

PERFORMANCE AUDIT

A good start

Commissioning pre-school education



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The Accounts Commission

The Accounts Commission is a statutory, independent body, which through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has five main responsibilities:

- securing the external audit
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- reviewing the management arrangements which audited bodies have in place to achieve value for money
- carrying out national value for money studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information which they are required to publish.

The Commission secures the audit of 32 councils and 34 joint boards (including police and fire services). Local authorities spend over £9 billion of public funds a year.

Audit Scotland

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Accounts Commission and the Auditor General for Scotland. Together they ensure that the Scottish Executive and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Acknowledgements

We would like to express our appreciation to the study advisory group, comprising a range of experts from councils and other bodies. The group provided valuable advice and acted as a useful sounding-board for the study team. Membership of the group is listed in Appendix 1.

We would also like to thank the eight councils and 31 pre-school centres who provided us with information and data and spent time discussing it with us, and the other 22 councils who provided us with details about their pre-school education provision. In particular, we are grateful for the help given by the four councils where the centre fieldwork was carried out.

This report was commissioned by the Accounts Commission as part of its responsibility for the audit of local authorities in Scotland.

The Accounts Commission takes sole responsibility for the contents of this report. Comments and queries should be addressed to Cathy MacGregor or Lesley Bloomer.

On the front cover:

Many thanks to Abigail (4), Braid Hills Nursery, Edinburgh, for front cover image

Executive summary

Background

Effective pre-school education helps children's personal and social development and encourages an enthusiasm for learning throughout their lives. The Government's objective is that free pre-school education should be available to all 3 and 4-year-old children. It also wants to improve the integration of pre-school education with childcare, to ease parents' return to work and training.

Scottish councils were encouraged to work with providers in the private and voluntary sectors to expand provision by the target dates, winter 1998/99 for 4-year-olds and summer 2002 for 3-year-olds¹.

Councils have a twin role in pre-school education – as both commissioners and providers of places. In line with the best value policy, this means that they need to consult with parents on needs, and then compare their own provision to that of other possible providers before deciding on where to commission places.

This report examines how councils have commissioned places in this mixed economy, and how they are working with their partners to provide quality places. The report includes examples of good practice and recommendations that are relevant both to pre-school education and to other services which councils commission, at least in part, from private and voluntary providers. It also includes a review framework which can be used as the basis of a best value review of pre-school provision.

The expansion of provision

Councils are well on their way to meeting the Scottish Executive's targets. All are now working with partners in the private and voluntary sectors to achieve the necessary number of places. This is a major achievement by Scottish councils, given the scale and timetable for the task.

By autumn 2000, nearly 98% of all 4-year-olds were receiving free pre-school education. Individual councils provided grant-funded places to between 87% and 100% of children (Exhibit 1). Overall, councils have broadly achieved the target for 4-year-olds – given that pre-school education is not compulsory, over 95% can reasonably be regarded as universal provision.

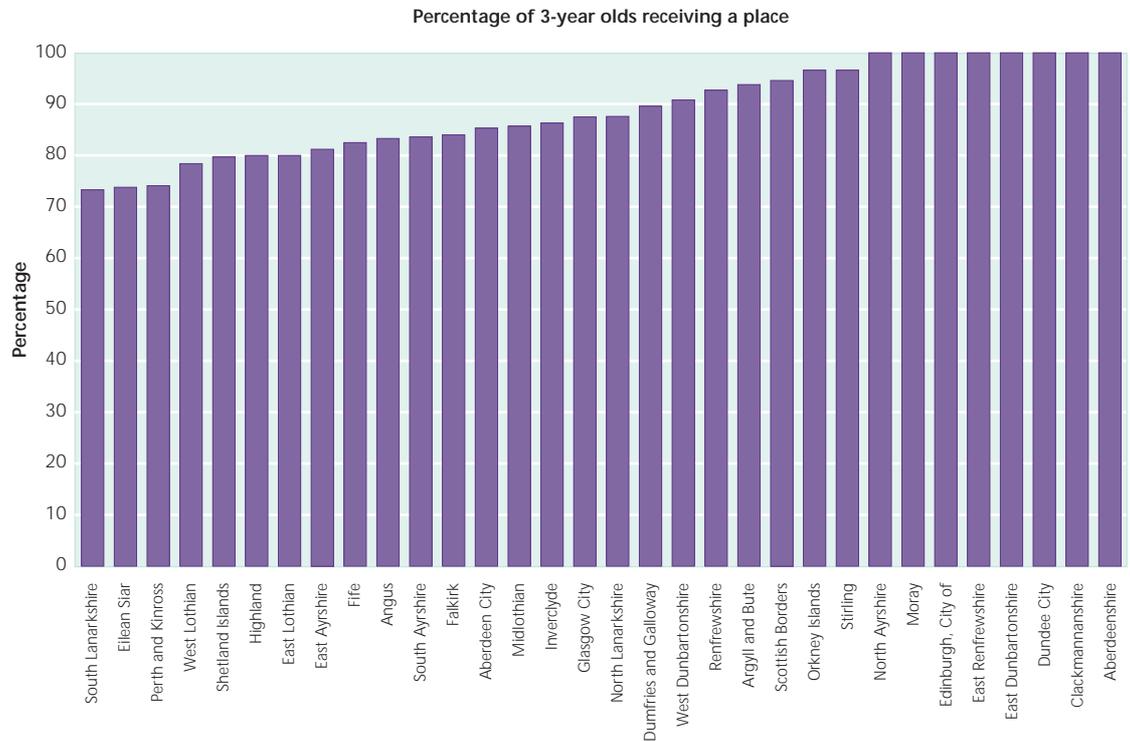
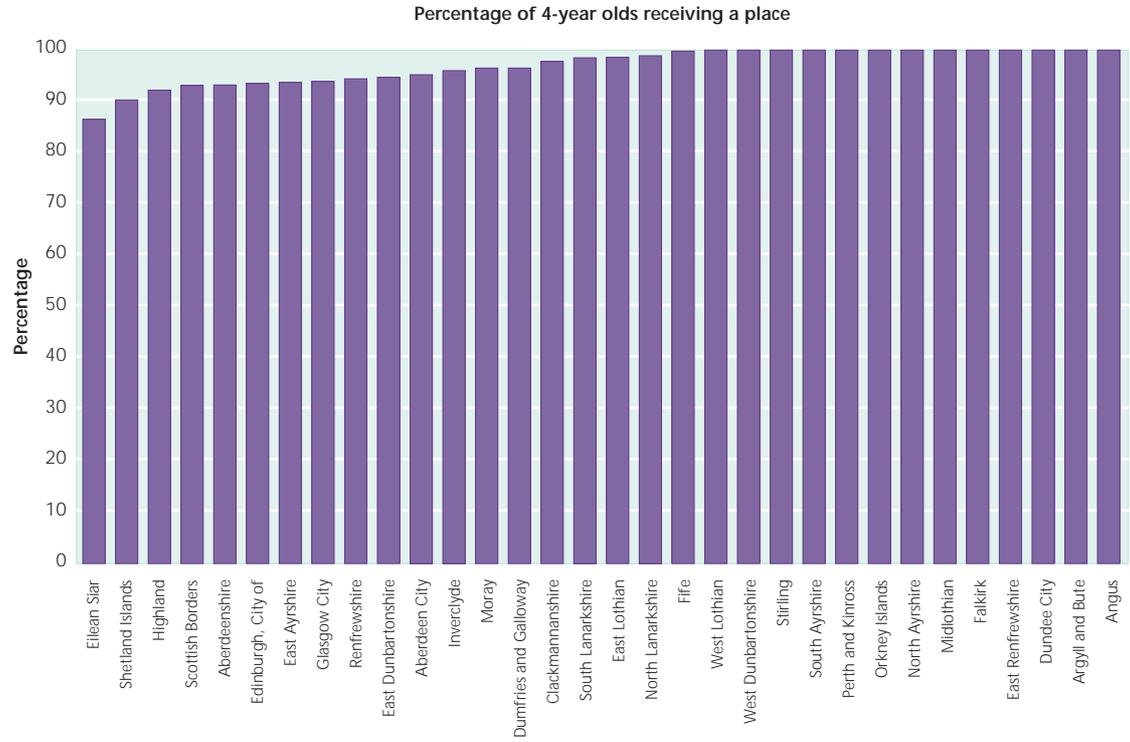
Councils are also close to meeting the Executive's target for 3-year-olds, with approximately 88%² of eligible children receiving free pre-school education in autumn 2000. Provision ranged from less than 80% in four council areas to at least 95% in 11 council areas.

¹ Children become eligible for a grant-funded place from the term following their third birthday.

² Based on Scottish Executive Education Department pre-school education grant claims, September 2000, and each council's estimate of the number of eligible 3-year-olds in their area at the start of the autumn term. Approximately 50% of the children who will become eligible during the year are already 3 years old at the start of the autumn term. Therefore, the provision level quoted is 88% of this 50%.

Exhibit 1: Percentage of eligible children receiving a Scottish Executive grant-funded pre-school education place in autumn 2000

Between 87% and 100% of 4-year olds received a place; there was more variation in provision for 3-year-olds.

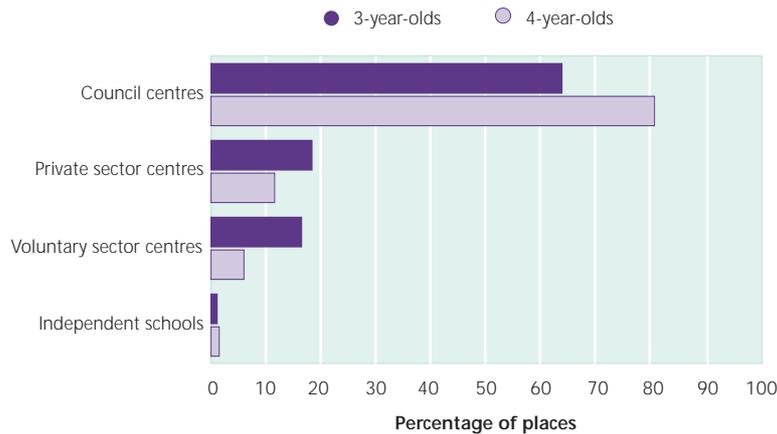


Source: SEED pre-school education grant claims, September 2000

The majority of places are in council-run centres (Exhibit 2). The difference between places for 4 and 3-year-olds reflects a combination of factors, including councils' policies, parental choice and the incremental way in which provision has been expanded, first for 4-year-olds and then for 3-year-olds.

Exhibit 2: Percentage of pre-school education places provided by different types of provider, autumn 2000

Council-run centres provide places for over four out of five 4-year-olds, and three out of five 3-year-olds.



Source: SEED pre-school education grant claims, September 2000

The mix of providers varies from council to council. Some councils, mainly rural, rely heavily on the voluntary sector, especially for 3-year-olds. Others have a much greater proportion of children in council-run provision.

The rapid expansion of provision has been a success. However, current provision is not necessarily offering parents the flexibility that they and their children need. Parents can be presented with a complex set of options and have much more choice in some council areas than in others. For example, parents may find that the nursery they have used since the child's birth is funded by the council only for 3-year-olds but not for 4-year-olds; that a partner centre offers a place for 33 weeks³ of the year, whereas a council centre offers a place for 38 weeks; or that their child may only have a place for five sessions a week at a council centre with no option of reducing the number of sessions.

³ The Scottish Executive defines a pre-school place as 412.5 hours of pre-school education over the school year, with a suggested pattern of five sessions of at least 2½ hours each week for 33 weeks in the year. The school year is normally 39 weeks, and so school nursery classes have traditionally run for between 36 and 39 weeks of the year.

This variation matters. Firstly, some patterns of provision fit much better than others with childcare arrangements. This affects the ease with which parents can work or take up training opportunities. Secondly, if parents have to move children between centres, to ensure that they continue to receive free pre-school education, this can interrupt the child's development – undermining the aim of the policy. Lastly, if the council does not fund places with partner providers until its own centres are fully-occupied, parents may have to find the extra fees – often in the region of £800-£1,000 per year – to pay for their child to attend the centre of their choice.

A number of factors have contributed to this situation, some of which are outside the control of councils. These include:

- ensuring financial viability of centres
- constraints due to current staff and accommodation arrangements in council centres
- lack of alternative providers
- the Scottish Executive's recommendation, and funding, for a pre-school place to be delivered over 33 weeks rather than fitting in with school term times
- the incremental nature of the expansion due to the timing of Scottish Executive policies and funding
- the tight timescales to which councils were working.

However the overall flexibility, from the parents' point of view, could be significantly improved by some councils, depending on their local situation.

Having achieved the expansion of provision for 4-year-olds and, in large part, for 3-year-olds, councils now need to begin the process of reviewing their provision to make sure that it meets the needs of parents and children and achieves the balance of cost, quality and other factors that best value requires.

The report examines how councils commission provision – understanding needs, appraising costs and quality, working with partners, and giving parents the information they need.

Understanding needs

Councils need to continue assessing how many places to provide, where they should be, how best to integrate them with childcare provision, which hours to provide and so on. This information is needed to commission places from both their own and partner centres.

All councils used childcare audits in 1998/99 to gather information on the supply and demand for pre-school provision. However, they varied in the extent to which they consulted parents directly. Some undertook comprehensive surveys, while others held some public meetings. More have since completed comprehensive consultation exercises, using questionnaire surveys, focus groups or programmes of public meetings, to guide their future plans.

Information on parents' needs and expectations should be gathered regularly and used to appraise options for pre-school provision.

Appraising options on cost and quality

Costs, quality and other factors should be systematically reviewed before deciding on the best way of providing pre-school education. Without this, councils cannot show that they are achieving best value.

None of the eight councils reviewed in detail for the report had used a full formal option appraisal, which included all these factors, when deciding how best to expand pre-school provision. Instead, decisions were based on whatever information they had on parents' needs and their experience and understanding of the strengths and weaknesses of the different sectors, with the greatest emphasis placed on the established high quality of existing council provision. This is confirmed by HMI reports, which show that council nurseries generally offer higher quality provision than either the private or voluntary sectors. However these are generalisations. There are centres in the private and voluntary sectors which offer very good quality, and equally there are council-run centres which could improve their quality. Councils were also influenced by the short timescales for meeting targets and, in some areas, by a lack of alternative providers. In many cases this meant that councils prioritised the expansion of their own provision.

The councils reviewed in the study had not generally used cost information in making initial decisions on how to expand pre-school provision. Had cost information been used decisions might not necessarily have been different but they would have been made on a fully-informed basis. We found it difficult to get comprehensive cost information from some of the council, private and voluntary centres in the study.

Among the 22 centres which were able to provide full detailed cost and operational information, the unit cost of provision varied significantly, reflecting each centre's particular circumstances. We have developed a standard approach, or model, for estimating unit cost, which can be used by councils to assess the costs of pre-school places in different centres. Providers in the private and voluntary sectors can also use the model to assess the impact of improving staff pay or conditions, eg by introducing pension contributions or sick pay. Staffing accounts for between 78% and 91% of costs and this is reflected in Exhibit 3.

The costing model was used to assess likely costs in a range of typically-sized centres. Estimated costs per place in a fully-occupied centre ranged from around £600 in a 16-place playgroup (without a teacher) to between £900 and £1,300 in a private nursery and over £1,700 in a 40-place council-run nursery school, both employing teachers. The disparity in costs reflects different settings and staffing arrangements, but excludes differences in the level of support and development provided centrally by councils. Unit costs in all settings increase where occupancy levels are low.

Scottish Executive funding is £1,200 per place, so where standard⁴ council provision costs more than this, it is being subsidised from other budgets. Where the cost of supporting and developing partner centres exceeds the amount of grant retained by councils, this too is being subsidised from other

⁴ Excluding extended provision for children identified as being in need.

Exhibit 3: Main factors affecting costs in pre-school provision

The bulk of costs are related to staff and variation in these affects overall costs.

Staff pay and conditions

Employees in council-run centres generally receive higher rates of pay, work fewer hours and have longer paid holidays than those in the private and voluntary sectors. Councils normally pay pension contributions and enhanced sick pay. These differences can mean that a qualified nursery nurse costs nearly twice as much to employ in the council sector as in the private or voluntary sectors.

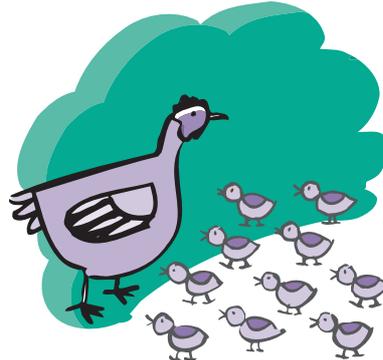


Level of teacher involvement

This is a major cost driver because a teacher can cost almost twice as much as a nursery nurse to employ. Teacher involvement is required in council education centres under the 'Schools (Scotland) Code 1956', but councils do not always require teacher involvement in partner centres, which are regulated under the 'Children Act 1989'. Guidance on levels and forms of teacher involvement is expected from the Scottish Executive in 2001.

Staff:child ratio

In many cases, although not across the board, council education provision works to a ratio of one adult to ten children while partner providers generally work to a ratio of one to eight children. This is a result of different statutory requirements. The National Care Standards Committee is expected to set a standard ratio for all pre-school provision.



Number of places

This has two elements:

- capacity, which is the number of pre-school places that could be accommodated by a provider, and
- occupancy which is the number of places actually filled.

The larger the centre and the higher the occupancy, the greater are the economies.

Source: Audit Scotland – costs and operational details received from 22 pre-school centres

budgets. Councils may choose to subsidise provision, however decisions to do so should be made in the light of full cost information.

Throughout the study both councils and partners expressed a view that the level of grant, £1,200 per place in 2000/01, is not sufficient to ensure that a high-quality place is delivered. The model suggests that this is likely to be true for many council-run nurseries and some partner providers. It is particularly important for councils to determine accurately costs of providers when ring-fencing of the grant stops in 2002.

Some councils reported using empty property attached to primary schools to expand provision. This reduces property costs, but as these represent only between 11% and 13% of total costs, council provision is still likely to be more expensive than other centres.

With the expansion now well underway, it is important that future appraisal procedures are carried out thoroughly and systematically. Councils should use our costing model as part of a full option appraisal process, which also evaluates quality and other factors, such as the community development benefits which playgroups may bring, or the access to childcare which private nurseries may offer and which many council centres currently do not.

Working with partners

All councils now commission places from pre-school centres in the voluntary and private sector as well as providing places themselves. As commissioners, councils need to work with all their centres, to ensure that high-quality places are delivered.

Councils' contracts with partners varied widely and some did not include conditions that the Scottish Executive required to be met for grant payments.

In addition, in some areas, partners and council centres did not operate on a level playing-field. Some councils applied conditions to partners which they did not meet themselves. One council required partner centres to operate with a 1:5 adult to child ratio, as this was required by their social work regulations, whilst it operated with a ratio of 1:10 in its own centres. Other centres had to offer greater flexibility than council centres in the timing of sessions, such as allowing parents to mix morning and afternoon sessions. On the other hand, most council centres had a higher level of teacher involvement than that required of partners. The National Care Standards Committee is expected to publish standards, eg staff:child ratios, for all providers, which will be regulated by the new Scottish Commission for the Regulation of Care. This will provide a more level playing-field.

