of childcare across different age groups and by type of day care of children service

Age Group	Funded ELC Service		Service does not deliver funded ELC		Private Services		Third Sector Services	
	median	mean	median	mean	median	mean	median	mean
Under 2 years (March 2020)	£5.27	£6.24	£4.50	£4.23	£5.20	£6.31	£5.38	£4.99
Age 2 years (March 2020)	£5.00	£5.79	£4.50	£6.21	£4.99	£6.05	£5.00	£5.39
3-5 years (March 2020)	£5.00	£5.93	£4.45	£5.60	£5.00	£6.38	£4.75	£4.67
School age child (March 2020)	£4.90	£5.31	£4.20	£5.43	£5.00	£6.35	£4.00	£4.38
Holiday March 2020)	£4.90	£5.01	£3.10	£4.68	£4.50	£5.28	£3.10	£4.20
Under 2 years (current)	£6.11	£7.25	£4.60	£4.97	£6.00	£7.33	£5.63	£5.62
Age 2 years (current)	£5.65	£6.70	£4.60	£6.77	£5.65	£7.04	£5.31	£6.01
3-5 years (current)	£5.50	£6.62	£5.00	£6.67	£5.85	£7.16	£5.00	£5.05
School age child (current)	£5.31	£5.70	£5.00	£5.97	£5.93	£6.76	£4.79	£4.94
Holiday (current)	£5.30	£5.64	£3.50	£4.55	£5.00	£5.46	£3.00	£4.27
Under 2 years % change	16%	16%	2%	18%	15%	16%	5%	13%
Age 2 years % change	13%	16%	2%	9%	13%	16%	6%	11%
3-5 years % change	10%	12%	12%	19%	17%	12%	5%	8%
School age child % change	8%	7%	19%	10%	19%	7%	20%	13%
Holiday % change	8%	13%	13%	-3%	11%	3%	-3%	2%

Table 2.10: Average Cost of delivering an hour of childcare across different age groups, School Age Childcare Only Services

	Cost per hour (median)	Cost per hour (mean)
School age child (March 2020)	£4.13	£5.40
Holiday (March 2020)	£3.00	£4.83
School age child (current)	£5.08	£6.02
Holiday (current)	£3.10	£4.65
School age child % change	23%	12%
Holiday % change	3%	-4%

Table 2.11: Average cost of delivering an hour of childcare across different age groups and by type of childminding service

	Funded ELC Service		Service does not deliver funded ELC	
	median	mean	median	mean
Under 2 years cost (March 2020)	£4.50	£4.32	£4.30	£4.22
Age 2 years cost (March 2020)	£4.50	£4.59	£4.28	£4.24
3-5 years cost (March 2020)	£4.50	£4.85	£4.50	£4.46
School age child cost (March 2020)	£4.88	£4.73	£4.50	£4.43
Holiday cost (March 2020)	£4.50	£4.41	£4.25	£4.29
Under 2 years cost (current)	£4.50	£4.48	£4.50	£4.53
Age 2 years cost (current)	£4.50	£4.53	£4.50	£4.50
3-5 years cost (current)	£4.50	£5.02	£4.50	£4.65
School age child cost (current)	£5.00	£4.95	£5.00	£4.67
Holiday cost (current)	£4.50	£4.65	£4.50	£4.44
Under 2 years % change	0%	4%	5%	7%
Age 2 years % change	0%	-1%	5%	6%
3-5 years % change	0%	4%	0%	4%
School age child % change	3%	5%	11%	5%
Holiday % change	0%	5%	6%	3%

64. Respondents to the survey were given the opportunity to set out more details as to what factors had driven any changes in their costs of delivery between March 2020 and at the point of completing the survey. The factors highlighted included:

- Increased cleaning costs were the most commonly reported factor – this covered both the additional supplies required as well as additional staff time.
- PPE costs, with some respondents mentioning in particular significant increases in the cost of purchasing gloves.
- Meeting the public health guidance for the sector, in particular working with the smaller cohorts (bubbles) which required more staff.
- Costs associated with staff having to self-isolate.
- Increase in insurance premiums.
- Supplier costs have increased (food, utilities, waste, etc).
- Costs of needing to pay staff the Real Living Wage.
- Costs per hour has declined as less children attending the service.
- Increase in rental charges.
- Increased electricity costs due to need to keep windows open for ventilation, increased heating costs and more laundry related costs.
- Increase in the cost of IT equipment.

- Some childminders reported increased transportation costs, including need to purchase more child car seats.
- Additional costs for new equipment for children, in particular for playing outdoors.
- Need for additional capital investment, including sinks, outdoor facilities, etc.

Potential changes in delivery costs

65. Respondents were asked if they anticipated that their delivery costs will change in the 6 months following the survey. Tables 2.12 and 2.13 set out the responses for day care of children and childminding services respectively.

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

- Need to meet general inflationary pressures, including increases in food costs
- PPE costs continue to increase
- Loan repayments would start in this time period
- Need to increase wages to at least the Real Living Wage
- Staff cover for the holiday period
- To cover mandatory training courses that staff are required to attend
- Planned end of the Job Retention Scheme (currently scheduled to end in September 20210
- Local authority have increased rental fees
- End of rent holiday period
- Dependent on any changes to public health guidance for the sector
- Costs associated with recruiting new members of staff to replace those who have left

67. A number of respondents highlighted the importance of the public health guidance for the sector in influencing costs of delivery. For example, some respondents who indicated that they did not expect to see their costs of delivery change in the next 6 months was on the basis of the public health guidance not imposing further restrictions on the operation of their service in this period.

Table 2.12: Do you anticipate that your delivery costs will change in the next 6 months? (Day care of children Services)

	Funded ELC Service	**Service does not deliver funded ELC**	**Private Services**	**Third Sector Services**	**School age childcare only**
Increase	45%	33%	46%	31%	36%
Decrease	3%	13%	2%	15%	15%
Remain broadly unchanged	46%	54%	52%	54%	49%

Table 2.13: Do you anticipate that your delivery costs will change in the next 6 months? (Childminding Services)

	Funded ELC Service	Service does not deliver funded ELC	Total
Increase	33%	22%	25%
Decrease	7%	6%	6%
Remain broadly unchanged	60%	73%	69%

Capital Investment

68. Respondents to the surveys were asked if they had undertaken any capital investment within their service both in the year to March 2020 and in the period since March 2020. Capital investment could include actions to expand, modify, or develop a service (including investment in equipment). Tables 2.14 and 2.15 cover capital investment before and after March 2020, respectively, for day care of children services. Tables 2.16 and 2.17 present the information for childminding services.

Table 2.14: Did you undertake any capital investment within your service in the year to March 2020? Day Care of Children Services

Type of Service	Capital investment funded through a loan (or loans)	Capital investment funded through own funds or reserves	Capital investment funded through grant support	Capital investment funded through other route (please describe)	No capital investment
Funded ELC service	8%	38%	4%	3%	48%
Service does not deliver funded ELC	1%	3%	1%	0%	94%
Private Services	8%	33%	2%	1%	55%
Third Sector Services	0%	5%	2%	1%	91%
School age childcare only	0%	3%	1%	0%	96%

Table 2.15: Have you undertaken any capital investment to your service since March 2020 (this can include investment in equipment)? Day Care of Children Services

Type of Service	Capital investment funded through a loan (or loans)	Capital investment funded through own funds or reserves	Capital investment funded through grant support	Capital investment funded through other route (please describe)	No capital investment
Funded ELC service	9%	35%	14%	0%	42%
Service does not deliver funded ELC	1%	24%	6%	1%	68%
Private Services	10%	45%	11%	1%	33%
Voluntary/not-for-profit Services	0%	12%	9%	0%	79%
School age childcare only	0%	27%	6%	1%	66%

Table 2.16: Did you undertake any capital investment within your service in the year to March 2020? Childminding Services

	Capital investment funded through a loan (or loans)	Capital investment funded through own funds or reserves	Capital investment funded through grant support	Capital investment funded through other route (please describe)	No capital investment
Funded ELC service	2%	33%	5%	0%	60%
Service does not deliver funded ELC	0%	22%	11%	1%	66%
Total	**0%**	**26%**	**9%**	**0%**	**64%**

Table 2.17: Have you undertaken any capital investment to your service since March 2020? (Childminding Services)

	Capital investment funded through a loan (or loans)	Capital investment funded through own funds or reserves	Capital investment funded through grant support	Capital investment funded through other route (please describe)	No capital investment
Funded ELC service	3%	27%	12%	2%	57%
Service does not deliver funded ELC	0%	24%	13%	1%	62%
Total	**1%**	**25%**	**13%**	**1%**	**60%**

Premises

69. Respondents to the day care of children survey were asked whether they owned or let the building(s) in which they delivered their service. Those that let their premises were then asked whether these premises were owned by a local authority.

