



Northern Ireland
Assembly

Committee for the Office of the First Minister
and deputy First Minister

OFFICIAL REPORT (Hansard)

Bright Start Childcare Strategy

20 May 2015

NORTHERN IRELAND ASSEMBLY

Committee for the Office of the First Minister and deputy First Minister

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Members present for all or part of the proceedings:

Mr Mike Nesbitt (Chairperson)
Mr Chris Lyttle (Deputy Chairperson)
Ms Megan Fearon
Mrs Brenda Hale
Mr Alex Maskey
Ms Bronwyn McGahan
Mr Stephen Moutray
Mr Jimmy Spratt

Witnesses:

Mrs Pauline Donnan	Office of the First Minister and deputy First Minister
Dr Martin Tyrrell	Office of the First Minister and deputy First Minister

The Chairperson (Mr Nesbitt): We welcome Pauline Donnan and Martin Tyrrell and invite you to make your opening remarks.

Dr Martin Tyrrell (Office of the First Minister and deputy First Minister): Thank you, Chair. We last updated the Committee in November. There were requests arising from that meeting that we have responded to. At the time of that meeting, there was also discussion about tax-free childcare and the outgoing childcare voucher scheme. We had agreed to undertake some research looking at the effects of that on parents, whether there was any differential impact on parents and whether one or other scheme was better for parents. The research is at an advanced stage, and Pauline will be able to present some emerging findings from that research this afternoon.

I would like to start by going through the paper that was received, which provides an update on where we are with the childcare strategy. I will go through the main developments — where we are with the first phase, where we are in developing the full final version of the childcare strategy — and then say something about tax-free childcare. Pauline will then say something about the emerging findings.

As you will know, the first phase of the childcare strategy was launched in September 2013. That included 15 key first actions that were intended to address the main priorities that were emerging from consultation and research that we undertook in 2012. The main need identified at that time — the main need that was coming out through the research findings and was reinforced by consultation — was the need for school-age childcare services aimed at the 4-14 age group particularly, such as breakfast clubs, after-school clubs and summer schemes. That was where the deficiency of provision appeared to be. Three of the key first actions focused on school-age childcare, and they were the

most ambitious of the actions. They are being taken forward through the school-age childcare grant scheme that we launched in March last year. To date, we have had two calls for applications under the grant scheme, and that has resulted in 119 applications received, of which around 80 were successful — 80 met the selection criteria. On the basis of that, we have awarded close to £3 million, which will be payable over a three-year period. The successful projects will sustain or create 2,300 school-age childcare places. The majority will be sustained places. Those are places that were at risk of being lost if some funding was not introduced; 1,600 of the places that are being supported are sustained places, and the remaining 700 are new places created. We plan to have a third call in the autumn of this year, and that will focus more on new-start childcare providers — start-up childcare providers — particularly childcare providers based on school premises. The preparatory work to animate potential applicants and to interest potential applicants will start before the end of the month. A series of events has been set up to take place in the second half of this month.

On the other key first actions, with regard to rural childcare, as you know, DARD's analysis was carried out after the launch of the first phase of the childcare strategy. DARD's analysis suggested that affordability was a bigger issue than the availability of childcare places in rural areas. On the basis of that, DARD submitted a think piece setting out a number of proposals for childcare actions that might be taken forward by the strategy. Those actions have been incorporated as draft proposals in the draft childcare strategy, which we hope to put out to consultation in the next few weeks, before the summer.

Key first action 6 — childcare for children with a disability — made good progress. Grants of £150,000 were allocated. If that is combined with some of the grants that were awarded before the launch of the first phase, during the Executive childcare fund stage, around £500,000 has been allocated to childcare projects focusing on the childcare needs of children with a disability.

Key first actions 7 and 8 look at information. The childcare element of the Family Support NI website has been developed and enhanced to give better information to parents on the availability and location of childcare services. That information is now also available as a social media app, which has been available for several months. With regard to promoting financial assistance and promoting registered childcare, we have not been able to undertake as ambitious a programme of advertising as we had first envisaged, and that is due to budgetary constraints.

DEL is working to enhance the skills base of the childcare workforce, and that will become more important as we focus on new starts, when there will be a need for newly qualified managers and newly qualified childcare professionals. Management of the strategy is continuing via the childcare strategy programme board, which is chaired by OFMDFM and includes representatives from all Departments with an interest in childcare, and the childcare partnerships, which is our delivery body for the childcare grant scheme.