Councils also varied in the extent to which they consulted partners on matters affecting resourcing, eg discussing the use of development grant provided by the Scottish Executive to help expand provision. Councils sliced between zero and £295 from the grant of £1,175 in 1999/2000 when they passed it to partner centres. This top-slice was used to cover the costs of administration, curriculum support, quality assurance work and training for partners. A number of

councils reflect the varying needs of their partners in the amount which they top-slice, and all should consider adopting this approach.

Informing parents

Parents in most areas will have a choice about where their children can receive pre-school education. It is important that they have good information on which to base their choices. They should know, for example, that all centres receiving grant follow the pre-school curriculum, together with detailed information about opening hours and flexibility. This allows them to make informed choices about where they send their children, and also ensures that partner centres are treated fairly.

In practice however, some councils only provided information about their own nurseries and advised parents to contact other providers themselves, while others provided separate information leaflets for council and non-council providers. Councils should provide information to all parents on the full range of provision in their area.

Next steps

Councils have achieved a great deal, expanding their provision substantially in a very short timescale. They have worked hard to do this, and in some cases have made a significant cultural shift to work with partners in a mixed economy. The challenge now is to develop provision to achieve the policy aims. This means working to ensure that pre-school education is recognised by primary schools – so that the child's social and educational development, nurtured through play in the pre-school environment, continues seamlessly into Primary 1 and beyond.

It also means ensuring that pre-school provision is integrated with childcare provision. This will ease the return of parents to work and training. The majority of pre-school places are currently in the council sector – which is generally less flexible than other centres, usually offering only morning or afternoon places of 2.5 hours a day between set times, with no option of wraparound childcare. Councils must continue to consult parents about their needs for childcare and try to develop their pre-school provision so that it links better with childcare arrangements.

The report concludes with a review framework which councils can use to look at their pre-school provision. External auditors may be involved in this review. All external auditors will be asked to review the arrangements for payment of grants to partners in autumn/winter 2001/02.

The Accounts Commission will follow up this study to identify the extent to which councils have addressed its recommendations.

1 Introduction

The Scottish Executive has made a commitment⁵ to fund the universal provision of free, high-quality, part-time pre-school education and has pledged to achieve this in Scotland by 2002. From April 2002, councils will have a statutory duty⁶ to secure places for eligible⁷ children although parents are not required to take up a pre-school place for their child.

This report reviews how Scottish councils have managed the expansion of provision to implement the Executive's policy. The report:

- sets out good practice in relation to commissioning, partnership working and management of pre-school provision
- presents a costing model to help councils in appraising their options for service delivery
- provides a review framework which can be used as the basis of a best value review of pre-school education.

Case studies are included to help councils to learn from each other and share good practice.

Why look at pre-school education?

Education is a high priority for the Scottish Executive. The starting point for Government policy is that effective pre-school education helps children to develop an enthusiasm for learning that will support them through all later stages of the education system. The Scottish Executive's targets are to secure a pre-school education place for:

- every child in their pre-school year whose parents wanted one by the winter of 1998/99
- every eligible 3-year-old whose parents want one by the summer of 2002.

The Scottish Executive has indicated that it sees pre-school education, together with childcare, at the heart of the agenda for children's well-being and achievement, and has identified additional, wider benefits:

*"[Childcare and pre-school education] ... can enable parents to take up employment or training opportunities. This, in turn, brings benefits to businesses and the wider community. Helping individuals access opportunities to use their skills and talents brings advantages all round."*⁸

The Education (Scotland) Act 1996 makes provision for grants to be paid to councils to expand the provision of pre-school education in their area and to pay for each child's place. Over £130 million has been made available to councils in 2000/2001 to provide places for over 115,000 children.

⁵ 'Meeting the Childcare Challenge: A Childcare Strategy for Scotland', Scottish Office, May 1998.

⁶ 'Standards in Scotland's Schools etc (Scotland) Act 2000.

⁷ Children become eligible for a grant-funded place from the term following their third birthday.

⁸ 'Guidance on the Planning of Pre-school Education and Childcare and the Establishment of Childcare Partnerships', Scottish Office, October 1998.

In expanding the provision of pre-school education, councils were free to choose whether to increase direct provision in their own centres or to commission places from centres in the private or voluntary sectors. However, Ministers encouraged councils to enter into partnership arrangements to commission places with private and voluntary providers. In planning and managing provision in their area, councils are expected to deliver best value – ensuring that the service is cost-effective and meets the needs of both parents and children.

The aim of this study was to review how councils have managed the expansion of a mixed economy of pre-school provision. Managing provision in this way requires careful option appraisal, ie, considering full costs and benefits before choosing providers, and developing systems for working successfully with partners. The report includes recommendations for the future and examples of good practice. These will help councils to develop and improve their pre-school provision and, looking laterally, should also help councils to improve their commissioning work in other sectors, such as residential care.

Methodology

All councils in Scotland were asked to provide details of their partnership arrangements and information about spending on pre-school education. A total of 30 councils provided information for the study, and 26 of these provided detailed cost information.

Eight councils provided additional detailed information about their policies and practices in the expansion of pre-school provision, and participated in interviews. Further research took place in four of these areas, where staff in 31 centres took part in semi-structured interviews.

The centres included council stand-alone education nurseries (9), council nursery classes attached to schools (6), council day centres providing pre-school education (2), nursery classes in independent schools (1), private sector nurseries (9) and voluntary sector nurseries and playgroups (4). All 31 centres were asked for cost and operational information, but only 22 were able to provide complete sets of information. Only four of the private partners and two of the playgroups were able to provide all the data requested.

An advisory group including practitioners and other experts involved in pre-school work was assembled to act as a sounding-board for the study. The membership is included at Appendix 1.

Terminology

Throughout this report, we refer to the following types of provider:

Council-run – these are owned and run by the council, most by the education department but some by the social work department. They include stand-alone education nursery schools, nursery classes attached to primary schools and day centres (education or social work). In some cases they provide only pre-school education; in others they also provide additional services, such as full-time places for children or families with special needs, wraparound⁹ childcare, provision for 0-3-year-olds or wider family support.

⁹ Childcare provided outside the times of the pre-school education sessions and normally paid for by the parents.

Private sector – These are organisations owned by private individuals or registered companies and are operated for profit. They are most often private nurseries.

Voluntary sector – These are non-profit-making organisations managed by groups of parents and/or members of the community. They are most commonly playgroups.

Independent schools – Nursery classes are attached to these schools, which are registered with the Registrar of Independent Schools and managed by a Board of Governors. They may be in either the private or voluntary sector.

We use 'partner centres' or 'partner providers' as a collective term to refer generally to centres not run by the council.

We have used the term '4-year-olds' to refer to children in their pre-school year and '3-year-olds' to refer to children who are in their ante-pre-school year, ie, they became eligible for pre-school education in the term after their third birthday.

Next steps for councils and audit arrangements

All councils should act on the recommendations included in the report. The Accounts Commission will follow it up in three ways:

- 1 Self-evaluation using the review framework** – Councils may, at their discretion, use the review framework at the end of this report to help them review their commissioning process and the extent to which their provision of pre-school places meets the needs of parents and children. Auditors may assist councils in this self-evaluation.
- 2 Mandatory audit of grant payment system** – A mandatory audit by external auditors across all councils is planned for winter 2001/02. The audit will ensure that councils have robust arrangements to make payments of grant to partners in compliance with contract conditions. The outcome from the audit will be an improvement action plan agreed between auditors and councils. A follow-up audit will take place within two years to review each council's progress against its plan.
- 3 Follow-up report** – The Accounts Commission will follow up this report to identify the extent to which each council has implemented the recommendations.

Structure of the report

The report is set out as follows:

Chapter 2: Planning, funding and regulation – Sets out the planning framework, funding arrangements and regulations underpinning councils' approaches to the provision of pre-school education.

Chapter 3: Expanding pre-school education – Reviews briefly the expansion of provision, beginning with the starting point for councils and concluding on progress in the light of current levels of provision.

Chapter 4: Managing pre-school education – Considers the planning and decision-making processes that led to the current provision and reviews management arrangements for commissioning places and working in partnership. It makes recommendations on how to improve practices.

Chapter 5: Getting the best from pre-school education – Considers whether current provision is achieving its aims – whether it is enabling high-quality pre-school education to “*lay the foundation for lifelong learning*” and giving parents and children the “*seamless provision*” of education and childcare envisaged by the Government. The chapter concludes with a framework which councils can use as the basis of a best value review of pre-school provision.

2 Planning, funding and regulation

Planning framework

The Green Paper issued in May 1998, '*Meeting the Childcare Challenge: A Childcare Strategy for Scotland*', set out the Scottish Executive's commitment to universal public provision of high-quality, part-time pre-school education within a framework of services for young children and their families. A specific policy goal was to secure greater integration of services for young children needing access to both care and education.

Pre-school education is a publicly-funded service, with Scottish Executive grant underpinning both the development and provision of places. The grant provides for 412.5 hours of curriculum-based pre-school education to be freely available to every 4-year-old and every eligible 3-year-old whose parents want it. Councils will have a statutory duty from April 2002, under the '*Standards in Scotland's Schools etc (Scotland) Act 2000*', to secure places for eligible children although parents are not required to take up a place for their child if they do not want to. It will be the end of the summer term 2002 before 3-year-olds must be guaranteed a place.

Unlike pre-school education, childcare is not paid for by the Executive. The development of childcare provision is subsidised through Executive funding for the Scottish Childcare Strategy, including lottery resources from the New Opportunities Fund and elements of the Sure Start Scotland initiative. Eligible families are subsidised to use formal childcare provision through the childcare element of the Working Families Tax Credit. However, those parents who can afford to pay for childcare are expected to do so. The expansion of childcare is not the sole responsibility of councils.

In October 1998, the Scottish Office Education and Industry Department (SOEID) issued guidance¹⁰ to assist councils in producing integrated plans for childcare and pre-school education. Because of the range and complexity of childcare services, Ministers decided that there should be broadly based *Childcare Partnerships* in each council area, responsible for overseeing the production of early education and childcare plans and promoting their implementation. Councils' plans were submitted to the Scottish Executive in April 1999.

Councils were expected to carry out childcare audits of local supply and demand for childcare in 1998/99 to inform plan preparation and to act as a local baseline against which to monitor progress. Councils were expected to involve parents and service providers in the development of early education and childcare plans and to continue this involvement as plans are implemented and reviewed.

¹⁰ '*Guidance on the Planning of Pre-school Education and Childcare and the Establishment of Childcare Partnerships*', Scottish Office, October 1998.

For pre-school education, the key task for councils is to achieve universal provision of high-quality services, acting both as enablers and providers of provision. Councils were encouraged to consider commissioning places in the private and voluntary sectors to meet the needs and preferences of parents and children.

A broadly-based curriculum for children aged three to five has been developed by the Scottish Executive and the Scottish Consultative Council for the Curriculum¹¹ – ‘*The Curriculum Framework for Children 3-5*’ – to promote quality and common themes in the delivery of pre-school services. All publicly-funded providers are required to deliver pre-school education within this curriculum framework.

Funding arrangements

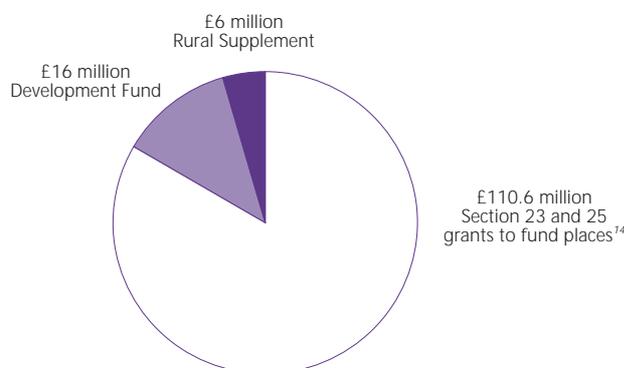
Pre-school education has up until now been funded through ring-fenced Scottish Executive grants. However, the Scottish Executive is now negotiating with councils to change the specific grant arrangements to incorporate funding for pre-school provision within councils’ three-year grant settlement.

The Education (Scotland) Act 1996 makes provision for grants to be paid to councils to expand the provision of pre-school education in their area and to pay for each child’s place. Places provided in council-run centres are eligible for grants made under Section 23 of the Act, while places provided through commissioning with private or voluntary sector centres are eligible for grants under Section 25 of the Act. Section 24 provides that recipients of grant must comply with any requirements the Secretary of State¹² may impose.

In 2000/01, the total funding made available for pre-school education was £132.6 million (Exhibit 4). Of this, £110.6 million has been allocated to grants through Section 23 and Section 25. A further £6 million has been allocated as a Rural Supplement and paid to 12 councils¹³ in recognition of the higher costs involved in providing pre-school education in rural areas. The remaining £16 million has been allocated to a Development Fund.

Exhibit 4: Government funding for pre-school education 2000/01

The bulk of the £132.6 million funding was allocated to Section 23 and 25 grants to fund places in council and partner provision.



Source: Scottish Executive Education Department

¹¹ Now called Learning and Teaching Scotland.

¹² Now Scottish Ministers.

¹³ Rural Supplement grants were paid to the 12 councils with the highest proportions of population classified as ‘very rural’. The 12 councils are Aberdeenshire, Angus, Argyll & Bute, Dumfries & Galloway, Eilean Siar, Highland, Moray, Orkney Islands, Perth & Kinross, Scottish Borders, Shetland Islands, Stirling.

Grants from the Development Fund are available to extend the provision of places to eligible 3-year-olds, with the grant allocated to individual councils on the basis of the estimated shortfall of places for 3-year-olds. Development grants can be used for capital or revenue projects, and councils may choose to pass development grant funding on to partner providers in the voluntary and private sectors. On the basis of information provided to us by 26 councils, an estimated 60% of the 1999/2000 Development Fund – £10.5 million – was spent on capital and refurbishment projects in council provision. A further 13% (£2.3 million) was spent on equipment for council provision. Approximately 13% of the development grant (£2.3 million) was spent on extending or improving partners' provision.

In the same year, 79% of funding for places (section 23 and 25 grants) went to council-run provision and the balance of 21% funded places in partner centres¹⁴.

All grants are paid directly to councils. The rate of grant per place was £1,175 per annum for the academic year 1999/2000. For the academic year 2000/2001, the rate is £1,200 per place per annum.

Individual councils set the rate of grant which they pay to voluntary and private centres in exchange for places. However, the Scottish Executive Education Department (SEED) set an advisory recommended minimum of £880 for 1999/2000, with the balance retained by the authority – the 'top slice' – to be used in support of pre-school provision in the voluntary and/or private centres. For the academic year 2000/2001, the advisory recommended minimum is £900 per place.

The Scottish Executive defines a pre-school place as at least 412.5 hours of pre-school education over the school year, with a suggested pattern of five sessions of at least 2½ hours each week for 33 weeks in the year. Centres offering places of less than 412.5 hours are eligible for grant on a pro rata basis.

As a condition of entitlement to grant the Scottish Executive requires all providers of pre-school education to:

- register with the Scottish Executive as a provider of pre-school education
- deliver the curriculum for 3-5-year-olds¹⁵
- apply the principles of self-evaluation contained in '*The Child at the Centre*'¹⁶.

Parents should pay for any additional childcare they purchase from the provider, regardless of whether it is in a council-run centre or in the private or voluntary sector. Families in receipt of Working Families Tax Credit have their childcare costs subsidised by up to 70%. Parents who would previously have purchased childcare in the private and voluntary sectors and whose children now receive combined pre-school education and childcare with these centres should usually see their charges reduced by the amount of the grant which pays for the pre-school place.

¹⁴ Data for the split between S23 (for council centres) and S25 (for partner centres) for 2000/01 are not available at time of writing.

¹⁵ '*Curriculum Framework for Children 3-5*', HM Inspectors of Schools & Scottish Consultative Council on the Curriculum, 1999.

¹⁶ '*The Child at the Centre – Self-evaluation in the early years*', Scottish Executive, 2000.

Regulation of pre-school education and childcare

Education and childcare are regulated by statute, with different regulation arrangements currently applying to each. Council schools are governed by the Schools (Scotland) Code 1956 and the Schools Premises Regulations 1967. Independent schools are regulated by the Education (Scotland) Act 1980. Private and voluntary sector providers and day care centres are regulated for childcare under the Children Act 1989. Councils are responsible for the registration and inspection of childcare establishments, and HM Inspectors of Schools have responsibility for inspecting education in pre-school establishments.

The Scottish Executive intends to bring together the regulation of childcare and early education under the one regulatory body. The '*Regulation of Care (Scotland) Bill*¹⁷ proposes a Scottish Commission for the Regulation of Care that would have responsibility for a wide range of care services including the regulation of day care for children and pre-school provision (Exhibit 5). The effect of this will be to remove from councils any responsibility for registration of providers. Regulation and inspection will become separate from provision and purchase of services.

Exhibit 5: Scottish Commission for the Regulation of Care

The Commission will be responsible for the regulation of care services and early education services.

It is anticipated that the Scottish Commission for the Regulation of Care will be established from 1 April 2002. The Commission will comprise a Board of Management, the size and composition of which will be determined by Ministers.

The main functions of the Commission will be:

- regulating care services in Scotland and, additionally, early education services
- keeping Scottish Ministers informed about the provision and quality of services
- encouraging improvement in the quality of services
- making information available to the public about the quality of services.

The Commission will regulate services against published care standards. The National Care Standards Committee (NCSC) was established in the White Paper as an interim body to develop national care standards to be adopted by the Scottish Commission for the Regulation of Care.

A consultation paper, '*Regulation of Early Education and Childcare – The way ahead*', was issued in July 2000, setting out Ministers' intentions for the future regulation of childcare and early education. The aim is to ensure that there is a level playing-field of regulation and inspection across all providers delivering a similar service.

¹⁷ '*Regulation of Care (Scotland) Bill*', Scottish Executive, December 2000.

There will continue to be required standards for inputs, such as staff numbers and qualifications, but a much greater emphasis will be placed on outputs. Regulation will focus on the quality of the experience offered to the child. The National Care Standards Committee (NCSC) will develop standards which link closely with the performance indicators in *'The Child at the Centre'*. All centres funded to provide pre-school education will be expected to perform well against these standards.

HM Inspectors will retain responsibility for inspecting pre-school education after the establishment of the Scottish Commission for the Regulation of Care, and will work collaboratively with the Commission. HMI and the Commission will use the same overall framework of indicators, and will co-ordinate their work to ensure that providers will not be subject to inspections by both HMI and the Commission in the same year.

3 Expanding pre-school education

Levels of provision

Scottish Executive Education Department (SEED) grant claims show that by autumn 2000, nearly 98% of all 4-year-olds were receiving free pre-school education. Individual councils provided grant-funded places to between 87% and 100% of children. Overall, councils have broadly achieved the target for 4-year-olds – given that pre-school education is not compulsory, over 95% can reasonably be regarded as universal provision.