70. Table 2.18 sets out for the different types of day care of children services whether they owned or let the premises that they delivered their service in, and table 3.20 shows how many of those services that let the premises did so from a local authority.

Table 2.18: Do you own or let the building(s) in which you deliver your service? *(*Day Care of Children Services)

Type of Service	Let building/all buildings in which service is delivered	Own building/all buildings in which service is delivered	Service delivered over a mixture of owned and let buildings
Funded ELC service	74%	23%	3%
Service does not deliver funded ELC	92%	6%	2%
Private Services	69%	26%	5%
Voluntary/not-for-profit Services	99%	1%	0%
School age childcare only	94%	3%	3%

71. Of those respondents whose service is delivered in a building owned by a local authority, some were subject to a ‘free let agreement’: 31% of funded ELC services, and 37% of services who do not deliver funded ELC, who deliver in a building owned by a local authority were subject to a ‘free let agreement’. This was more common for third sector services.

Table 2.19: Are any of the buildings in which your service is delivered owned by a local authority? (Day Care of Children Services)

Type of Service	No	Yes
Funded ELC service	51%	49%
Service does not deliver funded ELC	22%	78%
Private Services	50%	50%
Voluntary/not-for-profit Services	21%	79%
School age childcare only	23%	77%

Demand and Occupancy

72. 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 in March 2020.

<u>Changes in Occupancy Levels</u>

73. Table 2.20 shows the reported occupancy levels (measures as the percentage of registered capacity being utilised) for the different types of day care of children services in March 2020 and at the time of answering the survey (the columns marked 'Current' in the table). Table 3.22 shows this for childminding services.

Table 2.20: Occupancy Levels (percentage of registered capacity) for Day Care of Children Services

Percentage of registered capacity	Funded ELC Service		Service does not deliver funded ELC		Private Services		Third Sector Services		School Age Childcare Only	
	Mar-20	**May 21**	**Mar-20**	**May 21**	**Mar-20**	**May 21**	**Mar-20**	**May 21**	**Mar-20**	**May 21**
25% or less	1%	1%	1%	11%	1%	3%	1%	10%	0%	10%
26 to 30%	0%	1%	4%	4%	3%	2%	1%	4%	5%	4%
31 to 35%	1%	1%	1%	7%	1%	5%	1%	4%	0%	8%
36 to 40%	0%	0%	0%	10%	0%	5%	0%	6%	0%	11%
41 to 45%	0%	4%	2%	12%	0%	9%	2%	7%	1%	14%
46 to 50%	1%	8%	2%	11%	0%	10%	4%	9%	1%	11%
51 to 55%	1%	4%	2%	10%	1%	6%	2%	9%	1%	11%
56 to 60%	6%	4%	4%	11%	5%	9%	6%	6%	3%	12%
61 to 65%	3%	5%	3%	4%	5%	5%	1%	5%	3%	4%
66 to 70%	6%	8%	7%	6%	7%	7%	6%	6%	8%	5%
71 to 75%	12%	9%	9%	1%	14%	8%	6%	1%	10%	1%
76 to 80%	6%	3%	18%	2%	7%	3%	19%	1%	19%	1%
81 to 85%	6%	9%	10%	1%	12%	8%	5%	1%	11%	1%
86 to 90%	13%	14%	11%	3%	17%	9%	6%	7%	12%	1%
91 to 95%	22%	13%	8%	3%	16%	3%	12%	12%	8%	3%
96 to 100%	19%	16%	17%	2%	10%	6%	26%	11%	16%	1%
50% or less	**4%**	**16%**	**11%**	**56%**	**6%**	**35%**	**10%**	**40%**	**8%**	**58%**
Over 75%	**68%**	**55%**	**63%**	**12%**	**63%**	**30%**	**68%**	**33%**	**67%**	**8%**

Table 2.21: Occupancy Levels (percentage of registered capacity) for Childminding Services

Percentage of registered capacity	Funded ELC Service		Service does not deliver funded ELC	
	Mar-20	**May 21**	**Mar-20**	**May 21**
25% or less	3%	3%	12%	21%
26 to 30%	2%	2%	2%	2%
31 to 35%	3%	5%	3%	7%
36 to 40%	0%	7%	1%	4%
41 to 45%	0%	3%	2%	3%
46 to 50%	0%	2%	3%	4%
51 to 55%	0%	3%	2%	9%
56 to 60%	3%	5%	5%	7%
61 to 65%	2%	2%	0%	3%
66 to 70%	3%	8%	4%	3%
71 to 75%	2%	5%	6%	6%
76 to 80%	7%	10%	5%	7%
81 to 85%	5%	13%	2%	4%
86 to 90%	8%	10%	6%	8%
91 to 95%	17%	8%	8%	5%
96 to 100%	45%	13%	40%	8%
50% or less	**8%**	**22%**	**22%**	**40%**
Over 75%	**82%**	**55%**	**61%**	**32%**

74. Tables 2.22 and 2.23 highlight the expected changes in occupancy levels that day care of children and childminding services were anticipating in the 6 months after completing the survey.

Table 2.22: Expected Change in Occupancy Levels for Day Care of Children Services over the next 6 months

	Funded ELC Service	Service does not deliver funded ELC	Private Services	Third Sector Services	School Age Childcare Only
Increase	36%	63%	56%	46%	68%
Decrease	17%	9%	14%	11%	8%
Remain broadly unchanged	47%	28%	30%	43%	23%

Table 2.23: Expected Change in Occupancy Levels for Childminding Services over the next 6 months

	Funded ELC Service	Service does not deliver funded ELC
Increase	15%	15%
Decrease	34%	47%
Remain broadly unchanged	51%	38%

Income

75. The surveys collected information on the income that services received from various sources. This included questions for those services that delivered funded ELC on the contribution that the payments for funded ELC made to their overall income.

Income from fees paid by parents and carers

76. The surveys asked services to provide the following information on their non-ELC income:

- What was your average monthly income from fees paid by parents and carers (e.g. non-funded ELC hours) in the year to March 2020?
- What was your average monthly income from fees paid by parents and carers (e.g. non-funded ELC hours) over the period since August 2020 when your service has been open and not subject to temporary restrictions as to which children can attend your service (for example, in early 2021 many services could only be open for children of key workers and vulnerable children)?

77. Tables 2.24 and 2.25 set out the changes in average monthly from fees paid by parents and carers (non-ELC income) for day care of children services and childminding services, respectively.

Table 2.24: Changes in average monthly income from fees paid by parents and carers (e.g. non-funded ELC), (Day care of children Services)

	Funded ELC service	**Service does not deliver funded ELC**	**Private Services**	**Third Sector Services**	**School age childcare only**
Monthly income year to March	£21,201	£11,491	£21,798	£9,058	£12,295
Current monthly income (£)	£15,525	£6,160	£15,038	£5,245	£6,117
Percentage change in average monthly income	-27%	-46%	-31%	-42%	-50%

Table 2.25: Changes in average monthly income from fees paid by parents and carers (e.g. non-funded ELC), (Childminding Services)

	Funded ELC service	**Service does not deliver funded ELC**
Monthly income year to March	£1,679	£1,315
Current monthly income (£)	£1,076	£895
Percentage change in average monthly income	-36%	-32%

Income from delivery of Funded ELC

78. For those services who deliver funded ELC the surveys asked for the following information:

- In the year to March 2020, what percentage of your service's annual income was accounted for by the payments for the funded ELC hours?
- In the period since August 2020, and when your service has been open and not subject to temporary restrictions as to which children can attend your service, what percentage of your service's income has been accounted for by the payments for the funded ELC hours?