With regard to the full childcare strategy, we developed a draft strategy on a co-design principle involving childcare stakeholders in the childcare sector. That draft is at an advanced stage, and we hope to proceed to consultation within the next few weeks. It has also taken account of some of the research that was undertaken back in 2012, and more recently published research such as the PricewaterhouseCoopers analysis of the cost of comprehensive universal childcare.

With regard to the affordability of childcare, which has been a major issue for parents, we have been supporting low-cost childcare settings. All of the settings that have been supported through the school-age childcare grant scheme have been low-cost childcare settings offering childcare places at significantly below the average cost of childcare here. We also require our assisted childcare settings to promote financial assistance with the cost of childcare among the parents who are using their services — to undertake one-to-one sessions with parents to alert them to the availability of particular funding streams that they could be using to offset the cost of childcare and targeting the system of assistance that is most suited to their particular needs. We have been promoting the financial assistance via the Family Support NI website.

Tax-free childcare is due to come in some time in the autumn, and we expect that to offer a more comprehensive range of assistance with the cost of childcare than the outgoing childcare voucher scheme. That is because eligibility is not dependent on the participation of employers. Employers not participating is a major factor in deterring many from using the voucher scheme. Self-employed parents are eligible for the new tax-free childcare scheme, whereas they are not eligible for the voucher scheme. Tax-free childcare also takes account of the number of children in childcare. It is not paid per parent who is in the scheme but per child in childcare. On account of that, we reckon that more parents locally will benefit under the new scheme, and the amount by which they benefit will tend

to be greater. More parents will therefore be able to afford the childcare services that they need, and more children will benefit through childcare. As well as that, more childcare settings will be able to achieve sustainability, which is a major goal of our strategy.

Parents who are better off under the voucher scheme can stay with it. The voucher scheme is not closing to people who are already in it; it is closing to new entrants. The question of parents being disadvantaged by the new scheme relates solely to parents who may, sometime in the future, look back at the old voucher scheme, compare it with tax-free childcare, and reckon that they would have been better off under the voucher scheme, had it still existed. We do not think that there will be many parents who can make that comparison and say that the voucher scheme would have been better for them, because the eligibility for vouchers depends on employer participation, which is small. Tax-free childcare generally pays out more than the voucher scheme and is paid per child. Hypothetically, therefore, we do not think that many people will be disadvantaged under the tax-free childcare scheme. Pauline will now share some emerging findings on that.

Mrs Pauline Donnan (Office of the First Minister and deputy First Minister): The statisticians in OFMDFM have carried out some analysis to estimate the number of families who will be better off under the tax-free childcare scheme or the existing childcare voucher scheme. That analysis is being considered within the Department, so I am limited, unfortunately, in the detail that I can provide to you today. I can say that emerging findings show that more families are likely to be better off under tax-free childcare than the childcare voucher scheme.

Some of the problems that we have had in trying to carry out the analysis include determining under which scheme a family is better off, because it depends very much on individual circumstances, such as the family income and how much each family actually spends on childcare costs. That information just is not collated anywhere. We have been able to make assumptions based on information from the census of population, the family resources survey, the census of employment and the inter-departmental business register. We have been able to look at information such as family composition, including the number and age of parents in each household and the employment status of those parents, including whether they are living in lone-parent households or couple households.

On the basis of this information and looking at the eligibility criteria of each scheme, we have so far found that the characteristics of families that are likely to be better off on tax-free childcare include those where there is more than one child aged 0 to 11; where one or both parents are self-employed; and where it is a lone-parent family. Generally, they will be better off under tax-free childcare. Childcare vouchers are better for families who have children aged 12 to 14 — it is over that 0 to 11 age group — because no other option is available to them and for families where only one parent is in work. That is really because, for tax-free childcare, both parents have to be in work. Of course, with childcare vouchers, as Martin said, the employer has to be in the scheme. I am limited in the detail that I can provide you with today, but hopefully we will be able to come back with a more detailed paper soon.

The Chairperson (Mr Nesbitt): Do you have any info on social class?