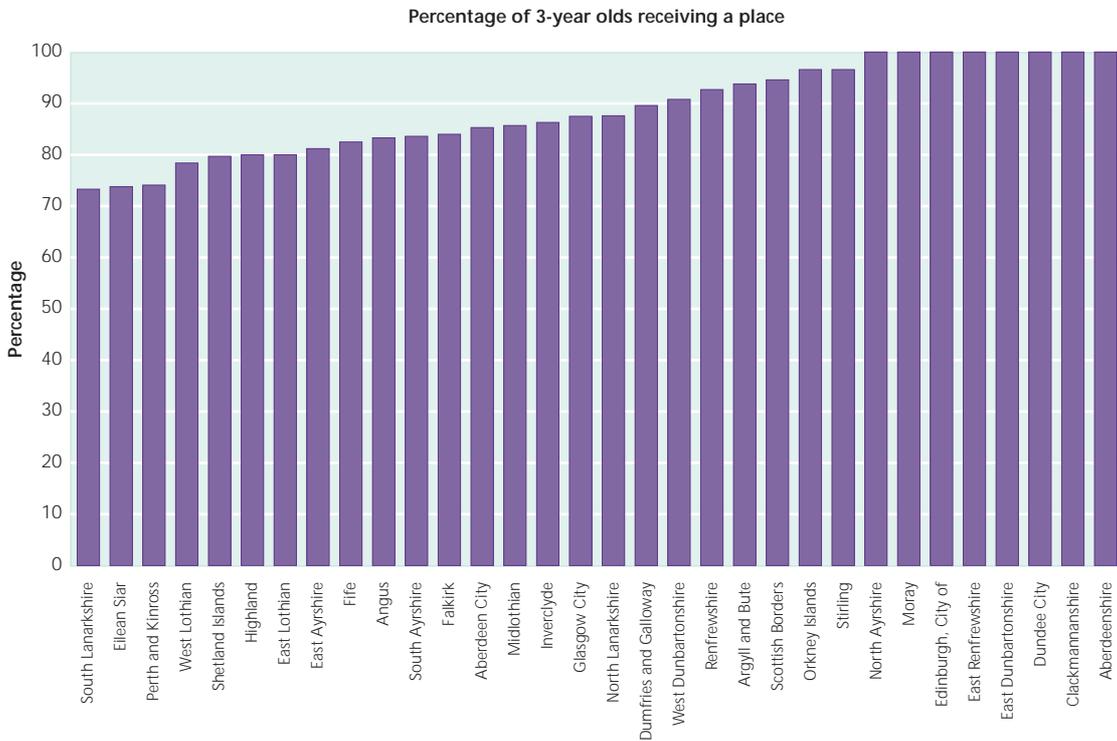
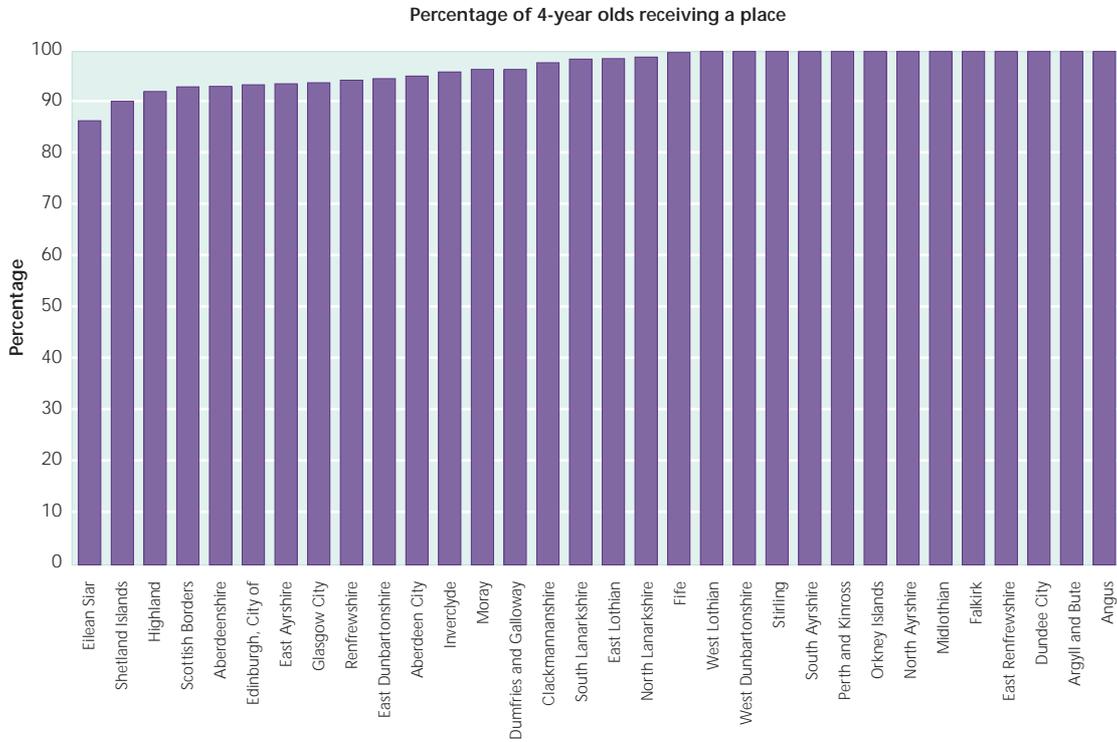
Councils are also close to meeting the Executive's target for 3-year-olds, with approximately 88%¹⁸ of eligible children receiving free pre-school education in autumn 2000. Provision ranged from less than 80% in four councils to at least 95% in 11 councils (Exhibit 6). This reflects levels of provision at the start of the school year 2000/01 – only one year since Executive funding came on-stream and nearly two years before the final target date. It is unlikely that all councils will reach 100% provision as some parents do not take up places for 3-year-olds as soon as they become eligible.

There is much less variability between individual councils in 3-year-old provision than there was at the same time the previous year (autumn term 1999) (Exhibit 7). Those councils starting in autumn 1999 with relatively low levels of provision (Fife, Highland, South Lanarkshire, West Lothian) have increased their provision greatly so that no council now provides for fewer than 73% of eligible 3-year-olds.

¹⁸ The rate of provision for 3-year-olds in the autumn term is estimated from the actual number of places for which grant was claimed and each council's estimate of the total number of eligible 3-year-olds in their area at the start of the autumn term. In many cases this estimate is based on figures from the General Registrar's Office (GRO), which may not take into account migration into, or out of, a council area.

Exhibit 6: Percentage of eligible children receiving a Scottish Executive grant-funded pre-school education place in autumn 2000

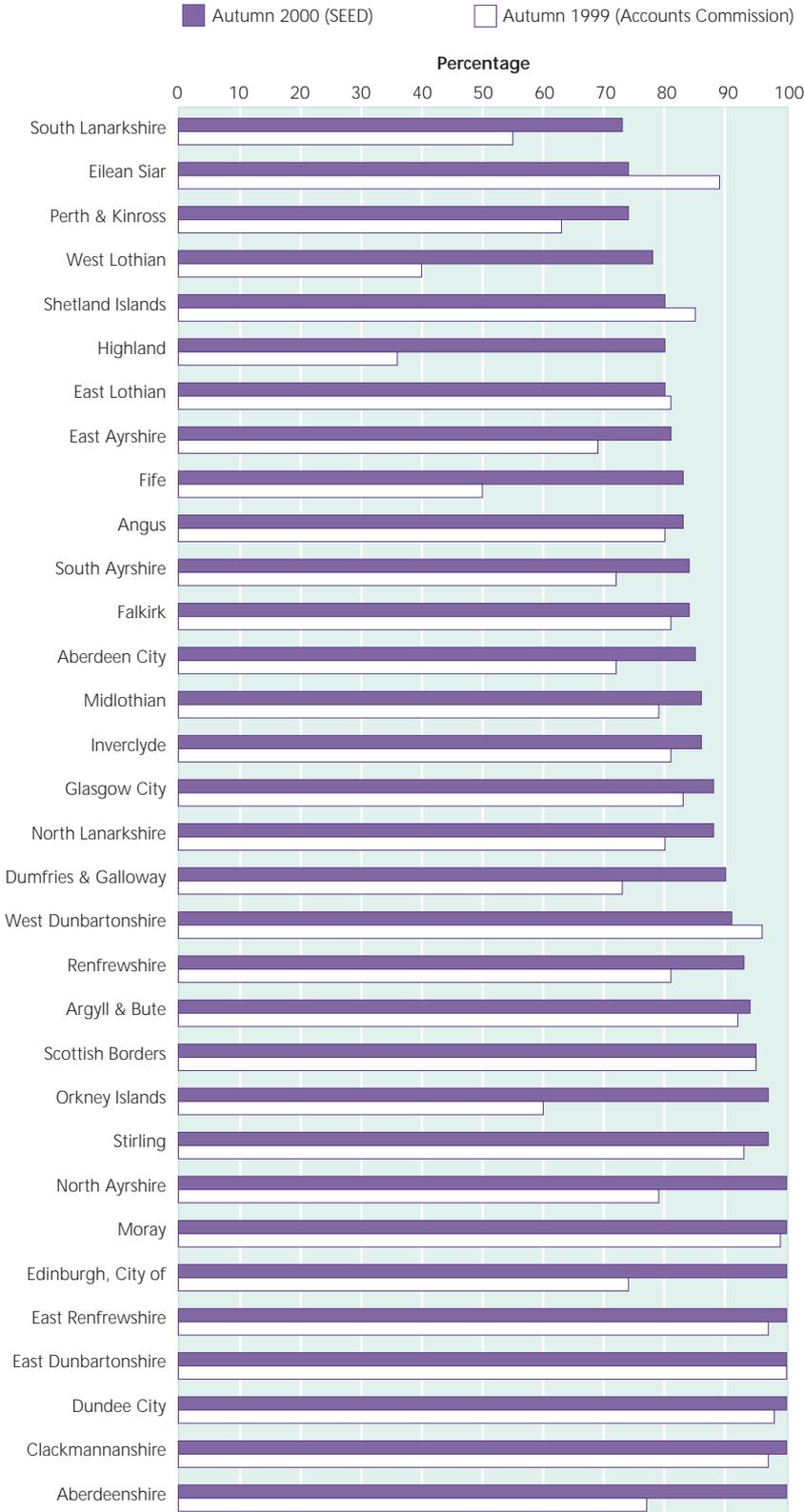
Between 87% and 100% of 4-year olds received a place; there was more variation in provision for 3-year-olds.



Source: SEED pre-school education grant claims, September 2000

Exhibit 7: Percentage of eligible 3-year-olds receiving Scottish Executive grant-funded pre-school education in autumn 2000 compared with autumn 1999

There is much less variability between individual councils in their provision for 3-year-olds in autumn 2000 compared with autumn 1999.



Source: SEED pre-school education grant claims, September 2000, and Accounts Commission Statutory Performance Indicators, 1999/2000

The greater variation in autumn 1999 reflects to some extent the different levels of provision when expansion started and the different policies adopted by councils to meet the target.

Councils embarked on their work to meet the Scottish Executive target from very different starting points. In 1998/99, all provided free pre-school education for 4-year-olds. However, some were still expanding rapidly to meet the 4-year-old target at the time they were planning the expansion for 3-year-olds.

Councils took different approaches to meeting the target for 3-year-olds. Some started by providing a three-session place (or sometimes two sessions) for as many children as possible, while others set out to provide five-session places from the start, targeting deprived areas first and then expanding into other areas. Accounts Commission Statutory Performance Indicators¹⁹ show that, on average, 31% of 3-year-olds were receiving fewer than five sessions a week in autumn 1999. This varied from councils where all 3-year-old places had fewer than five sessions a week (Argyll & Bute, Dumfries & Galloway, North Ayrshire) to those where over 95% of places were for five sessions (Perth & Kinross, Midlothian, West Lothian). In autumn 2000, 22% of 3-year-old places were for less than five sessions a week. Grant funding only becomes available for 3-year-olds in the term after their third birthday. However, some councils, eg West Dunbartonshire, provide a place if available as soon as a child becomes three.

In the late nineties, many councils were the sole providers of formal pre-school education, with the exception of a few private and independent schools. Private nurseries, which were mainly concentrated in urban areas, provided mainly childcare, and were predominantly attended by children of working parents. Voluntary playgroups provided a combination of play activities for pre-school children and social interaction for both children and parents.

Type of provision used

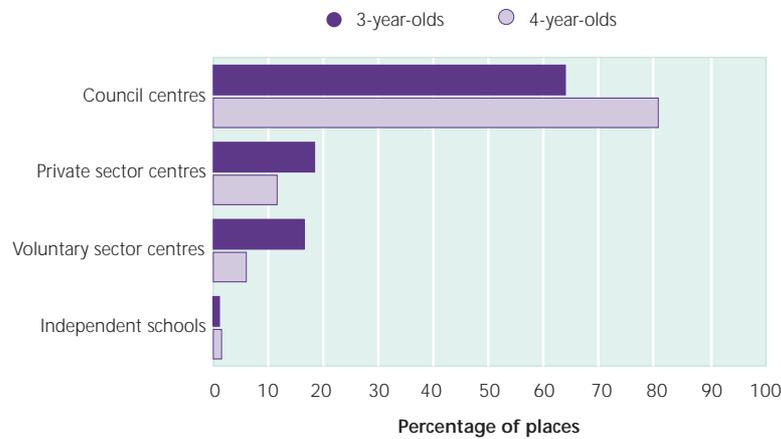
Since the beginning of the school year 1999/2000, all councils have commissioned places from partner providers in the private and/or voluntary sectors, in addition to making direct provision in their own centres.

SEED grant claims for September 2000 show that 81% of 4-year-old places and 64% of 3-year-old places are provided in council-run centres (Exhibit 8). The difference between 4- and 3-year-old places reflects a combination of factors, including councils' policies, parental choices and the incremental way in which provision has been expanded, first for 4-year-olds and then for 3-year-olds.

¹⁹ Statutory Performance Indicators 1999/2000, Accounts Commission for Scotland, 2001.

Exhibit 8: Percentage of pre-school education places provided by different types of provider, autumn 2000

Council-run centres provide places for over four out of five 4-year-olds, and three out of five 3-year-olds.



Source: SEED pre-school education grant claims, September 2000

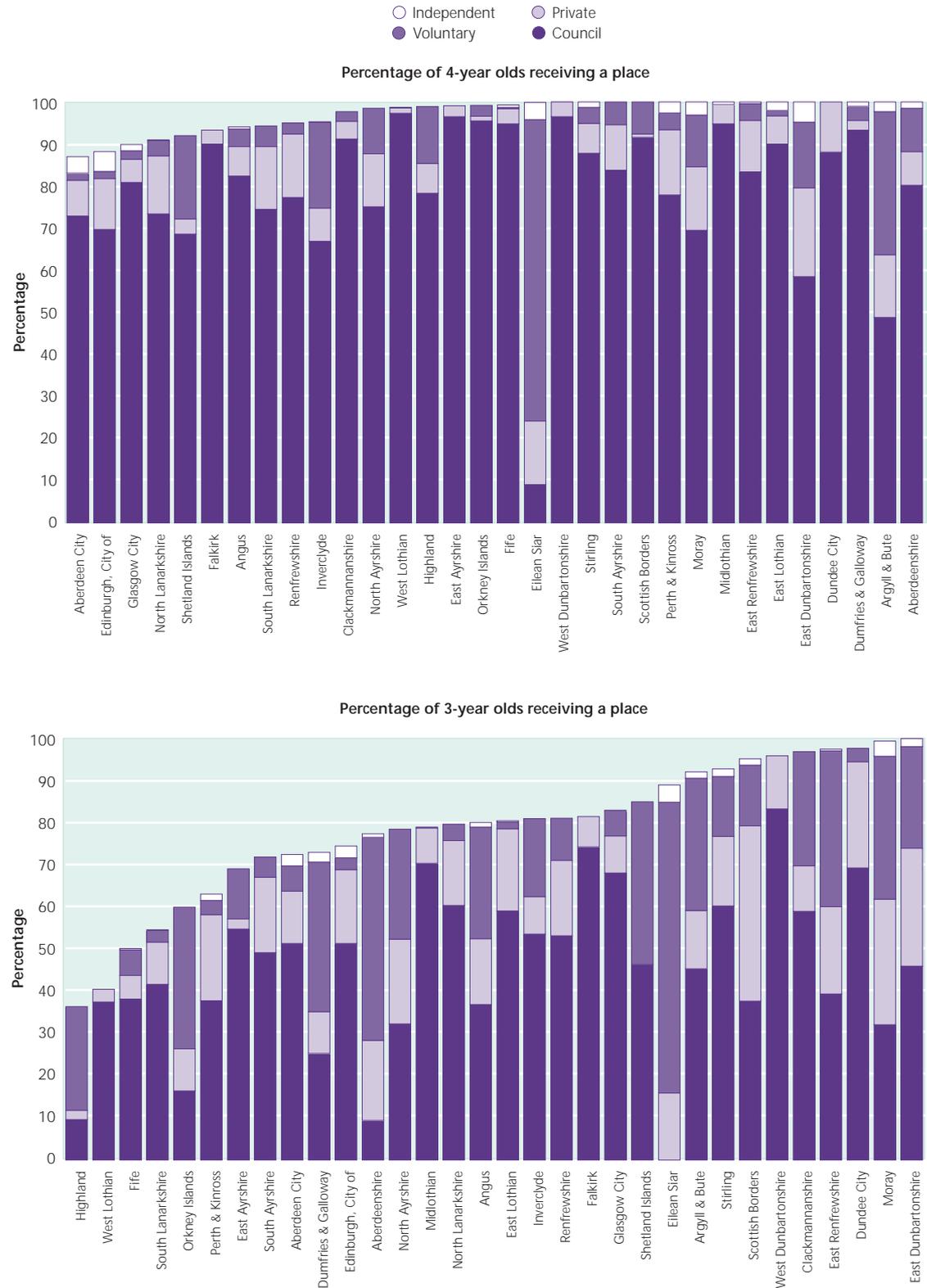
The mixture of provision in each council area varies substantially (Exhibit 9). Provision for 4-year-olds is dominated by council centres, with only one council providing fewer than half of places in their own centres. There is a greater mix of providers for 3-year-olds – at the start of the 1999/2000 school year, 12 councils were providing fewer than half of places in council-run centres.

Many of the most rural councils²⁰ depend on the voluntary sector – mainly playgroups – to provide significant numbers of places, especially for 3-year-olds. There are four councils (Argyll and Bute, Eilean Siar, Inverclyde and Shetland Islands) where at least 20% of 4-year-olds attend centres in the voluntary sector; three of them are among the most rural councils. For 3-year-olds, where the voluntary sector also plays a greater role, there are 13 councils where at least 20% of 3-year-olds attend voluntary sector centres. Again, nine of the 13 are among the most rural councils. Playgroups managed by committees of volunteer parents normally have lower core running costs than other types of provider and so are more efficient for rural areas. This is discussed in detail in Chapter 4.

²⁰ The 12 councils receiving the Rural Supplement are Aberdeenshire, Angus, Argyll & Bute, Dumfries & Galloway, Eilean Siar, Highland, Moray, Orkney Islands, Perth & Kinross, Scottish Borders, Shetland Islands and Stirling.

Exhibit 9: Percentage of eligible children receiving Scottish Executive grant-funded pre-school education from different types of provider 1999/2000

High proportions of 4-year-olds are educated in council-run centres in almost every council; there is a greater mix of providers for 3-year-olds.