Table 2.26: Percentage of total income accounted for by payments for the delivery of funded ELC, day care of children services and childminding services

	Funded ELC service	Private Services	Third Sector Services	Childminding Services
Percentage of income in year to March 2020	51%	33%	69%	31%
Current percentage of income	61%	45%	77%	35%

79. Those services delivering funded ELC were then asked about changes in the overall levels of income they received for delivering funded ELC:

- Compared to the year to March 2020, how has the total amount (level) of income that you receive for delivering funded ELC changed over the last 12 month period?

80. Where services reported that they had experienced a change in the level of income received for delivery of funded ELC they could set out the percentage increase or decrease in this income. Table 2.27 shows the split of services reporting that their levels of income from funded ELC had decreased, increased or remained unchanged. For those that reported an increase or decrease in the level of their income from funded ELC table 2.28 shows the reported percentage change in this income.

81. Respondents were also able to provide more information as to the reasons for the changes in the amount of income that they received for delivery of funded ELC. The key factors raised were: changes in the number of registered children with increases linked to delivery of 1140 hours; the local authority has provided a supplement to hourly rate to cover additional COVID-19 related costs; and increases in the hourly rate.

Table 2.27: Change in level of income for delivery of funded ELC over the past year, day care of children services and childminding services

	Funded ELC service	Private Services	Third Sector Services	Childminding Service
Decreased	16%	14%	18%	32%
Increased	63%	67%	57%	45%
Unchanged	22%	19%	25%	23%

Table 2.28: Percentage increase or decrease where level of income for delivery of funded ELC changed over the year to March 2020, day care of children services and childminding services

	Funded ELC service	Private Services	Third Sector Services	Childminding Service
Decreased by	38%	27%	50%	27%
Increased by	25%	25%	25%	37%

Charges to Families

82. The surveys asked respondents to provide information regarding the charges that they set for families in order to access their service and any proposed changes to these charges.

83. This includes detailed information on the hourly charges in each service for different age groups. These questions were not mandatory and not all respondents provided this information.

84. As with the information on the costs of delivery Scottish Government analysts undertook a quality assurance exercise on the responses to ensure that comparable and robust analysis can be presented. The key adjustment that has been made here is that the analysis set out in tables 2.29 to 2.31 is based on responses where the hourly charge was in the range of £1 to £20. This was judged to be reasonable cut-off point in order to adjust for where a small number of respondents may not have entered an hourly charge or misinterpreted the question.

85. As with the analysis on costs of delivery both the median and mean figures are presented for the average charge.

86. The average charges for School Age Childcare are presented separately in Table 2.30 due to the narrower range of provision in these services.

Table 2.29: Average (mean and median) charge per hour to parents and carers for an hour of childcare, Day care of children services

	Funded ELC Service		**Service does not deliver funded ELC**		**Private Services**		**Third Sector Services**	
Age Group/Type of care	**median**	**mean**	**median**	**mean**	**median**	**mean**	**median**	**mean**
Under 2 years (March 2020)	£5.19	£5.27	£4.33	£4.41	£5.19	£5.35	£4.00	£4.42
Age 2 years (March 2020)	£5.00	£4.92	£3.90	£4.03	£5.00	£5.11	£4.00	£4.20
3-5 years (March 2020)	£5.00	£5.05	£4.15	£4.61	£5.00	£5.29	£4.20	£4.43
School age child (March 2020)	£4.82	£5.03	£4.14	£4.67	£4.50	£5.27	£4.00	£4.19
Holiday (March 2020)	£4.79	£4.88	£2.50	£3.29	£4.38	£4.53	£2.50	£3.04
Under 2 years (current)	£5.37	£5.44	£4.50	£4.56	£5.37	£5.48	£4.86	£4.68
Age 2 years (current)	£5.10	£5.09	£4.38	£4.77	£5.15	£5.34	£4.45	£4.40
3-5 years (current)	£5.00	£5.29	£4.60	£4.89	£5.30	£5.52	£4.66	£4.67
School age child (current)	£5.00	£5.37	£4.11	£4.78	£4.60	£5.47	£4.00	£4.29
Holiday (current)	£4.90	£5.14	£2.50	£3.18	£4.61	£4.44	£2.50	£3.19
Under 2 years % change	3%	3%	4%	3%	3%	2%	21%	6%
Age 2 years % change	2%	3%	12%	18%	3%	5%	11%	5%
3-5 years % change	0%	5%	11%	6%	6%	4%	11%	5%
School age child % change	4%	7%	-1%	2%	2%	4%	0%	2%
Holiday % change	2%	5%	0%	-4%	5%	-2%	0%	5%

Table 2.30: Average (mean and median) charge per hour to parents and carers for an hour of childcare, School Age Childcare Only Services

Age Group/Type of care	Charge per hour (median)	Charge per hour (mean)
School age child cost (March 2020)	£4.14	£4.83
Holiday cost (March 2020)	£2.50	£3.35
School age child cost (current)	£4.11	£4.92
Holiday cost (current)	£2.50	£3.15
School age child % change	-1%	2%
Holiday % change	0%	-6%

Table 2.31: Average (mean and median) charge per hour to parents and carers for an hour of childcare, Childminding Services

	Funded ELC Service		Service does not deliver funded ELC	
Age Group/Type of care	**Charge per hour (median)**	**Charge per hour (mean)**	**Charge per hour (median)**	**Charge per hour (mean)**
Under 2 years (March 2020)	£4.37	£4.48	£4.50	£4.53
Age 2 years (March 2020)	£4.44	£4.49	£4.50	£4.53
3-5 years (March 2020)	£4.50	£4.65	£4.50	£4.50
School age child (March 2020)	£5.00	£4.84	£4.50	£4.60
Holiday (March 2020)	£4.50	£4.45	£4.50	£4.58
Under 2 years (current)	£4.50	£4.66	£4.50	£4.62
Age 2 years (current)	£4.50	£4.68	£4.50	£4.61
3-5 years (current)	£4.50	£4.72	£4.50	£4.70
School age child (current)	£5.00	£4.85	£5.00	£4.77
Holiday (current)	£4.75	£4.76	£4.50	£4.60
Under 2 years % change	3%	4%	0%	2%
Age 2 years % change	1%	4%	0%	2%
3-5 years % change	0%	1%	0%	4%
School age child % change	0%	0%	11%	4%
Holiday % change	6%	7%	0%	1%

<u>Potential changes to hourly rates</u>

87. Respondents to both surveys were asked whether they currently have any plans to make changes to the hourly rates that you charge to parents and carers over the next 6 months.

88. Table 2.32 sets out the responses from day care of children services. Where respondents provided further information as to why they were planning to change their charges over the next 6 months the main points raised were:

- Increase required to cover additional cleaning and PPE costs
- Need to cover general inflationary increases and higher staffing costs
- Need to increase fees in order to be able to pay all staff in the service the real Living Wage

- Implementation of planned annual increase (some services indicate this normally takes effect in August/September each year)
- Hourly rate received for delivering of funded ELC doesn't cover current costs of delivering the service
- Service has undertaken a market analysis of local area and will increase fees on the back of this
- Need to increase charges in order to off-set fall in demand
- Delayed previous planned price increases due to the impact of the pandemic
- Currently reviewing business model for service, which may require changes to charging structure in order to remain sustainable
- Dependent on decision at next AGM (a number of services in the third sector highlighted that decisions on charges taken each Summer at AGM, with some proposing price increases)
- No longer charge for snacks

Table 2.32: Do you currently have any plans to make changes to the hourly rates that you charge to parents and carers over the next 6 months? (Day care of children services)

	Funded ELC service	Service does not deliver funded ELC	Private Services	Third Sector Services	School age childcare only
Yes	44%	22%	36%	28%	24%
No	56%	78%	64%	72%	76%

89. Table 2.33 sets out the responses from childminding services. Where respondents provided further information as to why they were planning to change their charges over the next 6 months the main points raised were:

- Increase to reflect changes in the cost of running the services, due to a range of factors including increased cleaning costs (and associated additional hours of work), and increased food costs
- Need to increase in fees required to make business sustainable, with some indicating that this was to offset overall loss of income
- Moving from an hourly charge to a daily rate
- Higher fees for new families accessing the service (no change for current families to reflect loyalty)
- Introducing a previously planned increase which was delayed to help families during the pandemic
- Local childminding association reviews rates each year and sets recommended charging rates for local childminders

Table 2.33: Do you currently have any plans to make changes to the hourly rates that you charge to parents and carers over the next 6 months? (Childminding Services)

	Funded ELC Service	Service does not deliver funded ELC
Yes	37%	21%
No	63%	79%

Additional Charges

90. Respondents to both surveys were asked if in addition to fees charged for an hour of childcare, are there any other charges that parents and carers pay?