Mrs Donnan: No, we do not have any information on social class. However, if people are already availing themselves of tax credits, they cannot avail themselves of tax-free childcare. It is more likely that families living on a middle or high income will avail themselves of tax-free childcare.

The Chairperson (Mr Nesbitt): Thank you both.

I wonder, Martin, how often the Committee has heard an official say, "We hope to proceed to consultation in the next few weeks", rather than explain why there has been a delay. Why, as previously indicated, were you not out to consultation in March this year?

Dr Tyrrell: We followed a co-design process, which was introduced in summer 2014. The development of the draft childcare strategy based on the inputs from the co-design process took longer than envisaged, so we did not have a draft for consultation in March 2015, which is why there has been some delay in proceeding with the consultation. We have had a lot of valued inputs from childcare stakeholders and the childcare sector, which has, I think, enabled us to develop a better draft childcare strategy.

The Chairperson (Mr Nesbitt): You have yet to go out to consultation, but, in your opening remarks, you told the Committee that something is:

"a major goal of our strategy".

If you have already decided what your strategy is and what the major goals are, why bother going to consultation?

Dr Tyrrell: We launched the first phase of the childcare strategy in September 2013. That phase has goals, objectives and targets, all of which are being measured and examined to see how we are performing. Part of the process of consultation will involve looking back at those goals and asking whether they are appropriate or do they need to be redesigned or redeveloped. We have goals for the first phase, but they are not set in stone. They can be amended on the basis of what people tell us.

The Chairperson (Mr Nesbitt): If I heard the figures correctly, you had 80 successful applications and 39 unsuccessful ones in the first two tranches.

Dr Tyrrell: Yes, that is right.

The Chairperson (Mr Nesbitt): How would you characterise the 39 unsuccessful applications? Are there any trends or particular reasons why applications did not meet the mark?

Dr Tyrrell: There is no particular dominant trend. Some failed because the costs were too high. We are focusing on low-cost childcare providers who are capable of delivering a full wrap-around childcare service at a cost of approximately £70 per week per child. Some of the unsuccessful applicants did not do that and did not have cost data that suggested that they could do it, so they failed on value-for-money grounds. For others, there were administrative problems with their application forms, which they are now working through with the managing agent, with the childcare partnerships. There is no dominant reason why people failed other than a failure to produce applications that met the criteria.

The Chairperson (Mr Nesbitt): You mentioned key first action 6, which is childcare for children with a disability. You referred to £150,000: £60,000 for a peripatetic childcare pilot, £45,000 for a holiday grant scheme and £50,000 to the small grant scheme. Children in Northern Ireland also delivered specialist disability awareness training to more than 1,300 childcare staff during the period. That all sounds very positive, Martin, yet, due to funding constraints, it is not clear whether further funding will be allocated to this key first action.

Dr Tyrrell: Yes. The £150,000 needs to be seen in the context of the Executive childcare fund. Overall, £540,000 has been allocated to actions under key first action 6, but some of that was allocated before we called it "key first action 6" and launched the first phase. We expect the Department that has responsibility for that key first action — the Department of Health, Social Services and Public Safety — to bid through the normal public expenditure process for the resource to take that forward and for that to happen in the June monitoring round.

The Chairperson (Mr Nesbitt): It is somewhat disturbing that there is any question mark over funding for childcare for children with a disability. However, we shall see how —

Dr Tyrrell: It is certainly a priority, and we would expect to see it in the full, final version of the childcare strategy when it is launched.

The Chairperson (Mr Nesbitt): As you say, we will see what happens in June monitoring, if we ever get there.

Mr Spratt: Thank you for the presentation. I think that you said that tax-free childcare is coming in later this year.

Dr Tyrrell: Yes.

Mr Spratt: In previous conversations, I recollect that, given that self-employed people will be brought into the system now, the issue of awareness raising was mentioned. What has the Department done — I recognise that it is an HMRC issue — to highlight to self-employed people that they will be eligible? Has anything been done along those lines? I am not sure whether I would go so far as to

say that you made a commitment, but my recollection is that you said that that issue would be looked at.

Dr Tyrrell: It has certainly been looked at. We are working very closely with colleagues in HMRC, but there is a hold-up on the advertising. There is meant to be a general advertising campaign for the new scheme. My understanding is that there is a legal challenge to the delivery body for the scheme, and that is holding up advertising on tax-free childcare.