Source: Accounts Commission Statutory Performance Indicators, 1999/2000

Progress towards the Scottish Executive's target

Overall, councils can be regarded as having met the Scottish Executive's target of providing a free pre-school place for every 4-year-old and are close to meeting the target for 3-year-olds. All are working with partner providers to achieve the necessary number of places, in some cases undergoing a significant cultural change. This is a major achievement by Scottish councils, given the scale and the timetable for the task.

However, current provision is not necessarily offering parents the flexibility that they and their children need. We now consider the process of the expansion and make recommendations about how the management of pre-school provision can be improved in the future.

4 Managing pre-school education

This chapter considers the process of expansion and makes recommendations about how the management of pre-school provision can be improved.

There are four key elements in the cycle of managing pre-school provision:

1 Understanding parents' and children's needs

Councils should consult with parents to understand their needs and to have the information necessary to enable them to manage provision in a way which addresses parents' and children's needs.

2 Appraising options on cost and quality

Councils should explore the range of options available to them and decide on the best option in the light of parents' and children's needs and taking into account the quality standards and costs of each option. Options should be selected or rejected on the basis of systematic evaluation against agreed criteria.

3 Working with partners

Councils need to be sure that pre-school centres are delivering high-quality places, whether run by the council or by partner providers. Councils should work with both their own and partner centres to ensure that there is a consistently high quality of provision which satisfies the needs of parents and children.

4 Informing parents

Councils should inform parents about their child's statutory entitlement and about the provision available to them, to allow parents to make informed choices.

Understanding parents' and children's needs

How do councils know what parents need at a local level?

Parents' needs for pre-school education and childcare are varied. Some parents only want part-time pre-school education, while others need additional childcare for all or part of the day. Some parents seek both pre-school education and childcare in one place, while others choose to access the two separately.

The quality of experience offered to children by centres is evaluated by HMI, whose inspection criteria ensure that providers demonstrate the ability to meet the pre-school education needs of children.

All councils have undertaken childcare audits in response to the Scottish Executive's guidance²¹ on planning pre-school education. The initial audit was designed to establish current local supply and potential demand for pre-school education and childcare (for children aged 0-14 years) in order to identify and quantify any shortfall in provision. The information enabled councils to plan their expansion of provision and submit their plans to the Scottish Executive as required in April 1999. The plans covered a three-year period, and are being reviewed and rolled forward annually.

At the time of the initial childcare audits, councils varied in the extent to which they directly consulted parents to establish their needs. The audits concentrated on:

- supply – numbers of pre-school and childcare places and geographical distribution, and
- expected demand – based on estimated numbers of eligible children and expected uptake of pre-school and childcare places.

In some councils, additional consultation exercises had been undertaken, ranging from a few public meetings to comprehensive questionnaire surveys, and in some cases, eg West Dunbartonshire, a combination of these approaches was used. Where parents were not widely consulted, estimates of the expected uptake of places tended to be based on a combination of levels of use of current supply and staff views, based on their knowledge and experience. In some cases, assumptions were made about the type and location of pre-school provision parents would use. As a result, these councils drew up their initial plans for expansion without specific local information about parents' needs and preferences. This lack of information was in large part due to the very tight timescales set by the Scottish Executive, and a number of more comprehensive data collection exercises have since been undertaken and their results used to guide councils' subsequent plans.

Interviewees from councils where comprehensive data was lacking, felt they had a reasonable understanding of what parents wanted. This was drawn from their own, and colleagues', experience and from a range of other sources, eg in Stirling, parents' petitions for a nursery class in a local school, letters to councillors on local issues and the results of a question on spending priorities from a general residents' survey; and in West Dunbartonshire, a review of services for under 8s. However, in some cases, councils' plans were based on guiding parents towards council provision and investing in expansion primarily of that sector. Research²² undertaken in 1999 showed that 23 councils had guided parents towards using council provision for 4-year-olds. This study found that a number of councils concentrated the expansion of pre-school education for both 4- and 3-year-olds in the council sector and adopted policies which guide parents down the route of council provision as the best option (eg, only funding places in partner centres when council centres are full).

Since submitting initial childcare plans in 1999, a number of councils have worked to gain better information on parents' needs through comprehensive consultation exercises such as questionnaire surveys, focus groups and public meetings (Exhibit 10). The content of consultations needs to be carefully thought through and tested to ensure that the quality of information gained is good.

²¹ 'Guidance on the Planning of Pre-school Education and Childcare and the Establishment of Childcare Partnerships', Scottish Office, October 1998.

²² 'Review of Partnership in Pre-school Education', Classic Concepts, April 1999.

Exhibit 10: Consulting parents to assess needs

Parents' views can be established in a variety of ways.

Renfrewshire Council

This council conducted a comprehensive postal survey, sending questionnaires to all parents using pre-5 services (including pre-school education) in both local authority and partner provision and to a 1-in-3 sample of parents whose children were in Primary 1. The questionnaire addressed a range of issues relating to parents' satisfaction with services and their needs and preferences. A response rate of 80% was achieved.

Highland Council

Where there was some choice about the type of provider of pre-school education in a local community, Highland Council established parents' preferences through local public meetings. In one case, where opinion appeared to be evenly divided, all parents of eligible children were invited to vote and the council acted on the outcome.

Source: Audit Scotland – fieldwork

Equally, the consultation mechanisms need to allow parents in different circumstances to express their views. For example, one council invited parents to participate in a public meeting about childcare and pre-school education needs in a civic building at 2.30pm on a weekday, making it difficult for both working and non-working parents to attend. A series of consultation meetings at different times and venues would avoid this type of possible exclusion.

Councils should continue to assess parents' and children's needs and preferences so that provision can be adapted as necessary. Parent's needs and expectations do not remain static, and should be regularly reviewed and fed into the process of appraising options for pre-school provision.

Recommendations

Parents should be regularly consulted on their needs and preferences for pre-school education and childcare provision.

The consultation methods used should be carefully thought through to ensure that the information gained is of good quality and is representative of parents' views.

Information on parents' views should be taken into account in reviewing options for pre-school provision.

What do parents get?

The ideal situation for parents is to have as much flexibility as possible to allow them to put together a pre-school education and childcare package which is ideally suited to their and their child's needs. The policies and practices adopted by some councils effectively limit flexibility for parents.

The study found that current provision often presents parents with a complex set of options. The variation in provision means that parents have much more choice in some locations than in others. This variation affects factors, such as choice of centres, timing of sessions and integration with childcare, that are central to parents' needs and preferences (Exhibit 11).

Exhibit 11: The parents' view

Parents may have to navigate through a maze of different provision arrangements, depending on the policies of the council.

Choice of centre

- council A may have a policy to fill council nurseries first, only funding places with partner providers when they are full. Parents who would prefer a place with a registered partner provider cannot be sure that their child will be funded there. If they are offered a council place and turn it down, they may have to pay pre-school education costs (typically £800 – £1,000) to the partner provider for the place they want
- council B will fund the child in any registered centre of the parents' choice.

Timing of sessions

Parents may be offered:

- a five-session place for a 3-year-old, with no option of reducing this to three sessions a week if they would prefer it. As a consequence, parents may accept the place but the child may not attend every day, and fully-staffed centres may be left to run with greatly reduced numbers of children for some sessions (eg, Friday afternoons)
- only morning or afternoon sessions, which may not suit their work patterns
- a choice of the number of sessions and a mixture of morning and afternoon sessions.

Number of weeks of provision

Parents may find that:

- their child receives between 37 and 39 weeks of pre-school education in a council-run centre but only 33 weeks in a partner centre. Parents who choose a partner provider may end up paying for the additional weeks of provision to match what they would get in a council centre
- all children receive the same number of weeks of provision regardless of the provider.

Refund of fees

Parents choosing partner providers, where they also purchase childcare:

- may pay the full costs of childcare and receive a refund of fees covering pre-school education at the end of the term, or even the end of the year
- in other council areas, or with other providers in the same area, may receive the discount from their fees when they pay for childcare for the same period, eg, monthly.

Integration with childcare

Parents who require integrated pre-school education and childcare may have their choices limited by council policies. Where councils provide for 4-year-olds only in council centres, or have a policy of filling council places before commissioning partner places, parents' only choices are:

- to arrange separate childcare
- to pay for an integrated pre-school and childcare place elsewhere.

Source: Audit Scotland – review of council policy documents and contracts with partners in 30 councils

Councils gave the following reasons for some of their policies and practices:

Costs

- high cost of providing for small numbers in rural areas, which means that only one provider can operate in an area and that the council subsidises this provision (in many but not all cases through the Rural Supplement)
- lack of demand in council nurseries to ensure that wraparound care is financially viable.

Resources

- inflexible employment contracts of council staff which constrain council nurseries' ability to offer more flexible provision
- unsuitable accommodation in council premises to provide for both pre-school education and childcare.

Partner provision

- lack of providers in the private and voluntary sectors
- lack of quality provision from some partner providers so that parents cannot necessarily be confident that they will receive consistently high-quality provision regardless of the provider.

The Scottish Executive introduced the issue of the number of weeks of provision by suggesting that the 412.5 hours of pre-school education funded by the grant should be delivered over 33 weeks in the year. Councils' existing provision generally offered 36-39 weeks to fit in with school term-time.

Two additional factors, which have contributed to the way different councils' policies have evolved, are the incremental way in which pre-school education policy and funding has been introduced (ie, first requiring expansion for 4-year-olds, and then later further expansion for 3-year-olds) and the wide variation between councils in the level of existing provision at the start of the expansion. For example, councils like West Dunbartonshire, which were already providing significant levels of integrated pre-school education and childcare in council-run day care centres, started from a well-established base of council provision.

However, the overall flexibility, from the parents' point of view, could be significantly improved by some councils. All councils should review their policies and practices in relation to the factors listed above and consider, in the light of information on parents' and children's needs, whether they can adjust provision to allow greater flexibility.

Recommendation

Councils should review their policies and practices in both their own and partner centres to assess whether they can increase the flexibility available to meet parents' and children's needs.

Appraising options on cost and quality

All councils have made decisions on how to increase the number of pre-school places using a balance of in-house provision and partnership with private and voluntary providers. Cost, quality and other factors (ie non-financial costs and benefits) should be systematically reviewed before deciding the best mix of providers. Without doing this, councils cannot demonstrate that they are achieving best value. We look below at these factors and the extent to which councils reviewed them in making their decisions.

Costs

The unit cost (cost per pre-school place) should be one of the key factors considered when reviewing options for provision. None of the eight councils in the study had carried out a full formal option appraisal, using the unit costs for their own and potential partner centres, in addition to other factors, when they made decisions on expansion. While there was general consensus that council provision is more costly than that of partner providers, the councils reviewed had generally not attempted to estimate and compare the actual unit costs.

Our study set out to establish the actual unit cost of provision for 32 individual providers in a range of settings. Some councils found it very difficult to separate the costs of pre-school education from childcare and often accounted for some elements of cost in centrally held budgets. Providers in the private and voluntary sectors with integrated day care and pre-school education had similar problems in apportioning costs.

Among the 22 centres providing full detailed cost and operational information, it is clear that the unit cost of provision varies significantly, reflecting each centre's particular circumstances. It has not, therefore, been possible to establish the actual unit cost of provision across a range of providers. What the data have allowed us to do, however, is construct a costing model which can be used to estimate unit costs for specific providers or types of provider.

Costing model

We have developed a standard approach, or model, for estimating unit cost using the detailed data provided. Councils can feed their own parameters into the model to estimate unit costs in a range of settings and examine the effect of variations, eg in staffing costs.

Exhibit 12 presents the model for a 40-place council-run nursery school, to show how the parameters can be used to build up a complete cost estimate. Appendix 2 contains a range of examples of the model using different situations and parameters, which reflect the differing staff:child ratios required in education and childcare establishments under current regulations. The examples include each of the main types of provider.

The costing model was used to assess the likely costs in a range of typically-sized centres. Estimated costs per place in a fully-occupied centre ranged from £613 in a 16-place playgroup (without a teacher) to between £898 and £1,286 in a private nursery and up to £1,734 in a 40-place council-run nursery school, both employing teachers. The unit cost excludes the costs of support and development provided centrally by councils. Unit costs in all settings increase where occupancy levels are low.

Where standard²³ council provision costs more than the total grant per place, it is being subsidised from other budgets.

Where the cost of supporting and developing partner centres exceeds the amount of grant retained by councils, this too is being subsidised from other budgets. Councils may choose to subsidise provision, however decisions to do so should be made in the light of full cost information.

²³ Excluding extended provision for children identified as being in need.

Exhibit 12: Costing model for a 40-place council-run nursery

Assumptions:

- children attend either five morning or five afternoon sessions a week for 37-39 weeks
- a session is 2.5 hours
- staff:child ratios are 1:10; teacher counted in this ratio
- additional costs for special needs are met outside these costs.

Staff costs (80% of total costs)	Annual costs	Notes
Teacher (1FTE) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £23,300 ■ including NI and pension 	£26,600	Teacher (1FTE) <ul style="list-style-type: none"> ■ NI 7.45% ■ pension 6.9%
Nursery staff (3 FTEs) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £12,100 ■ including NI and pension 	£40,800	Nursery staff (3FTEs) <ul style="list-style-type: none"> ■ NI 5.65% ■ pension 6.9%
Head teacher/Head of centre <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £29,000 ■ including NI and pension 	£33,400	Head teacher/Head of centre <ul style="list-style-type: none"> ■ NI 7.75% ■ pension 6.9%
Administrative/Clerical staff <ul style="list-style-type: none"> ■ 15 hours of admin/clerical staff ■ gross FTE annual salary £12,700 ■ including NI and pension 	£5,907	Administrative/Clerical staff <ul style="list-style-type: none"> ■ part-time post at 15 hours per week ■ NI 2.5% ■ pension 6.9%
Allowances for sickness cover (4%) Staff cover for training on in-service days	£4,268 -	<ul style="list-style-type: none"> ■ estimated using data from six council centres ■ assumes no staff cover needed
Total Staff Costs	£110,975	
Property costs (11% of total costs) Includes rent/charges, rates and water, energy, repairs and maintenance, cleaning, janitorial (costs for full year)	£15,259	Property costs (11% of total costs) <ul style="list-style-type: none"> ■ 11% estimated using data from four council nursery schools
Other costs (9% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for full year)	£12,485	Other costs (9% of total costs) <ul style="list-style-type: none"> ■ 9% estimated using data from four council nursery schools ■ property and other costs are all allocated to pre-school because no other activity takes place in the centre to which part of the costs might be allocated (eg, wraparound care, provision for non-pre-school children)
Total Non-staff Costs	£27,744	
Total Annual Costs	£138,718	
Cost per place (five sessions, 37-39 weeks)	£1,734	
Cost if 31 places taken	£2,237	<ul style="list-style-type: none"> ■ staff:child ratios require same staffing levels for 31 children as for 40 children

Source: Audit Scotland – costs received from 22 pre-school centres

Exhibit 13: Main factors affecting costs in pre-school provision

The bulk of costs are related to staff and variation in these affects overall costs.

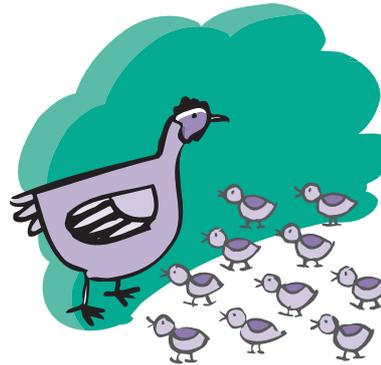
Staff pay and conditions

Employees in council-run centres generally receive higher rates of pay, work fewer hours and have longer paid holidays than those in the private and voluntary sectors. Councils normally pay pension contributions and enhanced sick pay. These differences can mean that a qualified nursery nurse costs nearly twice as much to employ in the council sector as in the private or voluntary sectors.



Level of teacher involvement

This is a major cost driver because a teacher can cost almost twice as much as a nursery nurse to employ. Teacher involvement is required in council education centres under the 'Schools (Scotland) Code 1956', but councils do not always require teacher involvement in partner centres, which are regulated under the 'Children Act 1989'. Guidance on levels and forms of teacher involvement is expected from the Scottish Executive in 2001.



Staff:child ratio

In many cases, although not across the board, council education provision works to a ratio of one adult to ten children while partner providers generally work to a ratio of one to eight children. This is a result of different statutory requirements. The National Care Standards Committee is expected to set a standard ratio for all pre-school provision.



Number of places

This has two elements:

- capacity, which is the number of pre-school places that could be accommodated by a provider, and
- occupancy which is the number of places actually filled.

The larger the centre and the higher the occupancy, the greater are the economies.

Source: Audit Scotland – costs received and operational details from 22 pre-school centres

Throughout the study both councils and partners have expressed a view that the level of grant (£1,200 per place in 2000/01) is not sufficient to pay for the cost of a high-quality place. Working through the model with the typical costs found in our study would suggest that this is true for many council-run nurseries and some partner providers.

The major element of cost in pre-school provision is staffing. This was found to be between 78% and 91% of the total costs for the range of providers we investigated. We have identified four key cost drivers, three of which are directly related to staff costs (Exhibit 12).

Other factors affect the unit costs but to a lesser degree. These include:

- Number of hours/weeks provided for the grant – where council employees are on year-round contracts, reducing the number of weeks from 37 - 39 to 33 would not reduce the staff costs. Increasing the number of weeks in a private or voluntary centre from 33 to 37 - 39 would directly increase the staff costs (Appendix 2).
- Costs shared with other types of provision or service. For example:
 - a nursery class in a primary school sharing the cost of premises
 - pre-school provision within a childcare setting sharing the cost of premises, equipment and management with the childcare element of provision
 - pre-school provision for grant-funded places combined with paid places for children not eligible for grant – eg, 2½-year-olds)
 - pre-school provision within a centre which is open all day for almost 52 weeks, where the grant-funded element shares a range of costs with the element outside school term-time, which is either paid for by the council for social inclusion reasons or by the parent for childcare.

Apportioning the costs to pre-school provision can be done on the basis of space, hours, numbers of children and/or number of weeks, depending on the circumstances.

- Premises costs can be a significant factor, particularly for stand-alone nursery schools not sharing the costs with any other use of the building.

The worked examples of the model presented in Appendix 2 show the impact on unit cost of smaller scale centres or empty places, eg, a playgroup operating a 1:8 ratio which has only five pre-school children attending. The dis-economies of scale resulting from small numbers mean that the unit costs in rural areas are substantially higher than in urban areas. One council reported an estimated cost of £3,860 per child in a rural council-run centre with five children attending. Another paid a minimum grant, instead of a grant per place, of £9,660 in 1999/2000 to playgroups with up to 12 children attending, because the core costs of staffing, premises and equipment do not reduce with fewer children. This equates to £1,932 per child for a group of five children. The Scottish Executive has recognised the additional costs of largely rural provision in the award of the Rural Supplement.

Assessing costs for use in option appraisal

The costing model can be used to calculate the unit cost of provision for different providers. This is an important element in a full option appraisal process, which should also take account of quality and of other factors, including non-financial costs and benefits.

The four main factors affecting costs can be determined relatively accurately, and by using the model, councils can determine comparable unit costs to be used in the option appraisal process. The regulations applying to pre-school education are changing, and councils can use the model to re-evaluate the costs as required. Providers in the private and voluntary sectors can also use the model to assess the impact of improving staff pay or conditions, eg, by introducing pension contributions or sick pay.