91. Tables 2.34 and 2.35 set out the responses from day care of children services and childminding services respectively. Respondents were given the opportunity to set out more information on these charges and whether they had, or planned to, make any changes to them. Where respondents provided further information on these additional charges the main points raised were:

- The most common charges were for meals and snacks:
    - The responses indicated that families were charged in the range of £1.50 to £2.50 per meal (for lunch or dinner) and £0.60 to £0.80 for breakfast.
    - Families were charged either a daily or weekly rate for snacks, with responses indicating that this was generally in the range of £0.35 to £0.50 per session.
- A number of third sector school age children services reported that they charged an annual family membership/registration fee, which ranged from around £10 to £30 per family each year.
- Additional charges for trips/outings
- Mileage charges, as well as drop off and pick-up charges (highlighted by childminding services)
- Some childminding services indicated they charged retainer fees
- Some services indicated that they charged a late fee if children were not picked up at the end of their session
- Charges for additional classes offered at the service (examples included yoga, language classes, and sports classes).
- Only a very small number of respondents indicated that they had made any changes to these charges over the past year or had plans to make changes in the next 6 months. Where planned changes were highlighted these were mainly in relation to increases in charges for meals.

Table 2.34: In addition to fees charged for an hour of childcare, are there any other charges that parents and carers pay? Day Care of Children Services

	Funded ELC service	Service does not deliver funded ELC	Private Services	Third Sector Services	School age childcare only
Yes	36%	19%	27%	27%	22%
No	64%	81%	73%	73%	78%

Table 2.35: In addition to fees charged for an hour of childcare, are there any other charges that parents and carers pay? Childminding Services

	Funded ELC Service	Service does not deliver funded ELC
Yes	23%	13%
No	77%	87%

Staffing

92. 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 as to how many services currently pay the real Living Wage and how many intend to do so in the future.

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

<u>Staff Vacancies</u>

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

- Do you currently have any staff vacancies in your service (if fully staffed then answer no)?
- Have any members of staff left your service since March 2020?

Table 2.36: Do you currently have any staff vacancies in your service (if fully staffed then answer no)? (Day Care of Children Services)

Type of Service	No	Yes
Funded ELC service	61%	39%
Service does not deliver funded ELC	82%	18%
Private Services	65%	35%
Third Sector Services	80%	20%
School age childcare only	84%	16%

Table 2.37: Have any members of staff left your service since March 2020? (Day Care of Children Services)

Type of Service	No	Yes
Funded ELC service	25%	75%
Service does not deliver funded ELC	27%	73%
Private Services	14%	86%
Third Sector Services	38%	62%
School age childcare only	26%	74%

<u>Payment of the real Living Wage</u>

95. The Scottish Government believes that the single most important driver of the quality of a child's early learning and childcare (ELC) experience is a high quality workforce. That is why a commitment to Fair Work Practices is a key aspect of Funding Follows the Child.

96. The Scottish Government considers the payment of the real Living Wage to be a significant indicator of how a provider of funded ELC is committed to Fair Work practices. To support this private and third sector providers delivering funded ELC entitlement will receive a sustainable rate, which enables payment of at least the real Living Wage to all childcare workers delivering the funded ELC entitlement.

97. In order to gather more information on payment of the real Living Wage across the childcare sector the survey 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 from August 2021?

98. Tables 2.38 and 2.39 provide a summary of the responses to these questions.

Table 2.38: Do you currently pay at least the Real Living Wage to staff in your service?

Type of Service	No	Yes - all staff	Yes - staff delivering funded ELC
Funded ELC service	16%	56%	29%
Service does not deliver funded ELC	49%	51%	0%
Private Services	44%	37%	19%
Third Sector Services	22%	70%	7%
School age childcare only	48%	52%	0%

Table 2.39: Do you intend to pay the Real Living Wage to all staff in your service from August 2021?

Type of Service	No	Yes
Funded ELC service	12%	88%
Service does not deliver funded ELC	43%	57%
Private Services	36%	64%
Third Sector Services	21%	79%
School age childcare only	42%	58%

Assessment of Sustainability

99. The surveys asked respondents to provide assessments 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) at: (1) March 2020 before the impacts of the pandemic, and the restrictions for the sector, took effect; and (2) at the time of answering the survey (which for the majority of respondents was some point in May 2021).

Day care of children services assessment of sustainability

100. Table 2.40 sets out for each type of day care of children their self-reported assessments of sustainability in March 2020 and at the time of the survey.

Table 2.40: Sustainability Assessments for Day Care of Children Services, 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)

	Funded ELC service		**Service does not deliver funded ELC**		**Private Services**		**Third Sector Services**		**School age childcare only**	
Assessment of Sustainability	**March 20**	**May 21**	**March 20**	**May 21**	**March 20**	**May 21**	**March 20**	**May 21**	**March 20**	**May 21**
1	0%	0%	0%	6%	0%	5%	0%	1%	0%	5%
2	0%	1%	0%	8%	0%	3%	0%	6%	0%	8%
3	3%	3%	2%	4%	2%	5%	2%	2%	1%	5%
4	3%	5%	0%	8%	1%	6%	1%	7%	0%	10%
5	3%	9%	3%	13%	2%	15%	4%	7%	1%	10%
6	5%	18%	2%	14%	5%	15%	2%	17%	3%	15%
7	9%	18%	8%	12%	6%	14%	11%	16%	8%	11%
8	21%	16%	8%	14%	10%	8%	17%	22%	7%	16%
9	29%	13%	22%	6%	26%	8%	25%	10%	21%	4%
10	29%	17%	54%	14%	48%	21%	37%	10%	59%	15%
1-4 Total	**5%**	**9%**	**2%**	**26%**	**3%**	**19%**	**4%**	**17%**	**1%**	**29%**
5-6 Total	**8%**	**27%**	**6%**	**28%**	**7%**	**30%**	**6%**	**25%**	**4%**	**25%**
7+ Total	**87%**	**64%**	**92%**	**47%**	**90%**	**51%**	**90%**	**58%**	**95%**	**47%**

101. Table 2.41 provides a split within each type of service based on whether they reported a decrease, increase or no change in their sustainability assessment.

Table 2.41: Change in Sustainability Assessment between March 2020 and current assessment by type of service

Type of Service	**Decrease**	**Increase**	**No Change**
Funded ELC service	56%	13%	31%
Service does not deliver funded ELC	74%	9%	17%
Private Services	64%	8%	28%
Third Sector Services	68%	14%	19%
School age childcare only	77%	5%	18%

102. The surveys allowed respondents to provide further information to explain their sustainability assessments.

103. A range of different issues were covered in these responses. We have grouped these by theme in Table 2.42, and distinguished between funded and non-funded services, and for each group whether they reported: (1) a decrease in their sustainability assessment between March 2020 and now; or (2) an increase or no change in their sustainability assessment between March 2020 and now.