Mr Spratt: Is that in a national context?

Dr Tyrrell: It is indeed. National Savings and Investments is the designated delivery body for the new scheme, and I believe that there has been a legal challenge to its delivery role. Until that is resolved, all advertising is held up.

Mr Spratt: You said that it is coming in later this year. Exactly when is "later this year"?

Dr Tyrrell: I think that the scheme itself could be delayed by the legal challenge. Until that is resolved, the timetable for bringing in the new scheme cannot be finalised.

Mr Spratt: Those schemes normally start at the beginning of a tax year. We are in a tax year now, so is it more likely to be in the next tax year — 2016?

Dr Tyrrell: I am not sure about that. I cannot say for certain. Until the new scheme is introduced, the old scheme stands. That will be the case, so there will be no gap in which the old scheme has gone and the new scheme has not been phased in.

Mr Spratt: It might be worthwhile if we could get clarification on —

Dr Tyrrell: We will certainly do that.

Mr Spratt: — how, in a regional context, it could be highlighted to people here. I understand that there might be a national campaign, but someone needs to ensure that there is a local campaign as well.

Dr Tyrrell: We certainly will.

Mr Lyttle: One of the key actions of Bright Start, as you mentioned, is to aim to sustain or create between 5,000 and 7,000 school-age childcare places. You have helpfully updated us today on the fact that 2,300 places have been sustained or created to date. What is the target date to create or sustain the 5,000 to 7,000 places?

Dr Tyrrell: We initially thought about a three-year period, from 2014 to 2017-18, perhaps, to create 5,000 to 7,000 places, but that projection was based on a different financial budgetary context than we have at present. At the minute, we are working from call to call, and we also want to see what the demand is. That is always dependent on how many people apply and the quality of the applications. To date, to be open about it, we have had a lot of applications from existing childcare providers and none from the new-start childcare providers that we were hoping for, so the third call is critical for the grant scheme. In the third call, we will examine how much new-start potential is out there. If we do not get the level of new-start interest, we will try to see why that is happening and what is deterring people from being entrepreneurial in the childcare sector.

Mr Lyttle: Maybe people are not aware of the opportunity.

Dr Tyrrell: There is a widespread promotional campaign. We are working with the childcare sector. The childcare partnerships have representation from all childcare sectoral organisations, and they are doing a lot of work to promote it. A lot of work is about to begin to promote it further.

Mr Lyttle: I suppose that we are in limbo to a certain extent, because of the delay with the national tax-free childcare scheme. I will not go over old ground, but you stated that insufficient funds are available in OFMDFM for a regional media advertising campaign for the financial assistance that is

available to families for childcare. How can there be insufficient funds, given the scale of the underspend in the childcare budget?

Dr Tyrrell: The £12 million Executive childcare fund is not the budget for the childcare strategy. When the childcare strategy is finalised, the budgetary consequences of its proposed actions will have to be assessed, and that budget would necessarily be greater, I suspect, than £12 million. The £12 million is for action that is supportive of the development of a childcare strategy. For its first two years, we went out to Departments and asked them to bid for a share of that £12 million. When the childcare strategy's first phase was introduced, it was decided to use that funding strategically and to use it to resource the key first actions. The principal and most ambitious of the key first actions are the school-age childcare grant scheme: key first actions 1, 2 and 5. They are taking most of that £12 million resource. More than £12 million will probably end up being spent because of the school-age childcare grant scheme.

Mr Lyttle: It sounds like a fairly creative re-description of what this budget was for, but, taking it at face value, why was £12 million needed to support the development of a strategy?

Dr Tyrrell: It was to support actions that would develop childcare in advance of the full childcare strategy. Rather than have a bidding process for shares of that resource, the decision was taken to share it out among Departments. If you have a bidding process, you get varying qualities of applications, some of which meet the criteria but may not be the highest priority for childcare. Instead, it was decided to use it strategically for the first phase of the childcare strategy, which prioritised 15 actions based on what people said were the priority childcare areas.

Mr Lyttle: Are you disappointed at the lack of bids from other Departments for the use of that £12 million?

Dr Tyrrell: No. We wanted to use the resource strategically. I think that it is better to use the resource strategically than to have a bidding process in that type of fund.