The costing model covers the basic elements of direct revenue costs in provision. It does not reflect marginal costings, where, for example, councils use empty premises to accommodate additional places. Some councils reported that their plans for expansion were based, in part, on consideration of marginal costs, although these were rarely quantified.

There are also some indirect costs not included in the model, but which should be included in option appraisal, eg:

- the cost of new-build or refurbished provision, which may be funded through the development grant
- the cost of developing and supporting partners to ensure that the provision is of high quality, which may be paid for through top-slicing the grants paid to partners.

Councils should assess all costs related to specific centres in making decisions on pre-school provision.

Recommendations

Councils should use the costing model to establish costs to be used in option appraisal.

Councils should ensure that indirect costs associated with different options for provision are fully assessed.

Quality of provision

A range of factors influences the quality of pre-school provision²⁴:

- an appropriate curriculum encouraging active learning and purposeful play
- acceptable staff:child ratios
- the provision of adequate building and equipment
- good practices with respect to the selection, training and continuity of staff
- a relationship of 'partnership' between parents and providers.

All providers must be registered with HM Inspectors of Schools by meeting minimum quality standards relating to these factors. Partner providers must also be registered with their councils by meeting local standards set by the council and the Children Act 1989. These registrations ensure that all grant-funded places meet minimum quality standards.

The changes planned in the regulatory framework will harmonise factors across different sectors, eg, a standard staff:child ratio will be introduced for children aged between three and eight years for all providers of pre-school education and/or childcare. Guidance on teacher involvement in pre-school education centres is expected to be introduced, following consultation, by the Scottish Executive for use from 2001/02 onwards.

²⁴ 'Start Right: The Importance of Early Learning', C. Ball, Royal Society, 1994.

Exhibit 14: Strengths and weaknesses of the main types of provider

Different types of provider generally have different strengths and weaknesses.

Council nurseries

Strengths

- Generally high-quality provision
- Normally all staff have a relevant qualification
- Established systems of staff development and support
- Teacher input

Weaknesses

- Inflexible hours of provision
- Limited provision of additional services (eg, extended hours of childcare)
- Sometimes limited opportunities for parental participation



Private nurseries

Strengths

- Flexible hours of operation
- Integrated pre-school education and childcare
- Extended hours of childcare

Weaknesses

- Variable ability to recruit and retain appropriately qualified staff
- Often little or no teacher input
- Limited opportunity for parental involvement
- Wide variation in quality across sector

Playgroups

Strengths

- Community-based schemes with community development benefits
- Opportunities for parental participation

Weaknesses

- Frequent changes in committee members, requiring ongoing council support to ensure continuity of development and quality assurance
- Varied skills/experience of volunteer committee members
- Limited staff development and support systems
- Often little or no teacher input



Source: Audit Scotland – interviews with staff from eight councils and fieldwork in 31 pre-school centres

'The Quality of Pre-school Education in Registration Inspections in Scotland 1998-9' outlined the results of 46 inspections in council centres (not including council nursery schools and classes), and 163 in the private and 70 in the voluntary sectors. The registration inspection process focused on accommodation and resources, effectiveness of provision and management, and quality assurance. The report concluded that council provision generally was found to be of a higher standard than other sectors. However, there were centres in both the voluntary and private sectors which offered very good quality provision. The inspection reports require improvements in quality in all sectors.

Council staff involved in commissioning pre-school provision reported consistently on what they saw as the strengths and weaknesses of each sector (Exhibit 14) and these were broadly confirmed in interviews with heads of 31 pre-school centres across all sectors.

Council staff interviewed reported that decisions on how best to expand pre-school provision were based on their experience and understanding of the strengths and weaknesses of the different sectors. However, they did not systematically review these factors together with costs in order to find an acceptable balance, eg, comparing the cost of council provision with the cost of supporting voluntary or private centres to improve quality.

Option appraisal

Option appraisal is the systematic assessment of costs, quality and other factors associated with different ways of providing a service. It can result in recommendations to retain provision in-house, to out-source it or to use a mixture of provision. Option appraisal in pre-school provision means looking at the factors listed in Exhibit 15, for the range of possible service providers.

The range of provider options will most commonly include²⁵:

- existing council-run centres – stand-alone, linked to primary schools or other facilities, offering only education or also offering childcare or additional services
- new council-run provision – converting surplus school or other accommodation, or new-build facilities
- existing private nursery provision
- existing playgroup provision
- development and/or expansion of private or playgroup provision.

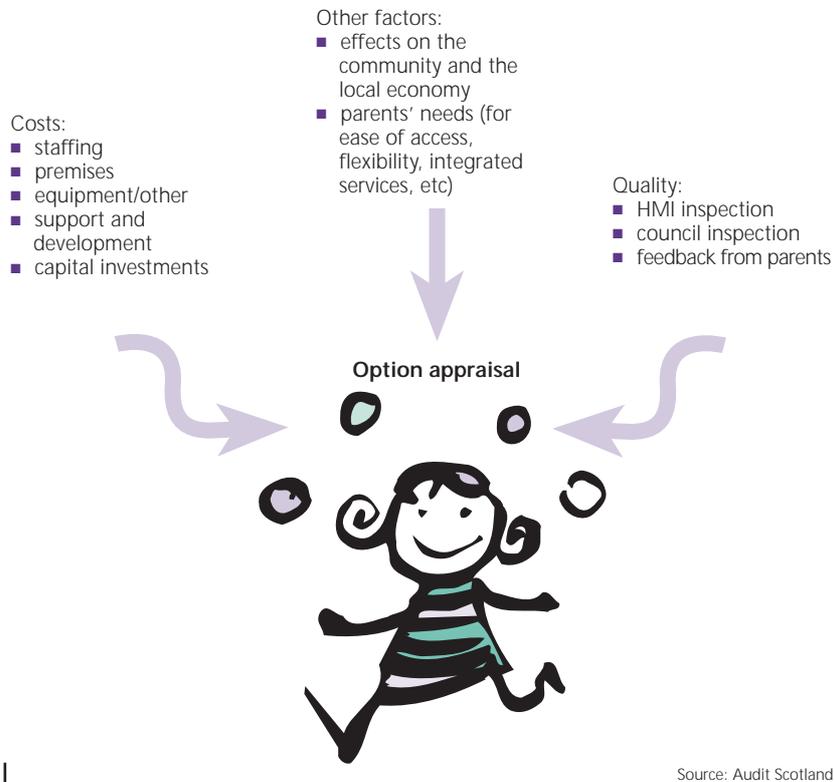
None of the eight councils involved in detailed fieldwork used a full formal option appraisal which included all the factors listed in Exhibit 15 when deciding how best to expand pre-school education. Staff interviewed reported that the decisions were based on:

- knowing the general strengths and weaknesses of the different sectors, outlined in Exhibit 14, with the greatest emphasis placed on the established high quality of existing council provision
- drawing on whatever information they had on parents' needs, ranging from comprehensive surveys to patchy or informal sources (see section *Understanding parents' and children's needs*)
- using spare capacity in nursery, school or other council accommodation, ie. expanding on a marginal costing basis (although costs were not worked through)
- making use of the development grant mainly to build or refurbish council provision.

²⁵ These options exclude places at independent school nurseries.

Exhibit 15: Factors to be reviewed in assessing options for pre-school provision

Option appraisal should include assessment of costs, quality and other factors.



Other factors were cited by councils as influencing the pattern of provision which emerged. These include, eg. keeping a small school open by using surplus space for pre-school, and parents' needs for combined pre-school education and childcare. In some cases, the reason for concentrating on expanding council provision was the very small number of alternative providers currently in operation who could adapt or expand to provide pre-school education. Councils were also influenced in their decision-making by the incremental way in which policy and funding have been introduced and the short timescales they have been given to meet targets, making it difficult to stop and review all the options at a single point in time.

These factors led to a presumption in favour of prioritising expansion of council-run provision for the majority of councils reviewed in the study. One of the exceptions, Highland Council, chose to expand in parallel its existing arrangement with Highland Pre-school Services (HPS) as this arrangement had been operating successfully on a smaller scale for many years.

The Scottish Pre-school Play Association (SPPA) has reported widespread closure of playgroups as a consequence of the expansion of council provision. From our fieldwork findings, we have concluded that this was an inevitable, and indeed acknowledged, consequence of the decision in some councils to expand their in-house provision.

Other factors contributed to closure of playgroups also. Parents perceived that playgroups were for 'play' rather than education²⁶, and so many moved their children into council-run nursery provision when it became available. This perception is inaccurate; all partner centres must follow the curriculum framework for 3-5 year olds. Turnover of staff, and parents not being available, or willing, to undertake voluntary duties may also have contributed to closures.

The loss of playgroups carries a community loss. They offer the opportunity to parents to meet and socialise in a way that council-run provision rarely does. Serving on a management committee provides parents with opportunities to develop new skills which can be valuable in employment should parents wish to return.

Playgroups can offer a low-cost way of providing pre-school places, although the additional cost of support needed to ensure that the provision is high-quality must be added to the basic unit costs. However, the lack of a full, systematic option appraisal meant that, generally, councils did not explicitly cost these options in coming to decisions on how best to expand pre-school provision.

The picture of councils not undertaking comprehensive option appraisal is repeated across other council services. The PMP²⁷ audit reported that most services are making slow progress in rigorously applying these option appraisal approaches. Auditors found that:

- many option appraisal exercises had not considered a full range of options
- just over half had identified the range of options that auditors might have expected to see
- around 50% had no agreed criteria for choosing between alternative options
- around 40% had little rationale for omitting particular options from the appraisal they had undertaken
- nearly two-thirds had not informed elected members of the strengths and weaknesses of the various options.

The picture which emerges is one of councils working hard to meet the deadlines for expansion, and of decisions being made without fully appraising all the options. However, with the expansion now well underway, it is important that future appraisal procedures are carried out thoroughly and systematically. Councils should use our costing model as part of a full option appraisal process when they review pre-school provision. The process should evaluate the balance between costs, quality and other factors, such as the community loss of playgroups closing, the access to childcare that private nurseries offer, or the benefit of satisfying local preference for a school nursery class.

Recommendations

Councils should use systematic option appraisal methods when reviewing their pre-school provision.

These should ensure that all options are explicitly and transparently assessed with respect to costs, quality and other non-financial costs and benefits.

Criteria used should include unit costs, as well as indirect costs. They should also include the extent to which parents' and children's needs are met, for example, in location, timing and access to integrated childcare.

²⁶ 'Review of Partnerships in Pre-School Education', Classic Concepts, April 1999, commissioned by the then Scottish Office Education and Industry Department.

²⁷ 'Making progress with best value: A national overview of the audit of performance management and planning (PMP) arrangements in Scottish councils 1999/2000', Accounts Commission for Scotland, November 2000.

Working with partners

Councils need to ensure that their partners provide high-quality places. They can do this by:

- specifying contract conditions
- ensuring there are good quality assurance systems in place
- top-slicing²⁸ to fund administrative support, quality assurance, training and development
- working with partners to address specific concerns.

We look at these points in turn below.

Contract conditions

Councils were advised by the Scottish Executive²⁹ to make grants to partners on terms that mirror those applying to councils' receipt of grant for their own direct provision. They are expected to pass on the grant as promptly as possible. The Executive also laid down specific requirements to be satisfied for centres to receive grants under Section 24 of the Education (Scotland) Act 1996.

Councils' contracts set out details of how partners should provide places, how the grant will be passed on and the conditions attached to payment of the grant. Thirty councils sent us copies of the contracts which they use with partner providers.

Review of the contracts showed that the requirements of the Scottish Executive are not always specified in contract conditions. These requirements relate to eligibility, provision of service, curriculum and quality assurance, inspection arrangements, record-keeping and audit arrangements, corporal punishment, provision of information for parents, complaints procedures, staff:child ratios, child protection, special educational needs, insurance and co-operation with research initiatives. For example, of the 30 contracts, only 24 specify that the centre should follow HMI's curriculum framework; 28 specifically require a satisfactory HMI inspection report or acceptable Profile of Education Provision (PEP); 24 require the presence and absence of every child receiving a grant-funded place to be recorded; 22 require a register of complaints to be maintained.

It is surprising that these grant conditions are not included in all contracts. Councils should include them now and in future, when ring-fencing of the pre-school funding ends. The Scottish Executive expects the same grant requirements to be specified in the statutory guidance accompanying councils' duty to provide pre-school education. Councils should review their contracts with partners to ensure that the Executive's grant conditions are reflected.

Recommendation

Councils should ensure that the contracts they use with partner centres reflect the conditions of the grant from the Scottish Executive.

All 30 contracts reviewed included additional conditions, usually to ensure that partners comply with the council's own registration and inspection conditions; that they offer flexibility of provision; and that they match the council's quality criteria or use different quality assurance systems.

²⁸ The Scottish Executive allows councils to retain part of the grant – the top slice – when they pay for places with partner providers. This must be used in support of private or voluntary providers.

²⁹ Grant offer letters to councils, Scottish Executive Education Department, March 2000.

The specific conditions included in contracts varied a great deal between councils, some specifying every condition in detail and others referring to broad principles. For example, one council specifies that the provider must “*be represented at local authority-led child protection training*”, while another requires that they “*have or develop an internal child protection policy*”.

Many of the contracts also detailed the nature of quality assurance, staff development and training the councils will provide to partners. Some gave this in detail, stating the number of days or courses that were to be provided. Councils should set out in their contracts, at least in broad terms, the services they will provide to partners.

The review of contracts highlighted a range of differences in the contractual terms applied to partners compared with council centres. The Scottish Executive intends that the minimum input requirements will be the same for all providers delivering a similar service and we note below where this will affect contract conditions. The main differences related to:

- **Staff:child ratios.** Council education-run nurseries usually operate with a ratio of one adult to ten children³⁰, while partners have to operate with the minimum ratio of 1:8 specified in the Children Act 1989. The City of Edinburgh Council sets the highest ratio for partners, and its own day care centres, of 1:5 (as this is required by their social work registration conditions), while operating a ratio of 1:10 in its education-run centres. Nationally, a standard ratio of 1:10 is expected to be set by the National Care Standards Committee for regulation by the Scottish Commission for the Regulation of Care. Councils should bring their requirements into line with that when the standards are published, unless there are local reasons for specific centres which mean the ratio should be higher.
- **Length of provision.** Over two-thirds (21 of 30) councils require partners to offer 412.5 hour places (equal to 33 weeks), while almost all offer between 36 and 39 weeks in their own centres. The remaining nine councils require partner centres to offer places of more than 33 weeks within the grant paid. This difference in provision between council and partner centres may be significant for parents. An approach that requires pre-school education to be delivered for the same length of time, irrespective of the provider, better meets the needs of parents and children. Councils should, with their partners, consider whether pre-school provision can be offered by partner centres, within the grant, for the same number of weeks per year as council centres.
- **Flexibility of hours.** Many council centres offer only five morning or five afternoon sessions, while partners offer mixed morning/afternoon places, or fewer than five sessions if that is what parents want. Councils should review whether their own centres can offer increased flexibility if parents want it.
- **Staff qualifications.** Councils’ current care regulation standards allow partners to have a higher ratio of unqualified staff to qualified staff than they use themselves. Provided the quality of the work is good, this approach can help smaller providers and partners in rural areas where recruitment is a problem. The National Care Standards Committee is expected to set out requirements for staff qualifications, and councils should review their requirements in line with these.

³⁰ The 1:10 ratio is derived from the Schools (Scotland) Code 1956, which regulates provision in council-run centres.

- **Teacher involvement.** Some councils require partners to have teacher involvement in pre-school education. Some councils assist partners with this requirement, eg Scottish Borders Council employs a peripatetic teacher to support nursery nurses in rural centres, City of Edinburgh Council co-ordinates teacher recruitment for partner centres. Many councils, however, allow partners to operate without teacher involvement although employing teachers in their own centres. So long as the council and HM Inspectors are satisfied that the curriculum is being delivered well, this approach can be helpful for partners in rural areas or other small, part-time providers. The Scottish Executive intends issuing guidance on teacher involvement for use from 2001/02 onwards. Councils should review their requirements for teacher involvement in the light of this guidance.

During our study councils have told us that their intention in placing additional contract conditions on partners has been to ensure that partners work to the same minimum quality criteria as council centres. Partners, on the other hand, have indicated that they feel councils impose more onerous conditions than councils themselves are required to meet.

The picture varies from council to council. Some, eg Edinburgh, do impose more onerous conditions on partners, eg, in requiring that they operate with a staff:child ratio of 1:5. Although some councils, eg, Edinburgh, Glasgow, require teacher input, this is a condition they meet in their own centres, and often help partners to arrange.

A number of these differences will go when inputs are standardised as a result of the new regulatory framework. However, some will not be tackled, eg asking partners to offer three, four or five sessions a week when councils do not, and partners centres operating for fewer weeks than council centres. Councils should review these conditions with an eye to improving flexibility of provision.

Recommendations

Councils should set out in their contracts, at least in broad terms, the services they will provide to partners.

- **Staff:child ratios, staff qualification levels, teacher involvement.** *Councils should review their contract conditions and bring them into line with national guidelines to be published by the National Care Standards Committee³¹ and the Scottish Executive.*
 - **Length of provision.** *Councils should, with their partners, consider whether pre-school provision can be offered by partner centres, within the grant, for more than 33 weeks per year, to bring provision into line with what is generally offered by councils, and to match with school terms.*
 - **Flexibility of provision.** *Councils should review whether there is a need from parents and, if so, whether their own centres can offer the flexibility of pattern (eg, mixed morning and afternoon sessions) and take-up of sessions (eg, three sessions a week instead of five) that partner centres do.*
-

The issues and recommendations above relate to the different conditions required of partners by different councils. Partners interviewed in four council areas also raised a number of concerns about contracting with councils and we review these below.

³¹ And, from 2002 onwards, by the Scottish Commission for the Regulation of Care.

- **Length of contract.** Most councils contract for places on an annual basis. They do this because they cannot guarantee that places will be commissioned in the following year and grant funding from the Executive is made annually. This approach creates difficulties for partners in planning for investment and for parents who seek assurance that their child will have a grant-funded place until he/she starts primary school. During our study, City of Edinburgh Council has moved to offering partners contracts for a two-year period subject to quality conditions being met. Other councils should move to offering longer contracts with partner providers, subject to places being required in future years and to the centre meeting quality conditions. The Executive's move to three-year allocations of funding within the local government settlement will remove the obstacle caused by annual grant allocations.
- **Incremental changes in contract conditions.** Partners felt that with contracts changing from year to year, councils were continually 'moving the goal posts'. Councils have had to make changes to contract conditions to reflect changes in Scottish Executive grant conditions. However, councils with a clearly developed policy for commissioning places should be able to keep changes in locally determined contract conditions to a minimum.
- **Timing of payments of grant.** The practices for payment of grant to partners vary between councils. Councils which do not link payments to the Scottish Executive payment cycle (six payments, one at the start and end of each term) may adversely affect the financial viability of partners. Some councils make payments on a monthly basis, in recognition of partners' cash flow positions. All councils should move to paying partners with a frequency which at least mirrors the current pattern of Scottish Executive payments to councils.
- **Form of contract.** The contracts reviewed ranged from simple letters to lengthy documents expressed in complex legal language. Although this issue was not raised in partner interviews, we feel that it is one which councils should review. It is important for staff in private nurseries and volunteer management committees to understand the details of the contract.