Table 2.42: Themes highlighted by services to support their assessment of sustainability, day care of children services

	Decrease in Sustainability Assessment	**Increase or no change in Sustainability Assessment**
Funded ELC Service	• Lower funded payments due to decrease in demand • Increased COVID-19 related costs (e.g. cleaning, staff, PPE) • Extra costs in order to be able to pay the real Living Wage • Concerns as to whether the sustainable rate for delivering funded ELC will increase to cover additional COVID-19 related costs • Increased administration • Sustainable rate not felt to be enough to cover costs of delivery • Sustainable rates for next school year not yet set by local authority • Unable to compete with wraparound charges at local authority services • Concerns that expansion to 1140 hours has resulted in too much local capacity, which could reduce demand for places at private/third sector services. • Impact of public health guidance for day care of children services, in particular the need to operate smaller cohorts (bubbles) • Concerns about losing staff • Majority, or all, of financial reserves have been drawn down • Concerns about the impacts of positive COVID-19 cases in setting • Unable to match salaries offered in local authority settings • Struggle to get parents to join Committee and to help run the service (and concerns raised by a small number of respondents regarding the parent committee based model)	• Strong demand for places (with some reporting long waiting lists) • Owners of business have substantial assets to draw on • Importance of Government support, in particular the Job Retention Scheme and payments for delivering critical childcare • Determination of team running the service • Gaining partnership status (being able to deliver funded ELC) has improved sustainability • Used lockdown period as an opportunity to review business structure and processes in order to improve • Low cost loans have supported the service during the period of restrictions and reduced demand
Service does not	• Reliant on support provided by the Government (in particular the Job	• Government support has helped to maintain sustainability

deliver funded ELC	Retention Scheme), but concerned about these ending • Running at a loss each month despite support measures • Significant decrease in demand and currently slow to recover to previous levels • Continued low demand could result in staff redundancies • Increased cleaning costs • Increased administration costs • Change of premises has resulted in substantial increase in let costs • Concerns about another lockdown period that restricted demand • Majority, or all, of financial reserves have been drawn down • Difficulty in attracting qualified staff to fill vacancies • Move to university and college students predominately learning online has impacted demand • Unable to hold fundraising events • Pressures on staffing capacity • Parents have continued to contribute to the service during closure periods	(importance of Job Retention Scheme) • Have been able to draw on reserves • Able to sustain service on lower numbers • Interest from families for places • New service model to meet the needs of children, families and the community.

Childminding services assessment of sustainability

104. Table 2.43 sets out the self-reported assessments by childminding services of their sustainability in March 2020 and at the time of the survey.

Table 2.43: Sustainability Assessments for Childminding Services, 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)

Assessment of Sustainability	Funded ELC Service		Service does not deliver funded ELC		Total	
	Mar-20	Current	Mar-20	Current	Mar-20	Current
1	5%	7%	6%	8%	5%	7%
2	0%	2%	1%	6%	1%	5%
3	2%	7%	4%	7%	3%	7%
4	0%	5%	3%	10%	2%	8%
5	7%	17%	8%	16%	7%	16%
6	2%	13%	2%	9%	2%	10%
7	3%	15%	8%	13%	7%	13%
8	20%	20%	8%	12%	12%	14%
9	10%	3%	13%	8%	12%	6%
10	52%	12%	47%	12%	48%	12%
1-4 Total	**7%**	**20%**	**13%**	**31%**	**11%**	**28%**
5-6 Total	**8%**	**30%**	**10%**	**25%**	**9%**	**27%**
7+ Total	**85%**	**50%**	**77%**	**44%**	**79%**	**46%**

105. Table 2.44 provides a split based on whether the childminding service reported a decrease, increase or no change in their sustainability assessment between March 2020 and the time of the survey.

Table 2.44: Change in Sustainability Assessment between March 2020 and time of survey by type of childminding service

Type of Service	Decrease	Increase	No Change
Funded ELC service	63%	7%	30%
Service does not deliver funded ELC	57%	14%	29%

106. The survey allowed childminding services to provide further information to explain their sustainability assessments.

107. A range of different issues were covered in these responses. We have grouped these by theme in Table 2.45, and distinguished between funded and non-funded services, and for each group whether they reported: (1) a decrease in their sustainability assessment between March 2020 and now; or (2) an increase or no change in their sustainability assessment between March 2020 and now.

Table 2.45: Themes highlighted by services to support their assessment of sustainability, childminding services

	Decrease in Sustainability Assessment	Increase or no change in Sustainability Assessment
Funded ELC Service	• Reduced demand from families and struggling to fill places. Some services indicate that demand is particularly low for places for school age children (and need for wraparound care). • More flexible working practices, in particular working from home, suggested as a factor for lower demand. • Some report less demand for places for babies. This can have a knock-on impact for future places as this can evolve into a blended place as children gets older. • Drawing on savings to maintain service • Limited, or no, blended placements. • Indication that some parents currently preferring children to be at nurseries due to time lost during the periods of restrictions. • Not being able to charge parents when children have to self-isolate and cannot attend service. • Limited, or no, enquires for ELC places starting in August 2021. • Some other services, such as playgroups, no longer available. • Had to invest in capital equipment and funded through bank loans.	• Loss of other childminding services in the local area during the pandemic has meant a waiting list for places at services still open.
Service does not deliver funded ELC	• Considering closing their service as demand remains low. • Income levels and demand for places remains very low (and no demand for some services). • Lack of enquiries for places. • Challenges of being located in a rural area. • Have offered funded hours, but no demand from families for places. • Level of financial support that they have been able to access has been limited. • Loss of space in setting (home) as partner now working from home. • Exhausted after challenging year and extra work to meet requirements of the public health guidance for the sector.	• Becoming a funded provider will help to provide more stability in income. • Reliant on support through Universal Credit.

	• Incurred debt in order to maintain, and rebuild, business. • Impact of not being able to charge parents if their child has to self-isolate and is unable to attend.	

Section 3: Experiences of Childcare Providers

108. This section focuses on the key findings from the case study interviews and the discussions with the provider representative bodies. We capture these findings through broad profiles for the different types of providers set out in Section 2. The profiles bring together a mixture of quantitative data from the detailed surveys and the insights from the in-depth case studies and discussions with the representative bodies.

Representative Body Discussions

109. As highlighted in the main report many childcare services are members of one (or more) of the childcare sector representative bodies in Scotland: Care and Learning Alliance (CALA), Early Years Scotland (EYS), National Day Nurseries Association (NDNA), Scottish Childminding Association (SCMA), and the Scottish Out School Care Network (SOSCN).

110. In addition to representing their members, the representative bodies provide a range of targeted support and advice. They are also reliant on funding from a variety of sources including membership fees, grant support from the Scottish Government, additional targeted services for members, delivery of childcare services (for some bodies), and accessing grant support from other schemes where possible.

111. The Scottish Government Early Learning and Childcare Directorate works closely with the representative bodies, and this engagement increased during the pandemic as we worked to understand the emerging impacts on the sector. They are also members of a range of working groups, including the Childcare Sector Recovery Working Group which played an important role in helping to inform the actions taken to support the wider childcare sector.

112. However, the sector representative bodies have also been impacted by the pandemic. To better understand these impacts we held detailed discussions with each of the bodies. We are very grateful to the representative bodies who gave a significant amount of the time to contribute to this exercise.

113. In addition, as part of our provider case study interviews we also, where relevant, sought the views of providers on the representative bodies of which they are members.

114. The questions asked during these in-depth discussions with the sector representative bodies were based around the following categories:

- Impacts & Finances
- Member Issues, Membership Support & Relationships
- Workforce
- Forward Look

115. Table 3.1 provides a summary of the key points raised across these discussions.

Table 3.1: Main themes highlighted by the sector representative bodies

Impacts & Finances	• The representative bodies have had to significantly restructure the nature of the support and advice that they provide to their members, as they have focused more on COVID-19 related work. As a result they had to pause some of their strategic and development work streams.
	• All of the representative bodies have seen a significant increase in the volume of their engagement with members, as the need for support has increased significantly throughout the pandemic.
	• There has been a substantial amount of learning since March 2020, as new working practices and solutions have had to be developed.
	• There has been a significant financial impact on the representative bodies. For example:
	    o All groups have incurred some costs as they have altered the way their organisations operate including having to invest in additional IT equipment, software licenses and online platforms
	    o Income has been impacted by a range of factors including: a decrease in membership subscriptions; cancellation of income generating events and face to face services; decrease in trading activities; and loss of dedicated project funding for projects that couldn’t go ahead due to COVID-19.
	    o Some running costs have decreased, such as travel costs and office spaces, although there have been some savings in moving to online work.
	    o All bodies highlighted that core funding provided by the Scottish Government has been static for a number of years despite an increase in ongoing costs and staff salaries.
	• Some bodies highlighted that there is a potentially hidden cost from the knock-on effect on other strategic strands of work due to more reactive COVID-19 related work.
	• Some elements of funding received from the public sector is variable as it is often tied to particular workstreams or projects.
	• Some bodies have accessed furlough or part-time furlough at some point over the past year.

Member Issues, Membership Support & Relationships	• There is a mixed picture in terms of the impact of the pandemic on membership numbers. • Membership fees for services have generally remained unchanged during the pandemic period.