Mr Lyttle: Family Support NI's childcare app has been created. What has been the uptake and use of the app to help families to identify provision in their area, and has there been any feedback?

Dr Tyrrell: I do not have the figures to hand. I am sure that the Department of Health can provide information on the number of hits or whatever.

Mr Lyttle: At first glance, it appears to be reasonably helpful, so it might be useful to hear a bit more about it.

This is my last question, Chair. The Strategic Investment Board (SIB) conducted a business case and some research on what best intervention in the childcare market might look like: is that work available to the Committee?

Dr Tyrrell: The SIB did not do a business case so much as carry out an ongoing process of support and assistance. It provided a number of reports, slides and presentations about where childcare should be going and where policy should be focusing. Out of that, we established school-age childcare as a key priority area. The SIB exercise was based on consultation and the RSM McClure Watters survey of childcare providers and parents who use childcare services. The SIB attended all our consultation events in 2012-13. It was not an actual report. I think that it was a series of pages, slides and comments, which, I believe, were provided to the Committee. I can check whether they have.

Ms McGahan: Thank you for your presentation. Is it possible for the Committee to receive a copy of the rural childcare think piece?

Dr Tyrrell: I can check with DARD colleagues and see whether they can release it.

Ms McGahan: Did DARD initiate that?

Dr Tyrrell: Yes. DARD is responsible for key first action 3, so it produced the think piece.

Ms McGahan: The suggestion from DARD is that it is not about accessibility but affordability. Are you across the detail of the evidence that was used to come up with that?

Dr Tyrrell: I believe that I have some of the detail. My understanding is that it began with the RSM McClure Watters survey of parents who use childcare services —

Ms McGahan: Who are they?

Dr Tyrrell: — and childcare providers. Sorry?

Ms McGahan: Who are they?

Dr Tyrrell: RSM McClure Watters is a consultancy that we engaged to carry out a survey.

Ms McGahan: Where is it based?

Dr Tyrrell: It is UK-wide and possibly global, but its Belfast office was engaged to provide the service. It worked with Ipsos MORI, the survey organisation. Pauline is a bit more up to speed on that.

The Chairperson (Mr Nesbitt): The pollsters.

Mrs Donnan: Pardon?

The Chairperson (Mr Nesbitt): They are pollsters.

Dr Tyrrell: They are also survey researchers. They do opinion polls.

The Chairperson (Mr Nesbitt): We love pollsters in politics because they are always accurate.

Mrs Donnan: There was a parents' survey and a providers' survey, but RSM McClure Watters also went to a number of areas, including rural areas, and carried out case studies. It interviewed people individually to get a feel for the issues with trying to get affordable childcare. It teased out some of the issues. I assume that that is where the information has come from.

Ms McGahan: I will be interested to see its definition of "rural". Usually, it is anywhere outside Belfast, which is not factually correct.

Mrs Donnan: It went to a number of areas across Northern Ireland, but I cannot remember where off the top of my head. We can certainly provide that report to you. It is published on our website.

Ms McGahan: At a previous meeting, I raised concerns about rural childcare. I have engaged with DARD officials about that issue, and they attend meetings with OFMDFM officials. They said that there were some question marks over funding going to rural childcare. Are you able to provide any clarification on that?

Dr Tyrrell: I am not aware —

Ms McGahan: I raised the issue with Denis McMahon at the last meeting.

Dr Tyrrell: I am not aware of any issues regarding funding going to the rural childcare key first action. That was put on hold because of the evidence suggesting that affordability was a bigger issue than availability. The issue of funding would not have arisen with that key first action. That is not the only rural action that we are doing. Some of the successful applicants to the school-age childcare grant scheme are from rural areas. In my head is a figure of 15 of the 50 or so that we got on the first call, but I need to look at the actual data to get you definitive figures. There were successful rural childcare —

Ms McGahan: Will you do that?

Dr Tyrrell: Certainly.

The Chairperson (Mr Nesbitt): So there is a rural childcare paper.

Dr Tyrrell: Yes. DARD has produced a think piece. I can check whether it is happy to release that.

The Chairperson (Mr Nesbitt): Does that follow on from the business case being prepared by the SIB?

Dr Tyrrell: It follows on from the RSM McClure Watters survey research and research that DARD had available to it from, I think, a previous childcare initiative undertaken in the context of the rural development programme.