Recommendations

Councils should move to offering contracts of longer than one year's duration with partner providers, subject to places being required in future years and to quality conditions being met.

All councils should move to paying partners with a frequency which at least mirrors the current pattern of Scottish Executive payments to councils.

Councils should review contracts to ensure that they are easily understood and clearly convey the duties and responsibilities of councils and partners.

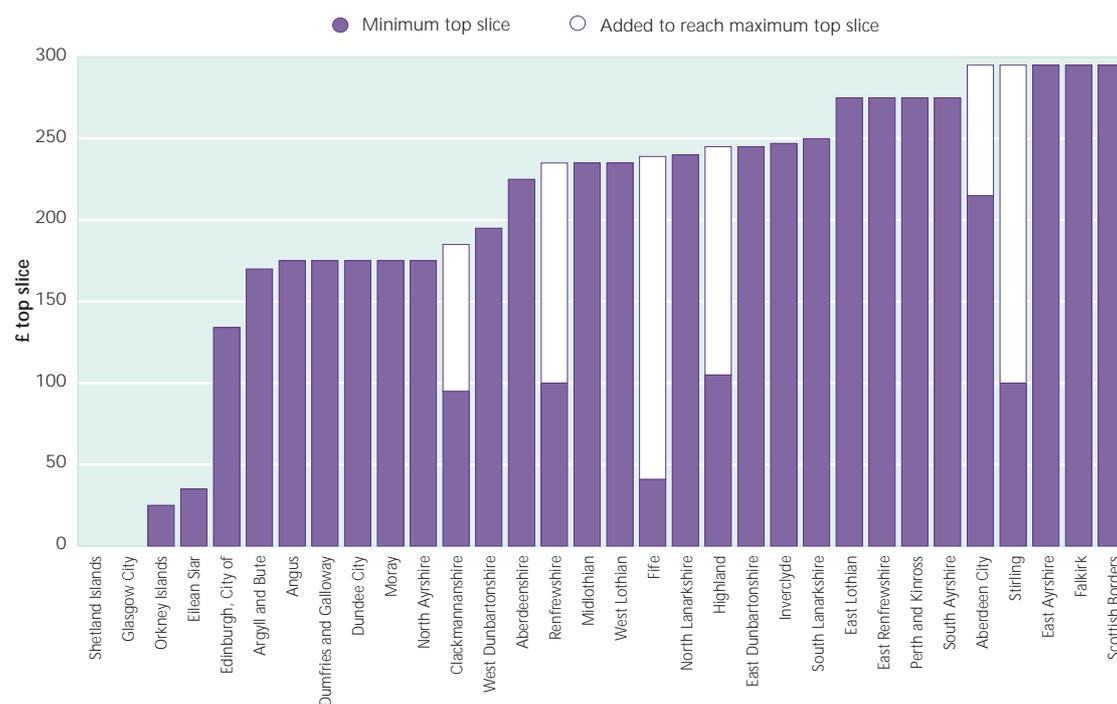
Use of the top slice

The Scottish Executive recognises that there is a cost to councils in contracting with partners to provide places, both in administration and to assure and develop the quality of places provided. It allows councils to retain part of the grant (the top slice) to administer the contracts and support and inspect partners.

In 1999/2000, the level of top slice ranged from none in Shetland, to the maximum recommended £295 in Aberdeen, Stirling, East Ayrshire, Falkirk and Scottish Borders (Exhibit 16). Over half of all councils retained a top slice of over £200 per place.

Exhibit 16: Amount of top slice retained by councils in the summer term 2000

The amount of top slice retained by councils varies from none to £295.



Source: Scottish Executive annual reports from councils, August 2000

Six councils retained different levels of top slice depending on the amount of support they planned to give each provider. For example, in Clackmannanshire and in Highland, a larger top slice (Clackmannanshire – £185 compared with £85; Highland – £245 compared with £105) was retained from voluntary playgroups, which require more support than private nurseries, eg because of the number and type of qualified staff and a lack of experienced management staff. Renfrewshire Council also varied the grant depending on the level of support required by the provider (equal to a top slice of £100-£235). Aberdeen City made a judgement that they required the maximum £295 per place for the developing 3-year-old places, but not for the better-established 4-year-old places (for which they top-sliced £215). In Fife, centres which provided their own teacher input had a smaller amount top-sliced from their payment per place (£40 compared with £240). In Glasgow, although the full £1,175 grant was paid to partners, they were required by their contract conditions to spend £250 per place on staff development or buying some teacher input.

Stirling Council takes the view that partners with an established quality assurance and staff development scheme require a lower level of support from council resources than others (Exhibit 17). The level of top slice made by the council is tiered on the basis of six key quality criteria. Grants for the autumn term 2000 were made on a scale of £900 to £1,100 to reflect the level of council support to the provider.

Exhibit 17: Stirling Council's tiered quality/funding system

The level of top slice made by the council is tiered to reflect the resources it puts into supporting and developing providers.

The council specifies six key criteria which are used to assess the funding per place paid to partners:

- **Quality assurance policy/system**
This may be a recognised quality assurance scheme (eg, Scottish Pre-school Play Association, Scottish Independent Nurseries Association) or the council's own quality system.
- **Development planning**
A three-year development plan for the centre, which includes key tasks, personnel action plans and resources and identifies success criteria.
- **Staff development and review**
A system of staff review, which sets out principles and procedures, and a corresponding staff development and training programme.
- **Children's profiling system ('starting points')**
The council's system for planning, recording and observation, which is also used to pass on information to primary schools.
- **Teacher support and input**
Teacher involvement in curriculum planning and development and working directly with children for at least 11 hours per week (or pro rata if fewer than five sessions are offered).
- **All core/permanent staff qualified**
All core or permanent staff involved in delivering pre-school education to hold a recognised early years qualification.

Centres meeting all six criteria receive the maximum £1,100 per place, those meeting five criteria receive £1,000 and those meeting less than five receive £900.

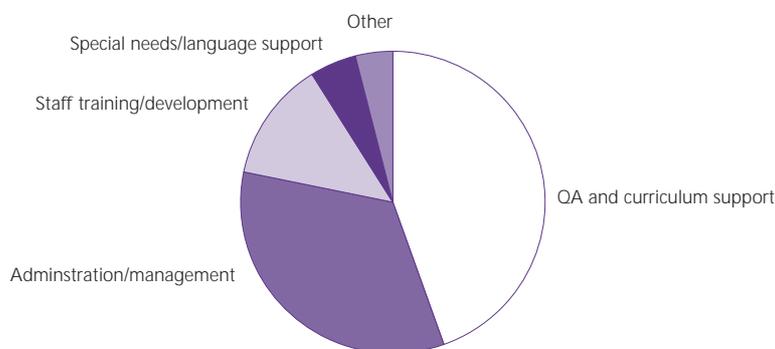
Centres with more than 25 commissioned pre-school places, regardless of their level of funding per place, receive a greater entitlement to council-run training courses than those with smaller numbers because they have more staff to be trained.

Source: Audit Scotland – fieldwork, Stirling Council

Exhibit 18 shows a rough breakdown of how the top slice was used. Councils provided data on the use of the top slice to the Scottish Executive Education Department. The question was an open-ended one, and councils have used different terms to cover the use to which they put top-sliced grant. For this reason it is not possible to say exactly, across Scotland, what percentage of the top slice is spent on what. The figures do, however, give a general picture.

Exhibit 18: Use of top slice 1999/2000

Most of the top slice is spent on quality assurance, curriculum support and administration.



Source: SEED annual reports from councils, August 2000 (29 councils provided details)

Council staff interviewed felt that the amount they retained through top slicing did not cover the full costs of supporting partners. The main cost they felt was not covered was time spent by senior council staff on planning and managing partnership working. Partner centres form 45% of all pre-school centres, despite providing only a quarter of places (19% of 4-year-old and 36% of 3-year-old). Some councils subsidise playgroups through free or cheap use of premises but do not recover the costs through the top slice.

Some partners expressed dissatisfaction with the way the level of top slice is set and how it is used, and wished to be consulted on this. In particular, some private nurseries felt that they should receive a higher proportion of the grant, as they need, and receive, less support than other providers, in particular, playgroups.

As the purpose of the top slice is for providers to improve quality, it would seem sensible that its level directly relates to the needs of different partners. This can be done on a sector-by-sector, or centre-by-centre basis. However it is done, the basis on which the level of top slice is set should be open and transparent and should be the subject to consultation with partners.

Recommendations

Councils should consider adopting an approach whereby the amount of top slice reflects the support needed and provided to different sectors, or to different individual centres.

Councils' processes for arriving at the level of top slice should be open and transparent and subject to consultation with partners.

Quality assurance

Councils need to ensure that the pre-school provision they commission is of high quality. As commissioners, they will still have a role in assuring quality after the establishment of the Scottish Commission for the Regulation of Care. One way of helping to achieve this is to use a quality assurance (QA) scheme. Providers have complained that their own QA schemes are duplicated by councils, who prefer to use their own criteria than to recognise already established schemes.

Spending on quality assurance, curriculum support, and staff development and training amounted to approximately £1.8 million from the top slice³². Funding from the development grant allocated to councils by SEED can also be used for quality assurance schemes in the expansion of places for 3-year-olds. An estimated £1.9 million³² was spent on quality assurance, curriculum support and staff development and training from the development grant of £17.5 million in 1999/2000, although only £0.5 million³³ of this was spent on partner provision.

The Scottish Executive has not prescribed quality assurance methods to be adopted by councils or partner providers to ensure that they deliver high-quality pre-school education. There has been considerable debate about the issue, with a consensus of opinion supporting a scheme with common elements applied across all councils, supplemented by locally determined elements.

Application of *'The Child at the Centre'* is generally recognised as providing the common elements, with 20 of the 30 council contracts reviewed specifying the need to use *'The Child at the Centre'* (or, where contracts for 1999/2000 were supplied, the *'Performance Indicators and Self-evaluation for Pre-school Centres'* published by HMI in 1996). Examination of the contract criteria has shown some variation in what councils consider to be the essential additional elements of quality.

The report³⁴ by HM Inspectors of Schools on registration inspections found that only 25% of voluntary centres, 40% of private centres and 50% of council centres had effective monitoring and quality assurance procedures.

The review of information provided by 30 councils has shown that the majority of councils deliver quality assurance themselves. However, some have contractual arrangements with other organisations to do this on their behalf. In particular, councils with a largely rural population have historically worked in partnership with the voluntary sector as a means of delivering pre-school experience to children in isolated communities and have continued these partnerships to expand pre-school provision.

For example, Scottish Borders Council has a funding arrangement with the Scottish Pre-school Play Association (SPPA) to deliver quality assurance in partnership with the council and has developed a self-assessment approach used in both council establishments and playgroups. Highland Council has a similar arrangement with Highland Pre-school Services (HPS), a charitable organisation that has been working with playgroups in Highland for many years. A jointly developed quality assurance scheme is implemented, with a joint team of council and HPS officers inspecting all providers.

³² Scottish Executive Education Department annual reports from councils, August 2000 (29 councils provided details).

³³ Extrapolated from data sheets returned to Audit Scotland from 26 councils, relating to financial year 1999/2000.

³⁴ *'The Quality of Pre-school Education in Registration Inspections in Scotland 1998-99'*, HM Inspectors of Schools, June 2000.

A number of other councils recognise the quality assurance schemes implemented by SPPA and the Scottish Independent Nurseries Association (SINA) as part of their in-house quality assurance systems. This eases the burden of multiple inspections on partners who have already invested in a recognised quality assurance scheme. In some council areas membership of these national organisations is low, indeed sometimes none of a council's partners use these quality assurance schemes. However, where they do, councils should consider following this lead. Councils should consider the additional burdens on partners of imposing an additional quality assurance mechanism where one already exists. However, councils must also be satisfied that centres operating under these external schemes will deliver pre-school education to the required high standard of quality.

Umbrella organisations such as SPPA and SINA should work with councils collectively in order to develop their quality assurance schemes so that they fully reflect the requirements of *'The Child at the Centre'* and other common requirements of councils. Councils in turn should support this work.

Recommendations

Councils should consider recognising the quality assurance schemes run by the voluntary and private sectors agencies.

Voluntary and private sector agencies should consider work to develop their quality assurance schemes so that they fully reflect 'The Child at the Centre', and other common council requirements.

Other issues in working with partners

Staff from partner centres raised a number of issues not dealt with above and we review these now.

- **Administrative burden.** Some partners expressed a view that the administrative burden imposed on them diverts staff time away from the core activity of working with the children. Records about children and their attendance have to be kept by partners and council nurseries. Councils require the information to ensure that appropriate payments are made to partners, and councils themselves are required to maintain records for grant claims to the Scottish Executive. We have not identified administrative tasks imposed by councils that could reasonably be removed.
- **Access to specialist services.** Partner centres in some council areas do not receive the same level of access to specialist services (eg, educational psychologists, hearing services, dentistry), and access to primary schools, as council-run centres do. Given that the aim of pre-school education is to support the child's development, councils should seek to increase the access that their partner centres have to these services. This may have cost implications. However, the services need not all be paid for from councils' revenue budgets – some councils (seven out of the 29 which provided details) have used the top slice to pay for extra specialist services for partners. We look in more detail at the specific relationship between pre-school and primary education in Chapter 5.

Recommendation

Councils should seek to increase the level of access to specialist services offered to children in partner centres, where it is less than that available in their own centres.

- **Funding of deferred entry places.** Partner centres do not generally receive funding for children with deferred entry to schools. The Scottish Executive does not pay grants in respect of children whose entry to primary education is deferred, either because of educational need or by parental choice. Most councils have chosen to fund deferred entry places in their own, rather than partner, centres.

This decision is made on a marginal costing basis – the cost to the council of funding a place in a council centre will be less, assuming there are free places, than paying a provider. The effect of this situation is that, in some cases, children will have to move centres to receive a free place for their deferred entry year. This risks disruption to the child’s development. Funding places in partner providers, however, has to be met out of the council’s own resources, and understandably, they may be reluctant to do this, particularly where the deferral is due to parental preference. A decision of future funding policy for deferred entry places is expected from Ministers, following recommendations made by the ‘*Deferrals Working Group*’ in November 2000.

- **Allocation of development grant.** Some partners considered that there had been insufficient consultation about the allocation and spending of development grant. The development fund assists councils to expand provision for 3-year-olds and to improve the quality of places in council and partner centres. Four out of 26 councils did not allocate any development funds to expand or improve partner provision. The methods used by councils to allocate grants to partners included:
 - an allocation based on specific need evidenced by development plans
 - a block grant to partners to spend ‘appropriately’
 - the direct provision of equipment and resources to all providers without consultation.

One council, City of Edinburgh, allocated grant on the basis of the number of children in each sector, and approach endorsed by its partners. This approach ensured that specific issues have been tackled and, by allocating some grant directly to partners, the process of working in partnership has been enhanced. This approach is in contrast to one council that, because of the short timescale available, used the development grant to purchase equipment that was then allocated to centres irrespective of need.

Recommendation

Councils should consult with partners on how development grants are allocated.

The issues raised above reflect consultation arrangements which providers feel are not as effective as they could be in a number of councils. Examples of consultation mechanisms are shown in Exhibit 19. Councils should have effective arrangements for consulting partners over issues which affect them. These issues should include as a minimum all those covered in the *Working with partners* section of this report.

Exhibit 19: Consulting with partners

Some councils have a consultative forum or involve partners in working groups.

City of Edinburgh Council

This council has a formal partners' monitoring group that meets about six times a year to discuss issues of concern to partners and to help develop the pre-school service. There are nine partner members on the group representing different types of provider. Providers from relevant constituencies nominate the members of the group. Issues discussed by the group have included joint training and development, the role of the teacher, contract arrangements, and use of the development grant.

Renfrewshire Council

In this council, partners are invited to meetings of heads of establishments, area curriculum forums and admission panels. Partners are represented on working groups relating to the development of pre-five services.

Source: Audit Scotland – fieldwork

Councils generally reported that their relationships with partners were generally good and that as they continued to improve, all parties were able to learn from each other and contribute to the development of provision in their area.

Recommendation

Councils should have effective arrangements for consulting partners over issues which affect them. These issues should include as a minimum all those covered in the Working with partners section of this report.

Informing parents

The sections above have dealt with ensuring that councils' commissioning of pre-school education meets parents' and children's needs. The last link in the chain is to ensure that parents have information so that they can make informed choices in their search for provision. For example, a parent returning to part-time work needs to know what pre-school sessions are available in which centres and the cost and availability of childcare. To do this, parents need information to be readily available, up-to-date and easy to understand.

The importance of up-to-date information is shown by research published by the Scottish Executive³⁵. It highlighted parents' perceptions that playgroups focus on *play* while council nurseries focus on *education* and that, where choice exists, parents with children in playgroups tended to move their children to nurseries in their pre-school year in preparation for school. All registered centres have to follow the '*Curriculum Framework for Children 3-5*', with its approach of learning through play, so these perceptions should not reflect reality. Unless they have information, however, parents will make choices based on these perceptions.

Research³⁶ also undertaken in 1999 showed that 23 councils had guided parents towards using council provision. This finding was repeated in this study – some councils only provide information about their own nurseries and advise parents to contact other providers themselves; some provide separate information leaflets for council and non-council providers; others have a unified approach and provide information on all types of provision in a single document (Exhibit 20).

³⁵ '*Parents' Demand for Childcare in Scotland*', National Centre for Social Research, to be published by the Scottish Executive Education Department.

³⁶ '*Review of Partnership in Pre-school Education*', Classic Concepts, April 1999.

Exhibit 20: Informing parents about provision

Some councils provide information to parents on all provision so that they are able to make informed choices.

North Ayrshire Council

This council advertises all provision, council and partner, annually in the local press so that parents are presented with all their options together.

Highland Council

This council circulates two user-friendly leaflets (replicated on its website) – one for parents of 3-year-olds and one for parents of 4-year-olds. These state clearly that “all centres offering funded places work to the same curriculum and are subject to inspection by the School Inspectorate”.

Source: Audit Scotland – fieldwork

Local Childcare Information Services (CISs) on the web provide comprehensive information on childcare and pre-school provision in many areas to those who have internet access. They explain what children and parents are entitled to and the quality standards they can expect for pre-school education.

Where councils do not provide good, comprehensive, readily available information, it is much more difficult for parents to make informed choices. Councils should therefore ensure that parents are informed of:

- their basic entitlement to free pre-school education provision for their child
- the range of local provision that exists
- the length (number of weeks) and flexibility of provision from different providers
- the standards of quality in education and care they can expect from all providers.

Recommendation

Councils should inform parents of their entitlement to have free pre-school provision for their child, and of the full range of provision available in their area.

5 Getting the best from pre-school education

Achieving the policy's aims

Policy objectives of pre-school education relate to both children's development and to parents' opportunities. The starting point for Government policy is that effective pre-school education helps children to develop an enthusiasm for learning that will support them through all later stages of the education system. To be effective, therefore, pre-school education must link well with primary education. In addition, pre-school provision, when combined with childcare, can help parents to work or train.

We look below at these points. We deal firstly with the links between pre-school provision and primary school and secondly, we look at co-ordinating pre-school education with childcare provision. This section concludes with a short *Next steps* section, followed by a review framework, which looks at what councils can do to review and improve the effectiveness of their pre-school service, within a best value context.