	• More frequent contacts with members, and this has often involved providing emotional support that was not required before. • There is a sense that more advice and information about business and financial support has been given and has been required (as some members have found it challenging at times to navigate the range of support that has been made available by various bodies). • There has been an increase in the focus on campaigning and influencing relationships with the Scottish Government and local authorities and other partners. • The bodies indicated that they were appreciative of their involvement in various groups the Scottish Government created and the opportunity to be 'a voice of the sector'. • Members really appreciative of the level of support and advice they have received, and the opportunity to have their voice heard in policy development. • Resources that were produced were also, in many cases, available to non-members as well.
Workforce	• New ways of working such as online networking allowed the representative bodies to reach more members in remote areas, meet more regularly and keep in touch with members and staff. • The majority of staff across the representative bodies had been working from home since March 2020 (excluding staff that work directly in settings). • Whilst it has been challenging for staff not being in the same physical location, it has provided new opportunities, including improved use of technology, and there are some cases of staff being connected more than before. • Staff capacity was hugely impacted as many had to move their focus to reactive, COVID-19 related work. • Staff have reported being anxious at times and the isolation has been hard for some, and, at times, it has been difficult to maintain work-life balance. • Online learning to support staff and the sector workforce has been developed.
Forward Look	• Financial sustainability is an increasing concern for the representative bodies with many having to make challenging decisions (in particular where they also operate services). • The is a willingness to support the sector more and develop new projects and income generating streams –

	however, core funding will be crucial, including to increase staff capacity. • For some representative bodies their sustainability rests on their members' sustainability – another closure period and reduced demand on services could have a knock-on effect on the organisations. • Considerations being given to operational models to ensure financial sustainability going forward, and will continue to look for opportunities to diversify their income streams and focus on growth.

In-depth case study interviews

116. Table 3.2 provides an overview of the participants to the in-depth case studies. The participants covered a variety of provider types, which enabled for a range of issues to be discussed. We are very grateful to the providers who gave a significant amount of their time to contribute to this exercise.

Table 3.2: Overview of contributors to in-depth case studies

Provider Type	Background
Private and third sector day care of children services	5 providers – including an outdoor setting, mixed provision (some School Age Childcare (SAC) services) of varying sizes and a mixture of urban/rural settings. All of these services delivered funded ELC.
School Age Childcare (SAC) only services	5 dedicated SAC, of varying sizes and locations (e.g. rural and urban services)
Childminders	5 childminders – one larger provider. Various locations, including remote & rural settings. Mix of funded/unfunded ELC providers.

117. The questions asked for the case studies were loosely based around six key categories, informed in part by our engagement with the sector. The categories were:

- Impacts & Sustainability
- Business & Financial Support
- Costs & Delivery
- Capacity & Income
- Relationships – Representative Body & Local Authority
- Workforce

118. Questions were tailored to the experiences and circumstances of providers and interviews remained open to topics and issues raised by participants throughout the session. Participants were asked about the general topics, as well as some issues specific to their provider sub-group. Where possible we looked to use case studies to explore some of the emerging themes from the very early analysis of the provider surveys.

Provider Profiles

119. Drawing on the range of evidence and analysis we have presented profiles for different types of providers across the sector in order to highlight variations in impacts. The profiles bring together a mixture of quantitative data from the detailed surveys and the insights from the in-depth case studies and discussions with the representative bodies.

120. Profiles are presented for the following broad categories of provider:

- Day care of children services in the private and third sector delivering funded early learning and childcare (ELC)
- Day care of children services in the private and third sector not delivering funded ELC
- Private day care of children services
- Third sector day care of children services
- Day care of children services that deliver school age childcare only
- Childminding Services delivering funded ELC; and
- Childminding Services not delivering funded ELC.

121. Each profile covers the following areas: Impacts and Sustainability; Business and Financial Support; Costs and Delivery; Capacity and Income; Relationships; and Workforce. Each profile finishes with key considerations for the group of providers.

122. Before presenting the provider profiles we have set out a summary of the key themes that emerged across the majority of provider types. Whilst, as we will highlight, there are variations in the scale and nature of impacts across different types of providers there are also examples where all providers faced similar impacts.

123. Whilst there are challenges and concerns for the sector the evidence from the case studies and the surveys does indicate that many providers have managed to remain sustainable and continue to be positive about their long-term position. However, this has required considerable adjustments, both in service delivery and in managing their finances, throughout the pandemic as they adapted to the temporary closures and ongoing restrictions on the numbers of children in attendance.

124. Some providers have reported however, that the changes to working practices necessitated by public health guidance have been a positive experience, with the majority of participants reporting that relationships with communities and staff have deepened and strengthened with many providers keen to embed these new practices.

125. There are four driving factors across all types of providers that are reported as having a negative effect on sector sustainability and resilience for all providers, and these could, in turn, impact the pace and extensiveness of overall sector recovery:

- Continuing COVID-19 related impacts, such as further restrictions on childcare provision which would negatively impact on delivery costs and significantly reduce income levels; or any further closure periods.
- The continued reduced demand for services – although to varying degrees across different providers – caused by a variety of factors, including increased working from home, staff still being on furlough and a shift in parental attitudes. It is not clear at the moment how many of

these factors are temporary and how many will become more permanent structural changes in demand.

- Reduction in, and volatility of, income.
- Retention, Recruitment & Wellbeing of the workforce.

126. In addition, there are specific points relating to certain types of providers:

- Services delivering funded ELC have, in general, reported less significant changes in income and have highlighted the importance of the income that they continued to receive for funded ELC. However, a key challenge has been the funding rate they receive for delivering funded ELC with some indicating that this does not currently cover costs of delivery (and, in particular, the additional COVID-19 costs).
- There are a number of specific challenges for School Aged Childcare services, in particular:
    - The costs associated with, and the lack of control over arrangements, for premises.
    - Working in small separate cohorts of children and staff (often referred to as bubbles and issues over blended placements have caused concern for some SAC services.
    - The declines in demand and income are particularly acute for many SAC services.
    - Concerns regarding the longer-term impact on demand for service, with some indicating that they expect some families to struggle to afford a return to quality SAC services.

- Childminding services – regardless of whether they were delivering funded ELC – highlighted the following specific challenges:
    - Difficulties in providing blended placements due to the impacts from the implementation of public health guidance and the models of blended placement on offer across authorities.
    - Some childminders reported feeling under-valued and unfairly treated at times (compared to nurseries); whilst some indicated that more still needed to be done to promote childminding as an option for funded ELC provision.

127. The following sections set out the broad provider profiles.

Funded early learning and childcare (ELC) services – including day care of children services in both the private and third sector

Impacts & Sustainability

- Income for funded ELC, which continued during the closures period, has been crucial to funded ELC providers, and has helped to keep many businesses solvent.
- Those that stayed open as Key Worker Hubs maintained continuity in terms of relationships (staff & community) and this has for some helped resilience levels.

Business & Financial Support

- Most providers indicated that support from the Coronavirus Job Retention Scheme has been vital to keeping them in business – although almost all have had a full staff compliment back since March 2021.
- Income from statutory ELC hours has been crucial for these providers, for some their income from statutory hours has gone up in 2021 as the 1140 hours roll out continued.

Costs & Delivery

- Salaries have been the largest outgoing for most providers. Funded providers that pay the real Living Wage have felt pressure to increase all wages as a result and many have still done despite the pandemic challenges
- Some providers also highlighted the need to compete with their local authority for quality experienced staff, particularly in terms of salaries. Some highlighted that they felt the sustainable rate offered by authorities for delivery of funded ELC was not sufficient to allow for fair competition in salaries.
- All participants have incurred a wide range of COVID-19 related costs due to a variety of factors including: cleaning hours; cleaning materials and PPE; installing hand washing facilities; adjusting rooms to work in bubbles; investing in outdoor spaces; increased transport costs and heating costs (due to need for increased ventilation).
- Costs of delivery have also risen due to increased staffing to incorporate small consistent cohorts and other operational arrangements in place, and to cover staff absences.

Capacity & Income:

- Many settings have been operating below capacity due to restrictions on childcare provision and positive COVID-19 cases.
- Those services who also offered school age childcare provision indicated that changes in working patterns (in particular more people working from home) and flexibility of working hours could lead to other forms of childcare, such as informal childcare, becoming appealing to some families.
- Summer months are generally quieter income-wise for many funded providers.