The Chairperson (Mr Nesbitt): I am looking at the minutes of a meeting of the childcare strategy project board in September 2014, which state that the business case for potential intervention in the childcare market is now being completed by the SIB. As you say, the issue that emerged is affordability rather than accessibility.

Dr Tyrrell: I think that we are talking about two different reports. There is the SIB work for OFMDFM, and — you are right — the SIB did a separate analysis for DARD.

Mr Maskey: Thank you both for all the information so far. I am trying to tease out in my mind the relationship between affordability versus availability. Martin, I think that you said that parents on tax credits cannot claim tax-free childcare.

Dr Tyrrell: That is right.

Mr Maskey: You commented — it is also in your paper — that small numbers of people currently on the voucher scheme may be disadvantaged —

Dr Tyrrell: Yes.

Mr Maskey: — under the new scheme if they are new entrants or applicants. What is the balance there? If it is affordability, people on tax credits already have an income issue to deal with. I do not want to open up the whole argument on the legislative consent motion on the policy around this, but there seems to be a bit of a contradiction.

Dr Tyrrell: People who are on tax credits can access working family tax credit support for the cost of childcare to the value of 70% of the total cost. That is a better scheme than either vouchers or tax-free childcare. Vouchers and tax-free childcare tend to be focused on relatively affluent families. Under tax-free childcare, people can get 20% of the cost of childcare paid for them, and, under the voucher scheme, it works out at £933 per parent in the scheme per year. The working family tax credit childcare element is 70%, so it covers more of the weekly cost of childcare.

The Chairperson (Mr Nesbitt): Chris raised an issue that I want to go back to. There are just a couple of things left, Martin. At the last briefing, we asked for copies of the minutes of the strategy management forum and the programme board. On 7 November 2014, the board said that health officials advised:

"The small grant schemes have been suspended because of a lack of funding. DHSSPS would like to continue these but is unable to do so because the budget is not available."

They then went on to deal with the issue of the media advertising campaign, which was raised by the Deputy Chair.

On 19 September 2014, the Department of Health, the Department of Finance and the senior management team in the Health and Social Care Board (HSCB) sought additional assurance on OFMDFM's financial commitment to the scheme. In July 2014, the chair was asked to clarify the funding position on the children's strategy and key first actions. He advised that the funding table circulated showed the total funding aspirations of Departments. However, bids would need to be submitted to monitoring rounds as part of the normal public expenditure process. Will you clarify the funding available for Bright Start?

Dr Tyrrell: Yes. The HSCB wanted an assurance that there would be a multi-annual grant. The HSCB is the parent organisation for the childcare partnerships that deliver our school-age childcare grant scheme. The money to fund that grant scheme goes somewhat circuitously from OFMDFM to the Department of Health to the Health and Social Care Board to the partnerships and, finally, to successful applicants to the grant scheme. The HSCB wanted an assurance that the resource would be there for three years and not just one year. In the current budgetary climate, it was not immediately possible to give the board that assurance, but we have been able to do so in the last couple of months. We have now assured the board that the resource will be available for the next three years. That was the big hold-up in the grants scheme for a few weeks.

The Chairperson (Mr Nesbitt): My final question relates to our ethnic minority communities. Do they have any particular needs, recommendations or asks in this area?

Dr Tyrrell: We aim for all funded childcare settings to promote diversity and respect for diversity. As part of the consultation process, the childcare strategy engaged with groups like the Northern Ireland Council for Ethnic Minorities (NICEM), and we have taken account of the NICEM/Barnardo's research on the childcare needs of ethnic minority communities. We are aware of their needs, and they will be reflected in the final childcare strategy.

The Chairperson (Mr Nesbitt): Is it the case that ethnic minority communities have highlighted the fact that the strategy does not appropriately cater for parents who work shifts?

Dr Tyrrell: At present, apparently, there is not sufficient childcare provision for parents who work shifts in general. We were not aware of that in the first phase. During the consultation process for the first phase, it did not come out of the surveys. We have certainly been made aware of the issue during the co-design process, so it will be reflected in the final version of the draft childcare strategy.

The Chairperson (Mr Nesbitt): Thank you both very much. The Committee would expect sight of the consultation document in advance of the process kicking off. I think that that is standard. Pauline and Martin, thank you very much indeed.