Pre-school to primary school

All centres delivering pre-school education are required to follow the *'Curriculum Framework for Children 3-5'*. The curriculum framework advises on the learning and development needs of young children in the five key aspects of:

- emotional, personal and social development
- communication and language
- knowledge and understanding of the world
- expressive and aesthetic development
- physical development and movement.

These link to the 5-14 curriculum guidelines used in primary and the first two years of secondary school.

Interviewees from pre-school centres in all sectors felt that staff in primary schools paid too little attention to their assessments of children's stages of development. They felt that this meant the child was sometimes marking time in their development when they started in Primary 1, risking boredom and subsequent loss of enthusiasm.

The study's review of contract conditions showed that only ten out of 30 councils stipulated in their contracts that partners should transfer information to primary schools. Interviewees in some councils reported that not all councils have council-wide procedures in place in their own centres for the transfer of information.

A study³⁷ undertaken on behalf of the Scottish Executive evidenced real difficulties in achieving a productive partnership on assessment between pre-school and primary sectors, driven in part by the sceptical attitudes shown by many primary school staff to pre-school assessments. This situation is paralleled in the transfer of information between primary and secondary schools.

The sharing of information between pre-school staff and primary teachers is important. When a child moves into primary education, staff should be aware of their pre-school experience and plan effectively to meet their particular development needs.

Councils can address this problem – they commission the pre-school places and they run the primary schools. The detailed form of transfer records has been the subject of some debate concerning the relative importance of academic and other forms of development. Notwithstanding this, it is important that information on the child's development is passed to relevant primary staff. Councils should put in place effective mechanisms to do this. They should also ensure that primary staff use that information in their forward planning. Councils should consider including requirements to do this in the contract with pre-school providers if this would help to ensure that the mechanisms are used.

Inverclyde Council has an information transfer system which is used by all centres, council and partner. Parents and council staff contributed to an evaluation of the system and the council is now offering in-service training to another council.

Councils should ensure that primary school staff understand the pre-school curriculum and its links to the 5-14 curriculum. This will help smooth the transition between pre-school and primary education.

Recommendations

Councils should put in place effective ways of passing on to primary staff information on children's development. These mechanisms should be used by both council and partner centres when a child transfers from pre-school to primary education.

Councils should ensure that primary staff use that information in their forward planning.

Councils should ensure that primary school staff understand the curriculum delivered in pre-school centres and the links between that and the 5-14 curriculum.

Integrating pre-school education and childcare

Pre-school education is funded on the basis of two-and-a-half hour sessions. Parents who wish to work or to train require additional childcare. For centres offering only two-and-a-half-hour sessions, parents need to sort out other childcare arrangements usually involving relatives and/or childminders. More flexible arrangements which combine education and childcare can remove or reduce the need for additional childcare, as well as reducing the need for the child to move between different care and education providers.

Provision of pre-school education places is largely in the council sector. This sector tends to be the least flexible, with most places only available in the traditional pattern of five fixed two-and-a-half-hour sessions per week. Many of the council staff interviewed considered a primary weakness of their own pre-school provision to be its inflexibility and, conversely, the strength of partner provision to be its flexibility.

Increased flexibility of provision can be found either by providing wraparound care in council provision, or by partnering centres which offer childcare as well as education.

Some councils are developing, or considering, wraparound care, eg, breakfast clubs, lunch time and after hours clubs. Other councils have adopted innovative approaches to increase flexibility (Exhibit 21).

Exhibit 21: Increasing the flexibility of provision

Councils can alter the pattern of provision in their own centres or work with partners to increase flexibility.

Stirling Council

This council operates a nursery in a rural primary school in Killin, offering pre-school education, wraparound care for children aged 0-5 and out-of-school care for primary school children. It serves a wide rural area and runs a minibus to transport children to and from the centre. It offers very flexible hours of pre-school education within its operating day – 8am to 6pm – so that provision is available when it suits the parents and children; they do not have to fit in with a rigid timetable. For example, one child may receive five hours of pre-school education within attendance times of 8am to 3pm; another may attend between 9.30am and 3.30pm on three days a week, receiving 12.5 hours of pre-school education over the three days.

The nursery also operates a satellite centre in another village so that children do not have to travel to Killin, and provides support to playgroups in the area through a peripatetic nursery teacher.

West Dunbartonshire Council

As part of the childcare audit, this council consulted its own employees on their needs. As a result, a day nursery was opened for council employees' children, offering integrated pre-school education and childcare. The effect of this was to free up places in council nurseries throughout the area so that they could accommodate more 3-year-olds.

City of Edinburgh Council

City of Edinburgh Council has formed a consortium with Gingerbread, an organisation that provides support for lone parents, One Stop Childcare and Pilton Childcare Centre to provide new childcare places across the city including areas identified for Social Inclusion and Urban Regeneration.

Scottish Borders Council

In Peebles the Scottish Borders Council has leased land within school grounds to a private provider. A day nursery has been built offering childcare to all age groups. Parents have access to a full range of childcare on a single site and the school and nursery class work with the private provider to meet family needs.

Source: Audit Scotland – fieldwork

Councils should consider how best to increase flexibility in provision. We have already drawn attention in Chapter 4 to the need to consider links to childcare when councils undertake option analysis as the basis for making decisions on partnering.

Councils who are planning to expand their role as providers of integrated pre-school education and childcare need to consider how to deliver the service to meet families' needs – what hours are needed, where and over how many weeks. Childcare audits provide this information. Councils should also consider carefully the market for childcare provision in the area, in particular whether there is unmet demand which the council can satisfy. Where there is little demand, the council may end up subsidising half-full provision or, by filling its places, it may put private providers out of business.

Where, after careful option appraisal, councils do decide to offer childcare provision in their own centres, it should be done on the basis of a detailed business plan based on a careful market assessment of demand and on detailed costings. The business plan should cover forecast income as well as costs and should highlight whether the planned childcare provision will require any start-up and/or ongoing subsidy and identify the budgets from which this will be drawn. Councillors should consider carefully whether they feel any proposed subsidy for childcare provision is appropriate, in the light of the market assessment and the other information in the business plan. In particular, they will wish to avoid subsidising childcare places for families who receive Working Families Tax Credit which meets up to 70% of their childcare costs.

Recommendations

Where, after careful option appraisal, councils do decide to offer childcare provision in their own centres, it should be done on the basis of a detailed business plan based on a careful market assessment of demand and on detailed costings.

The business plan should cover forecast income as well as costs and highlight whether the planned childcare provision will require any start-up and/or ongoing subsidy and identify the budgets from which this will be drawn.

Councillors should consider carefully whether they feel any proposed subsidy for childcare provision is appropriate, in the light of the market assessment and other information in the business plan.

Next steps

Councils' work in pre-school will continue on a number of fronts. They have achieved a great deal in expanding the number of places and developing a mixed economy; the focus should now be on consolidating and improving the provision and in ensuring that they are delivering best value. All councils should act on the recommendations included in the report. The Accounts Commission will follow it up in three ways:

- 1 Self-evaluation using the review framework** – Councils may, at their discretion, use the review framework at the end of this report to help them review their commissioning process and the extent to which their provision of pre-school places meets the needs of parents and children. Auditors may assist councils in this self-evaluation.
- 2 Mandatory audit of grant payment system** – A mandatory audit by external auditors across all councils is planned for winter 2001/02. The audit will ensure that councils have robust arrangements to make payments of grant to partners in compliance with contract conditions. The outcome from the audit will be an improvement action plan agreed between auditors and councils. A follow-up audit will take place within two years to review each council's progress against its plan.
- 3 Follow-up report** – The Accounts Commission will follow up this report to identify the extent to which each council has implemented the recommendations.

List of recommendations

Assessing needs

Parents should be regularly consulted on their needs and preferences for pre-school education and childcare provision.

The consultation methods used should be carefully thought through to ensure that the information gained is of good quality and representative of parents' views.

Information on parents' views should be taken into account in reviewing options for pre-school provision.

Councils should review their policies and practices in both their own and partner centres to assess whether they can increase the flexibility available to meet parents' and children's needs.

Establishing costs

Councils should use the costing model to establish costs to be used in option appraisal.

Councils should ensure that indirect costs associated with different options for provision are fully assessed.

Assessing options

Councils should use systematic option appraisal methods when reviewing their pre-school provision.

These should ensure that all options are explicitly and transparently assessed with respect to costs, quality and other non-financial costs and benefits.

Criteria used should include unit costs, as well as indirect costs. They should also include the extent to which parents' and children's needs are met, for example in location, timing and access to integrated childcare.

Working with partners

Contract conditions

Councils should ensure that the contracts which they use with partner centres reflect the conditions of the grant from the Scottish Executive.

Councils should set out in their contracts, at least in broad terms, the services they will provide to partners.

- **Staff:child ratios, staff qualification levels, teacher involvement.** Councils should review their contract conditions and bring them into line with national guidelines to be published by the National Care Standards Committee and the Scottish Executive.
- **Length of provision.** Councils should, with their partners, consider whether pre-school provision can be offered by partner centres, within the grant, for more than 33 weeks per year, to bring provision into line with what is generally offered by councils, and to match with school terms.

- **Flexibility of provision.** Councils should review whether there is a need from parents and, if so, whether their own centres can offer the flexibility of pattern (eg, mixed morning and afternoon sessions) and take-up of sessions (eg, three sessions a week instead of five) that partner centres do.

Councils should move to offering contracts of longer than one year's duration with providers, subject to places being required in future years and to quality conditions being met.

All councils should move to paying partners with a frequency which at least mirrors the current pattern of Scottish Executive payments to councils.

Councils should review contracts to ensure that they are easily understood and clearly convey the duties and responsibilities of councils and partners.

Top slice

Councils should consider adopting an approach whereby the amount of top slice reflects the support needed and provided to different sectors, or to different individual centres.

Councils' processes for arriving at the level of top slice should be open and transparent and subject to consultation with partners.

Quality assurance

Councils should consider recognising the quality assurance schemes run by the voluntary and private sector agencies.

Voluntary and private sector agencies should consider work to develop their quality assurance schemes so that they fully reflect 'The Child at the Centre', and other common council requirements.

Other issues in working with partners

Councils should seek to increase the level of access to support services offered to children in partner centres, where it is less than that available in their own centres.

Councils should consult with partners on how development grants are allocated.

Councils should have effective arrangements for consulting partners over issues which affect them. These issues should include as a minimum all those covered in the Working with partners section of this report.

Informing parents

Councils should inform parents of their entitlement to have free pre-school provision for their child, and of the full range of provision available in their area.

Links to primary education and to childcare

Councils should put in place effective ways of passing on to primary staff information on children's development. These mechanisms should be used by both council and partner centres when a child transfers from pre-school to primary education.

Councils should ensure that primary staff use that information in their forward planning.

Councils should ensure that primary school staff understand the curriculum delivered in pre-school centres and the links between that and the 5-14 curriculum.

Where, after careful option appraisal, councils do decide to offer childcare provision in their own centres, it should be done on the basis of a detailed business plan based on a careful market assessment of demand and on detailed costings.

The business plan should cover forecast income as well as costs and highlight whether the planned childcare provision will require any start-up and/or ongoing subsidy.

Councillors should consider carefully whether they feel any proposed subsidy for childcare provision is appropriate, in the light of the market assessment and other information in the business plan.

Framework for reviewing pre-school education provision

Introduction

The report makes a number of recommendations for improving the provision of pre-school education. This section outlines a framework which councils can use to help review their pre-school provision. The framework reflects the main messages of the report.

While the Accounts Commission expects that all councils will address the recommendations made in the report, they need not necessarily use this particular framework. Those councils planning to use it may seek the involvement of the external auditor, although this may depend on the availability of audit time.

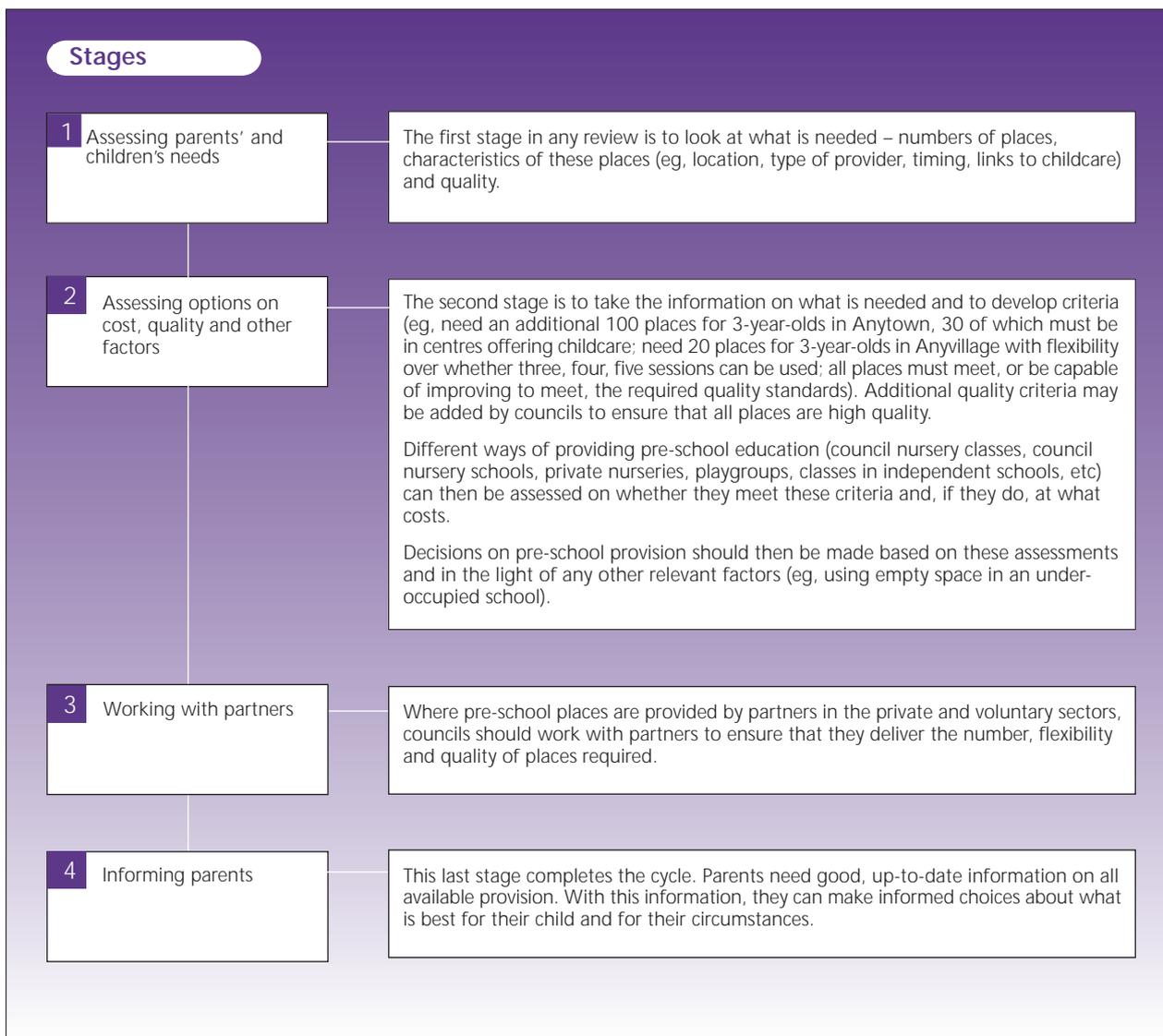
The Commission's publication, '*Commissioning community care services for older people*'³⁸, is a full guide to the commissioning process, and contains much that is directly relevant to pre-school provision. It is available on request from Audit Scotland.

The Framework

The framework is set out in four stages (Exhibit 22). It follows the same structure as the *Managing pre-school education* section of the report.

³⁸ '*Commissioning community care services for older people – applying a best value framework*', Self Assessment Handbook, Accounts Commission for Scotland, October 2000.

Exhibit 22: Framework for reviewing pre-school provision



Source: Audit Scotland

Stage 1: Assessing parents' and children's needs

Stage 2: Assessing options on cost, quality and other factors

Stage 3: Working with partners

Stage 4: Informing parents

Stage 1: Assessing parents' and children's needs

The first stage in reviewing pre-school provision is to assess the needs of parents and children. In particular, councils have to know how many places are required, what characteristics of provision would best suit parents and children, and what quality requirements there are.

Exhibit 23: Assessing needs

Councils need to know how many places are required and to get information about what parents and their children need.

Assessing needs

<p>How many places do we need?</p> <ul style="list-style-type: none">■ 4-year-olds■ 3-year-olds■ deferred entry children■ full-time provision■ special needs■ etc	<p>What quality should they be?</p> <ul style="list-style-type: none">■ environment■ staffing■ activities■ parental involvement■ etc
<p>Number of places</p>	<p>Quality</p>
<p>What should these places look like?</p> <ul style="list-style-type: none">■ location■ timing of sessions■ number of sessions per week■ type of provider■ integrated childcare■ continuity (from 3- to 4-year-old place)■ etc	
<p>Characteristics</p>	

Number of places

Childcare audits are a useful way of getting demand and supply information from which to determine the number of places required. They must establish demand specifically for pre-school education as well as for childcare. Although it is possible to be precise about the supply of places, it is difficult to make an accurate estimate of demand. The reasons include:

- population migration between council areas
- uncertainty over the level of uptake. This tends to be different for 3-year-olds compared with 4-year-olds, and may vary depending on the time of year a 3-year-old becomes eligible (eg, the parents of a child who becomes eligible in the summer term may not take up a place for that single term if they expect the child to go to a different nursery the next year)
- cross-border provision (residents in one council area may take up places in neighbouring council areas).

The difficulties are compounded for 3-year-old places as a number of children become eligible for grant-funded places at the beginning of each term. If a council has reached the stage of being able to offer a place to every child whose parents ask, it is reasonable to assume that demand is equal to supply if all parents:

- know that they are entitled to ask for a place
- are given enough information to decide whether they want one.

The estimates of supply and demand must be broken down into local areas. For example, the total numbers of supply and demand may match up, but one area may have more places than needed, while another has fewer than needed. At this stage, it is also useful to estimate how many places will be required for deferred entry children, full-time places, special needs, etc.

Characteristics and quality

In their audit work, councils have used a variety of methods to seek parents' views:

- questionnaire surveys – telephone, postal or face-to-face interviews
- focus groups
- public meetings
- Childcare Information Service (CIS) enquiries.

Research tools to identify needs should be carefully drafted and tested to ensure that they pick up good-quality information which represents the full range of parents' views.

Care should be taken in the design of questionnaires or interview questions. Paying for consultants to undertake the work can be expensive, but advice can be sought from experts or other councils who have undertaken this type of study already.

Equally, care should be taken to ensure that the views gathered are representative of all parents. This will involve thinking through the different groups of parents (eg. working full-time or part-time, living in different areas, with school-age children, single parents, young parents, those with special needs children) and how best their views can be sought.

It is important to establish, not only the needs of parents whose children are about to become eligible for a place, but also:

- the satisfaction of those currently using the service, to find out where improvements are required
- the reasons of parents who turned down the offer of a place, to find out whether, and if so how, the service is failing to meet their needs.

Those using the service are relatively easy to reach, as they can all be contacted through their current provider. It is possible to establish the reasons for parents turning down the offer of a place if they are asked to explain on the refusal form.