Relationships:

- Some providers felt that partnership working has been negatively impacted since that start of the pandemic. The main feedback was that local authorities (ELC teams and other departments) did not maintain adequate communications with the sector at times during the pandemic.
- However, there were also some examples of continued positive relationships between services and local authorities.
- All case studies participants were members of at least one representative body.
- In addition to their representative body, many providers use local forums and other support groups to share information and best practice.

Workforce:

- Some providers we spoke to expressed their ongoing concerns around staff retention and losing qualified staff to local authority nurseries, as well as increased recruitment costs.

Key considerations:

- For funded providers, a key determinant of sustainability will be the level of funding that they receive from their local authority for delivering funded ELC.
- The case study participants emphasised the importance of a fair and equal funding rate from their local authority to be able to meet living wage commitments and help with training costs. Some providers have also highlighted that the funded income level should increase annually to match at least the percentage increase of wage costs due to real living wage increase.
- Concerns remain about cash flows/reserves if another period of restrictions become necessary, especially as the support from the Coronavirus Job Retention Scheme ends (in September 2021).
- Participants have also expressed a need for clarity in terms of the timeline around restrictions to plan effectively for the future.
- All providers rely on parents returning to work and increasing their demand for services going forward to remain sustainable.

Day care of children services not delivering funded ELC

Impacts & Sustainability:

- Working in small separate cohorts of children and staff (often referred to as bubbles) and issues over blended placements have caused concern in some way for most case studies participants.
- Many providers have reported a reduction in demand – this is particularly acute for some providers with a school age childcare element to their service as working environments and flexibility of hours have changed.
- A few non-funded providers have mentioned a loss of nursery aged children accessing their service who now are able to access care at the local authority nurseries for the full 1140 hours.

Business & Financial Support:

- Many providers have drawn on support from the Coronavirus Job Retention Scheme; whilst the Transitional Support Fund and Temporary Restrictions Fund have provided support as well, although overall have had a smaller impact than the furlough scheme on business sustainability.

Costs & Delivery:

- Providers have reported higher staff costs as they have had to meet increases in the National Minimum Wage and the National Living Wage increase.
- The consequence of implementing bubbles coupled with a drop in demand have directly affected capacity for many – and has a doubly negative effect, as staffing levels do not reduce in line with number of children, resulting in less income but higher staffing cost per hour.
- COVID-19 related costs, particularly due to increased cleaning, have been felt by all participants.
- Some have reported an increase in snack costs due to more single-use, convenient foods that reduce contamination risks.
- Most reported that they had not introduced increases in session charges, as they felt this wouldn't be right during the pandemic.

Capacity & Income:

- Many providers have been operating at a lower occupancy levels due to restrictions.
- There has been a reduction in children attending for various reasons, mainly due to parents either working from home or being on furlough.
- Other forms of income generation have been lost due to the pandemic (such as private lets).

Relationships:

- Strong consensus on sectoral gratitude for their representative bodies - providing support and helping to disseminate important information has been invaluable.
- Human Resources (HR) support and improving financial knowledge most often cited as areas where the sector would like to see more support.

Workforce:

- Participants reported some ongoing concerns around staff retention and losing qualified staff to local authority nurseries.
- Majority have accessed some sort of online Learning and Development (L&D) resources and now looking to undertake face to face training once possible (such as First Aid); all employed new channels of communication and increased use of technology.

Key considerations:

- For non-funded providers, further COVID-19 restrictions and/or closures would have a largely detrimental impact on their sustainability, particularly if coupled with the furlough scheme ending and the need to meet deferred tax payments and loans.
- Important that services are given sufficiently advanced notice as to when changes to restrictions are required to aid with planning and promotion of services to increase occupancy levels
- Low demand remains the main concern, including for Holiday Club sessions and school age childcare provision.
- Some providers highlighted that targeted funding may be required to help them remain open until demand increases with the return of parents to workplace and further education settings.
- Participants were also apprehensive about a potential increase in their running costs (including a rent increase by their local authority), whilst they largely feel unable to increase their own prices as parents would find it unaffordable.

Services delivering school age childcare (SAC) only

Impacts & Sustainability:

- General reduction in demand as working environments and flexibility of hours have changed.
- In addition, SAC services have faced challenges not always as prevalent in other parts of the sector including, for some services, a lack of autonomy over access and reopening of premises.
- Drop in demand has been particularly acute for some SAC services.
- There is a distinct difference based on type of premises – rent and ability to control environment is a significant factor for these providers.

Business & Financial Support:

- Many SAC providers have drawn on the Coronavirus Job Retention Scheme (CJRS), with some continuing to do so, due to longer restrictions on their services and, to a smaller extent, on the Transitional Support Fund (TSF) and the Temporary Restrictions Fund (TRF, Round 3).
- Some reported not applying for the TSF (as they were closed, unaware or pre-occupied dealing with reopening and navigating guidance).

Costs & Delivery:

- SAC providers tied in to costly contracts have been negatively impacted.
- The staff costs have increased per child due to the requirement for bubbles, as well as increases in the statutory National Living Wage.
- Increased running costs (rent increases annually for many) and COVID-19 related costs, some providers made changes to premises for reopening.

Capacity & Income:

- Drop in income reported by most SAC providers over the past year reflecting lower demand.
- A sense that parents or carers of school age children are more likely to allow their child to come home at the end of school whilst they work from home or make alternative informal arrangements.

Relationships:

- All SAC participants expressed gratitude for their sector representative bodies who have been providing support and helping to disseminate important information throughout the pandemic.

Workforce:

- SAC services, who had to close for longer, felt more detached and resilience fluctuated more among staff.

- SAC participants reported a bigger focus on wellbeing during the second lockdown due to winter time and local restrictions in place.

Key considerations:

- Continued low demand and cost of premises remain the key concerns for SAC providers. In particular, it is not clear the degree to which the current impacts will be temporary or whether some will become permanent and result in changes in demand for SAC services.
- Some participants felt that parents and carers might require financial support to go back to quality SAC if parental income is squeezed due to furlough or self-isolation.
- Worries around further COVID-19 restrictions and/or closures and their potential impact on cash flows – as there is no security blanket for many providers and the Job Retention Scheme is ending in September 2021.
- Some participants indicated that funding may be required to help SAC services to stay open until demand improved with the return of parents to workplaces. Reserves across services are low and ability to replenish funds are restricted.
- Some concerns around the Scottish Government’s plans for funded before and after school care provision – views that replicating the ELC model could be beneficial, and that a potential over-reliance on future local authority provision could have negative consequences for private, third and childminding sector services.

Private sector day care of children services

Impacts & Sustainability:

- A small number of participants in this sub-category reported that they were able to turn around a profit during the pandemic.
- Operating models had to adapt and many are still not back to pre-pandemic patterns of demand.
- There was a substantial increase in outdoor activity.
- Providing critical childcare allowed private providers to maintain continuity in terms of relationships with staff and community, and even generated new business for some participants.

Business & Financial Support:

- Private sector services who deliver funded early learning and childcare (ELC) have been protected more due to continued ELC payments during closure periods.
- Providers reported that the Coronavirus Job Retention Scheme has helped them to stay in business.
- All case study participants reported that they have accessed support through the Transitional Support Fund and / or the Temporary Restrictions Fund.

Costs & Delivery:

- Increased running costs due to additional staff to cover bubbles
- Increased hygiene measures and the costs of products associated with that, such as PPE and cleaning materials coupled with increase in costs from suppliers
- Reported wear and tear on outdoor equipment happening more quickly due to increased use
- Salaries have been the largest outgoing in this sub-category as well, especially for providers paying the real Living Wage to their staff.

Capacity & Income:

- Negative impact of bubbles on larger settings in terms of the capacity they can operate at.
- Most did not increase charges for families, as felt this wouldn't be right during the pandemic.
- Lower demand for before and after school care due to new working patterns and parents working from home.
- Uncertainty over summer provision has been hard.

Relationships:

- Mixed picture in terms of partnership working between funded private providers and their local authorities. Some participants highlighted that their local authorities did not maintain adequate communications with them during the pandemic

- Some issues remain about the lack of consistency on the setting of rates for delivering funded ELC and the payment processes operated by local authorities.
- General consensus on gratitude for their representative bodies, although some felt that the sector would be better served by a single representative body.

Workforce:

- Staff have been largely resilient, although participants reported issues with staff wellbeing throughout the pandemic.
- Staff retention reported as an ongoing issue for many, as providers continue to lose employees to local authority nurseries. Rate of pay is a crucial consideration for these providers in order to maintain quality.

Key considerations:

- Need to continue operating with a high-occupancy rate to remain sustainable.
- Easing of COVID-19 restrictions, such as removal of bubbles and clarity around timescales for lifting restrictions have been highlighted by private providers as key factors impacting on future sustainability of their services.
- Further lockdowns or closures in particular without the government support combined with the removal of the Coronavirus Job Retention Scheme would be expected to have a detrimental effect on these providers.
- The job market has a great impact on their sustainability, parents returning to work and higher demand remain crucial.
- For funded private providers the sustainable rate that they receive from their local authority is a key consideration.
- Further loss of qualified staff to local authority settings is a concern, particularly if services are unable to recruit suitably qualified staff to replace them.
- Increase in general costs (including rent) but inability to increase own prices as parents would be expected to find it unaffordable.

Third Sector day care of children services

Impacts & Sustainability:

- There is a sense that providers have risen to the challenge presented by the pandemic.
- Providers expressed a strong sense of duty towards children and families throughout the pandemic and reported considerable learning, which allowed them to develop new working practices that have improved service delivery.

Business and Financial Support Measures:

- A relatively small number of third sector providers have been able to access a wider range of business and financial support measures in addition to the Coronavirus Job Retention Scheme and the targeted support for childcare providers provided by the Scottish Government (TSF and TRF).

Costs & Delivery:

- Increase in staff wages to meet adult: child ratios and due to increased infection control practices; higher salaries due to real Living Wage and to compete with LA salaries.
- Increase in cleaning costs and PPE; use of Staff bank if/when staff had to self-isolate.
- Increase in lets and running costs.

Capacity & Income:

- Grant funding from local authorities is an important source of income for third sector organisations.
- There have been fluctuations in demand, and cancellation of sessions due to new working patterns and working from home.
- Operating at reduced capacity due to working in small consistent cohorts (bubbles).
- Other forms of income generation have been lost due to the pandemic (such as fundraising and sponsored events).

Workforce:

- Reported that the workforce is exhausted but the resilience shown and the dedication of the staff has been commendable.
- Often embedded in communities and seen by users as more than just childcare providers – ties can be stronger.

Key considerations:

- Continuation of grant funding will be crucial to subsidise costs incurred by third sector organisations.
- Voluntary providers keen to bring back other forms of income generation, such as fundraising activities.

- Need to see increases in numbers of children, but expected to be dependent on what happens with parents working patterns, including how many continue to work from home.
- Removal of bubbles and no further restrictions or lockdowns.
- Staffing a big concern – no finances for many providers to compete with local authority settings in terms of salaries, and worried about losing qualified staff to local authority settings.
- Many reported increases in rent charges and other running costs.
- Some expressed concerns around the furlough scheme ending while demand was still below pre-pandemic levels.

Childminders delivering funded Early Learning and Childcare

Impacts & Sustainability:

- Increase in the number of childminders concerned about their business sustainability.
- Interpreting and implementing guidance and surviving closure periods consumed most participants time.
- Childminders reported additional hours of paperwork and enhanced cleaning at the end of the working day and at weekends.
- Some childminders indicated that they felt forgotten, with the perception that they do not have as much support from Government and local authorities as day care of children services.
- Outdoor activity has increased at every setting type, including childminding services – which has been positive in many ways.

Business & Financial Support:

- Childminders delivering funded ELC benefited from income from statutory hours
- Most childminders have drawn on the Self-Employment Income Support Scheme – although many received a lot less than what they would normally see in terms of earnings. Some also highlighted that they felt that the SEISS provided lower support compared to the Job Retention Scheme, which other childcare services could access for their staff.
- The case study participants expressed their disappointment that childminders were not eligible to apply for the Transitional Support Fund in 2020.

Costs & Delivery:

- All childminders reported that they are spending more money and time on cleaning their premises.
- Many have invested in outdoor provision, clothing and resources.
- Most did not increase charges for families, as they felt this wouldn't be right during the pandemic.
- All incurred additional running costs (heating, electricity, food costs), and higher insurance costs.
- For some childminders accurately estimating costs and the impact this has on delivery was a significant challenge.

Capacity & Income:

- Participants reported fewer children attending due to parents working from home or on reduced hours, fewer school age children attending, and fewer nursery pick-ups.
- Despite being able to open fully earlier than the rest of the childcare sector, some childminders indicated that they operated at a lower capacity upon reopening reflecting, in particular, restrictions and attitudes towards blended placements.

Relationships:

- All childminders we spoke to were members of a sector representative body and found their support and advice to be invaluable.
- Childminders mentioned experiencing some difficulties with the Care Inspectorate and local authorities regarding inspections and paperwork. The tendering process for becoming a funded ELC provider was also raised as being challenging by some.

Workforce:

- Childminders who participated in the case study expressed a clear sense of duty towards children & families with many embedded in local communities through generations.

Key considerations:

- Impact of requirements to self-isolate on childminding services, and challenges accessing support in these situations. Unlike a day care of children service that may still be able to partially open a childminding setting will most likely have to completely close.
- Concerns remained regarding potential further periods of restrictions in the future.
- Some childminders indicated that they required more clarity on the advice issued by the Competitions and Market Authority (CMA) regarding when they could continue to charge parental fees when children were unable to attend.
- There is a need to attract more children, especially those below school age, to attend childminding services will be crucial to supporting sustainability
- Concerns regarding reduced take up of blended funded care option due to a lack of promotion of available funded childcare models for families in some local authority areas.
- Closer relationships are required with local nurseries to obtain the best situation for learning for children with hours attended at each setting - it's often not financially viable for a childminder to just provide half days and wrap around care for funded children.

Childminders not delivering funded ELC

<u>Impacts, Sustainability & Relationships:</u>

- There has been an increase in the number of childminders concerned about their business sustainability.
- Some childminders reported losing children to local authority nurseries where they now access the expanded funded early learning and childcare (ELC) entitlement.
- They also highlighted that more time had to be invested to keep up with changing regulations combined with lower levels of support from their local Council.

<u>Business & Financial Support:</u>

- No income from statutory ELC payments to sustain their services during period of lower demand and temporary COVID-19 restrictions.
- There was disappointment that childminders were not eligible for the Transitional Support Fund or that childminding services not delivering funded ELC could not access the Winter Clothing Fund.

<u>Costs & Delivery:</u>

- It was indicated that before and after school care is often not financially viable for some childminders.
- Some childminders indicated that they found it difficult to estimate their costs of delivery, in particular on a cost per hour basis (even if they often charged families per hour).
- Some services anticipated that they would lose more children if they put their rates up at present.

<u>Capacity & Income</u>:

- Many reported losing some of their children and lower demand as families do not currently require the same level of childcare as before the pandemic, as well as fewer preschool children combined with only being able to access limited financial support.
- Some childminders feel they need to offer competitive hourly rates for childminding in order to compete with other forms of childcare, such as playgroups and after school clubs, in their local area.

<u>Key considerations:</u>

- Childminders highlighted that they require more financial support, especially as the UK-wide Self-Employment Income Support Scheme (SEISS) is ending. Some indicated that they didn't feel as though the level of support offered to childminders was equitable when compared to what was available to other childcare services.

- Some childminders indicated that there should be greater emphasis on the clear differences between service types, including reflecting the sole nature of childminding and being mindful of the ability of childminding services to meet similar reporting requirements as other childcare services.
- Some highlighted that it would be difficult for their business to carry on if they were to lose any of their children to a local nursery or if they experienced a further sustained period of low demand for their services.
- Another lockdown, further restrictions, parents losing jobs or increased use of informal childcare are also major concerns for these childminders.

Scottish Government
Riaghaltas na h-Alba
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This publication is available at **www.gov.scot**

Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
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ISBN: 978-1-80201-320-7 (web only)

Published by The Scottish Government, August 2021

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS930306 (08/21)