Exhibit 24: Checklist

	Yes	No
Quantity		
Do we know supply – number of places available?	<input type="checkbox"/>	<input type="checkbox"/>
Do we have a satisfactory estimate of demand – number of places required?	<input type="checkbox"/>	<input type="checkbox"/>
If our estimate of demand is based on offering a place to every child whose parent asks, are we certain that all parents know about their entitlement and their options (see stage 4 below)?	<input type="checkbox"/>	<input type="checkbox"/>
Can we break down both supply and demand into local areas?	<input type="checkbox"/>	<input type="checkbox"/>
Do our estimates allow for places for deferred entry, full-time, special needs, etc?	<input type="checkbox"/>	<input type="checkbox"/>
Characteristics		
Do we know what parents need regarding:		
– location/distance to travel?	<input type="checkbox"/>	<input type="checkbox"/>
– timing of sessions?	<input type="checkbox"/>	<input type="checkbox"/>
– number of sessions per week?	<input type="checkbox"/>	<input type="checkbox"/>
– type of provider?	<input type="checkbox"/>	<input type="checkbox"/>
– wraparound care?	<input type="checkbox"/>	<input type="checkbox"/>
– continuity (from 3- to 4- year-old place)?	<input type="checkbox"/>	<input type="checkbox"/>
Do we know what parents need, or want for their children, regarding:		
– the environment (eg, space, access to outdoor play, number of children in group, health and safety)?	<input type="checkbox"/>	<input type="checkbox"/>
– staffing (eg, qualification, communication with children and parents, friendly atmosphere, continuity)?	<input type="checkbox"/>	<input type="checkbox"/>
– activities (eg, nature and variety of activities, aspects of the curriculum)?	<input type="checkbox"/>	<input type="checkbox"/>
– parental involvement?	<input type="checkbox"/>	<input type="checkbox"/>
– other quality issues?	<input type="checkbox"/>	<input type="checkbox"/>
Is our information representative of parents' views?	<input type="checkbox"/>	<input type="checkbox"/>
Do we know why some parents have turned down places?	<input type="checkbox"/>	<input type="checkbox"/>

Stage 1: Assessing parents' and children's needs

Stage 2: Assessing options on cost, quality and other factors

Stage 3: Working with partners

Stage 4: Informing parents

Stage 2: Assessing options on cost, quality and other factors

The purpose of this stage is to assess systematically the options open to the council in developing the number, characteristics and quality of places required. The term 'option appraisal' is used to describe systematic consideration of the full range of options open to the council to provide high-quality pre-school education. This means going through a process of:

- identifying the full range of options available
- identifying criteria against which options will be assessed
- assessing each option against each criterion
- establishing the cost of each option
- deciding, in the light of the appraisal and costs, which option(s) to proceed with.

The process need not be lengthy. It must however, be systematic and transparent.

Identifying options

Options will include:

- the range of existing and potential providers in the council, private and voluntary sectors
- options for expanding or developing provision to better meet needs – eg, increasing the flexibility of council-run provision, or supporting the extension of private or voluntary provision.

Identifying criteria

Information on parents' and children's needs – number of places, characteristics and quality – is the basis for identifying criteria. Additional criteria will be added by councils to ensure high-quality provision and bring to bear other non-financial costs and benefits. Basic criteria will therefore include:

Number of places

- number of places needed in different locations

Quality

- quality factors that concern parents and their children
- the council's own quality criteria – derived from Scottish Executive grant requirements, HMI registration criteria and the council's own quality assurance systems

Other factors

- characteristics of provision that parents need
- other factors which arose in assessing needs
- wider community costs and benefits (non-financial).

There may be additional criteria, depending on local circumstances and priorities.

The extent to which combinations of options meet these criteria, and at what cost, is at the core of option appraisal.

Costs

The report found that, generally, costs were not fully assessed as part of deciding the best form of provision. Without this, it is impossible for the council to know it is providing best value.

The elements of cost which should be identified for each option are:

- unit costs – cost per place (minimum and maximum)
- indirect costs – eg, costs of building, refurbishing or equipment
- support and development costs to ensure high quality – additional administration, staff development, quality assurance, etc, which councils will have to provide for partners.

Councils must be clear about the cost of their own provision. They need to know whether, and if so, to what extent, the cost of pre-school provision exceeds the grant available, and so is being subsidised from other budgets.

Establishing the costs of private and voluntary provision may be seen as less of a concern where the grant paid is the same irrespective of what it costs these centres to provide the places. However, it may be more important in two circumstances. Firstly, it may cost councils more to ensure high quality through support and development for these centres than the top slice can cover. Secondly, when ring-fencing of the grant ceases, councils may want to vary the level of the grant in a way which reflects the actual costs of providers and the support they require.

Councils should set out where they have developed their costs based on a marginal costing model. Frequently, councils have used surplus primary school provision to expand pre-school places. This can be an economic way of developing provision, as there are minimal additional property costs. Marginal costing should only be used where the council would have no reasonable expectation of realising income from the surplus property.

Appraising each option against criteria and costs

Appraising each option against criteria means:

- reviewing the extent to which each provider meets the criteria
- establishing the likely costs of the provider in meeting the criteria

It may be possible to dismiss some options quickly at the beginning of the process on the basis that they are much more expensive than other options or that they will never meet the criteria sufficiently. This initial consideration of the options, although quick, should still be systematic and transparent. After that, only realistic options should remain for detailed consideration.

The process will result in recommendations regarding which centres will provide places, which of these require improvements, and at what cost. These decisions have wide-reaching implications for centres, parents and children. It is important, therefore, that the process is transparent. This means that the options considered and the criteria against which they were assessed should be known to centres and service users and to the senior staff and councillors who make the final decision.

Care should be taken in preparing the committee papers reviewing the appraisal process. It is important that staff and members making decisions on partnering are fully aware of the appraisal process and the conclusions reached for each option considered. This should include options knocked out at the beginning of the appraisal.

Exhibit 25: Checklist

	Yes	No
Options		
Have we included all possible providers among the options?	<input type="checkbox"/>	<input type="checkbox"/>
Have we included all reasonable options for expanding or improving existing providers?	<input type="checkbox"/>	<input type="checkbox"/>
Criteria		
Do the criteria include all the needs identified in stage one?	<input type="checkbox"/>	<input type="checkbox"/>
Have we included all our own quality criteria?	<input type="checkbox"/>	<input type="checkbox"/>
Have we included the relevant Scottish Executive grant requirements?	<input type="checkbox"/>	<input type="checkbox"/>
Have we identified the range of non-financial costs and benefits?	<input type="checkbox"/>	<input type="checkbox"/>
Costs		
Have we identified all the elements of cost for each option:		
– unit costs – using the costing model in this report, or other means?	<input type="checkbox"/>	<input type="checkbox"/>
– indirect costs – eg, building, refurbishment, equipment?	<input type="checkbox"/>	<input type="checkbox"/>
– support and development costs?	<input type="checkbox"/>	<input type="checkbox"/>
Have we quantified costs where provision is based on a marginal costing model?	<input type="checkbox"/>	<input type="checkbox"/>
Option appraisal		
Have we systematically considered every option?	<input type="checkbox"/>	<input type="checkbox"/>
Have we documented the conclusions reached for each option considered, including those knocked out at an early stage?	<input type="checkbox"/>	<input type="checkbox"/>
Is this information available to centres and parents and to senior council staff and councillors?	<input type="checkbox"/>	<input type="checkbox"/>

Stage 1: Assessing parents' and children's needs

Stage 2: Assessing options on cost, quality and other factors

Stage 3: Working with partners

Stage 4: Informing parents

Stage 3: Working with partners

The council now has to ensure that all pre-school providers – its own and its partners – provide what is required and meet the quality criteria.

The report highlights a number of issues which affect how councils work with centres. These should be examined during a review of pre-school provision. The council should take account of the views of the pre-school centres in its area when it answers the following questions:

Exhibit 26: Checklist

	Yes	No
Contracting		
Are all the Scottish Executive's grant conditions reflected in contracts with our partners?	<input type="checkbox"/>	<input type="checkbox"/>
Are they all reflected in service level agreements or in the practice of our own centres?	<input type="checkbox"/>	<input type="checkbox"/>
Are our contracts straightforward to read and to understand?	<input type="checkbox"/>	<input type="checkbox"/>
Does the timing of our payments to partners at least mirror the Scottish Executive's cycle of payments to the council?	<input type="checkbox"/>	<input type="checkbox"/>
Could contracts be made for periods of longer than one year, with appropriate conditions added?	<input type="checkbox"/>	<input type="checkbox"/>
Do our contracts specify the services we will provide to partners?	<input type="checkbox"/>	<input type="checkbox"/>
Have we reviewed our contracts in line with national guidelines published by the National Care Standards Committee and the Scottish Executive?	<input type="checkbox"/>	<input type="checkbox"/>
Top-slicing		
Does the top slice reflect the level of support required by the centre or type of centre?	<input type="checkbox"/>	<input type="checkbox"/>
Are partner providers, and the council, happy with the level of support provided in return for the top slice?	<input type="checkbox"/>	<input type="checkbox"/>
Have we consulted with partners on the level of the top slice?	<input type="checkbox"/>	<input type="checkbox"/>
Involving partners		
Do partner providers feel that there are effective arrangements for involving them in discussion and, where appropriate, decisions about their work?	<input type="checkbox"/>	<input type="checkbox"/>
Do we consult partner providers on the allocation of development grants?	<input type="checkbox"/>	<input type="checkbox"/>
Quality assurance		
Has the council considered recognising one or more of the voluntary and private sector organisations' quality assurance schemes in place of part of its own QA procedures? If they are not recognised, is it clear to partners why?	<input type="checkbox"/>	<input type="checkbox"/>
Access to services		
Do partner centres have the same level of access to services (eg, specialist support from hearing specialists, dentists and so on) as our own centres?	<input type="checkbox"/>	<input type="checkbox"/>
Working with primary schools		
Do partner providers feel that the links between their staff and primary schools work?	<input type="checkbox"/>	<input type="checkbox"/>
Is information on the child's progress in development and learning passed to the schools?	<input type="checkbox"/>	<input type="checkbox"/>
Do the schools use this information?	<input type="checkbox"/>	<input type="checkbox"/>
Have relevant primary staff had training in the pre-school curriculum and its links with the 5-14 curriculum?	<input type="checkbox"/>	<input type="checkbox"/>

Stage 1: Assessing parents' and children's needs

Stage 2: Assessing options on cost, quality and other factors

Stage 3: Working with partners

Stage 4: Informing parents

Stage 4: Providing information to parents

Parents in most areas will have a choice about where their children can receive pre-school provision. It is important to them that they have good information on which to base their decisions – so that they know, for example, that all centres receiving grant follow the pre-school curriculum, as well as detailed points about opening hours and so on. This allows them to make informed choices about where they send their children.

It is also important to partner centres that parents have this information. Their income depends on the number of children they have registered, and they consider it unfair when they perceive that a council may be pushing its own provision at the expense of theirs.

The questions below will help a council to review the information it provides to parents.

Exhibit 27: Checklist

	Yes	No
Do all parents receive information on the choice of all pre-school centres available to them?	<input type="checkbox"/>	<input type="checkbox"/>
Does the information available to parents cover what is common to all centres ie, that they all work to the pre-school curriculum, that they are all approved by HMI, that they are all developing using <i>'The Child at the Centre'</i> ?	<input type="checkbox"/>	<input type="checkbox"/>
Are the routes we use for getting information to parents working?	<input type="checkbox"/>	<input type="checkbox"/>

Conclusion

Undertaking a review of this sort should help councils to ensure that there are the right number of places available in their area, and equally importantly, that they are addressing the needs of parents and their children and ensuring the high quality of pre-school education.

Appendix 1: Study advisory group

Diane Alexander	Research Fellow, Scottish Consultative Council on the Curriculum, now Learning and Teaching Scotland
Aileen Beck	Area Manager, Education Department, Fife Council
Ann Brady	Chief Executive Officer, Highland Pre-school Services (HPS)
Kate Cherry	HM Inspector of Schools (replaced Kathy Fairweather, HM Chief Inspector of Schools)
Bronwen Cohen	Director, Children in Scotland
Margaret Dobie	Senior Education Officer, Pre-5's Section, Glasgow City Council
Elizabeth Gallacher	Vice-Convener (Strategy), Scottish Independent Nurseries Association (SINA)
Linda Kinney	Head of Early Years and Out of School Care, Childcare Services, Stirling Council
Neil Langhorn	Early Education and Childcare Division, Scottish Executive
Len McConnell	Head of Service, Educational Development, Perth and Kinross Council
David McKinney	Head of Planning & Information, Educational Services, West Lothian Council
Martha Simpson	Chief Executive, Scottish Pre-school Play Association (SPPA), until November 2000, replaced by Ian McLaughlan
Gary Todd	Policy Planning Officer, Department of Corporate Services, City of Edinburgh Council
Ronnie Gould	Head of the Support Service, Education Dept, Argyll and Bute Council

Appendix 2: Costing models

The cost information on which this costing model is based was collected for the financial year April 1999 – March 2000.

Grant paid per place

The Scottish Executive grant for a pre-school place was:

- £1,145 per year per place for the first term of the financial year 1999/2000
- £1,175 per year per place for the second and third terms of the financial year 1999/2000.

Therefore the grant was £1,165 for a full year pre-school place for the financial year 1999/2000.

Councils claim this amount for every pre-school place they provided in their own centres. For places provided in partner centres, councils could retain a top slice of anything up to £295, paying their partners:

- between £850 and £1,145 per year per place in the first term of the financial year 1999/2000
- between £880 and £1,175 per year per place in the second and third terms of the financial year 1999/2000.

Therefore, on average, councils paid their partners between £870 and £1,165 for a full year pre-school place for the financial year 1999/2000.

Types of centre

Our study set out to collect detailed cost information from 32 pre-school centres – eight in each of four council areas, including:

Council-run centres:

- nursery classes in primary schools
- nursery schools
- children's day centres.

Partner-run centres:

- private nurseries
- voluntary sector nurseries and playgroups
- nursery classes attached to independent schools.

The costing models are based on information provided by the four participating councils and seven of the 14 individual partner providers sampled in their areas.

The models are intended for councils to use when they review their pre-school provision on the basis of cost, quality and other factors. The assumptions have been stated in the models so that councils may substitute these with their own parameters (eg. staff salaries; premises costs) or criteria which will be published by the new National Care Standards Committee (eg. staff:child ratios).

Four models are presented here, each with different sets of assumptions, to cover the main types of pre-school provision:

- Model 1a – a council-run nursery school with 40 places morning and 40 afternoon.
- Model 1b – a larger council-run nursery school with 80 places morning and afternoon.

- Model 2a – a council-run nursery class attached to a primary school with 30 places morning and afternoon.
- Model 2b – a smaller council-run nursery class with 20 places morning and afternoon.

- Model 3a – a large private nursery with 24 pre-school places.
- Model 3b – a smaller private nursery with 10 places.

- Model 4a – a playgroup with 24 places morning and afternoon.
- Model 4b – a smaller playgroup with 16 or fewer places in the morning only.

The 'cost per place' figure in each model must be viewed in the context of all the assumptions.

Costing model 1: Council-run nursery school (a. 40-places morning and afternoon)

Assumptions:

- children attend either five morning or five afternoon sessions a week for 37-39 weeks
- a session is 2.5 hours
- staff:child ratios are 1:10; teacher counted in this ratio
- additional costs for special needs are met outside these costs.

Staff costs (80% of total costs)	Annual costs	Notes
Teacher (1FTE) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £23,300 ■ including NI and pension 	£26,600	Teacher (1FTE) <ul style="list-style-type: none"> ■ NI 7.45% ■ pension 6.9%
Nursery staff (3 FTEs) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £12,100 ■ including NI and pension 	£40,800	Nursery staff (3FTEs) <ul style="list-style-type: none"> ■ NI 5.65% ■ pension 6.9%
Head teacher/Head of centre <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £29,000 ■ including NI and pension 	£33,400	Head teacher/Head of centre <ul style="list-style-type: none"> ■ NI 7.75% ■ pension 6.9%
Administrative/Clerical staff <ul style="list-style-type: none"> ■ 15 hours of admin/clerical staff ■ gross FTE annual salary £12,700 ■ including NI and pension 	£5,907	Administrative/Clerical staff <ul style="list-style-type: none"> ■ part-time post at 15 hours per week ■ NI 2.5% ■ pension 6.9%
Allowances for sickness cover (4%) Staff cover for training on in-service days	£4,268 –	<ul style="list-style-type: none"> ■ estimated using data from six council centres ■ assumes no staff cover needed
Total Staff Costs	£110,975	
Property costs (11% of total costs) Includes rent/charges, rates and water, energy, repairs and maintenance, cleaning, janitorial (costs for full year)	£15,259	Property costs (11% of total costs) <ul style="list-style-type: none"> ■ 11% estimated using data from four council nursery schools
Other costs (9% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for full year)	£12,485	Other costs (9% of total costs) <ul style="list-style-type: none"> ■ 9% estimated using data from four council nursery schools ■ property and other costs are all allocated to pre-school because no other activity takes place in the centre to which part of the costs might be allocated (eg, wraparound care, provision for non-pre-school children)
Total Non-staff Costs	£27,744	
Total Annual Costs	£138,718	
Cost per place (five sessions, 37-39 weeks)	£1,734	
Cost if 31 places taken	£2,237	<ul style="list-style-type: none"> ■ staff:child ratios require same staffing levels for 31 children as for 40 children

Source: Audit Scotland – costs received from 22 pre-school centres

Costing model 1: Council-run nursery school (b. 80 places morning and afternoon)

Assumptions:

- children attend either five morning or five afternoon sessions a week for 37-39 weeks
- a session is 2.5 hours
- staff:child ratios are 1:10; teacher counted in this ratio
- additional costs for special needs are met outside these costs.

Staff costs (78% of total costs)	Annual costs
Teacher (1FTE)	
<ul style="list-style-type: none"> ■ standard contract: 32.5 hours per week ■ gross FTE annual salary £23,300 ■ including NI and pension 	£26,600
Nursery staff (6 FTEs)	
<ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £12,100 ■ including NI and pension 	£81,600
Head teacher/Head of centre	
<ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £32,000 ■ including NI and pension 	£36,900
Administrative/Clerical staff	
<ul style="list-style-type: none"> ■ 25 hours of admin/clerical staff ■ gross FTE annual salary £12,700 ■ including NI and pension 	£9,844
Allowances for sickness cover (4%)	£6,198
Staff cover for training on in-service days	-
Total Staff Costs	£161,142
Property costs (10% of total costs)	
Includes rent/charges, rates and water, energy, repairs and maintenance, cleaning, janitorial (costs for full year)	£24,791
Other costs (14% of total costs)	
Equipment, materials and snacks, transport, third-party payments (costs for full year)	£20,659
Total Non-staff Costs⁷	£45,450
Total Annual Costs	£206,592
Cost per place (five sessions, 37-39 weeks)	£1,291
Cost if 7 places taken	£1,455

⁷ Property and other costs are allocated to pre-school because no other activity takes place in the centre to which part of the costs might be allocated (eg, wraparound care, provision for non-pre-school children).

Source: Audit Scotland – costs received from 22 pre-school centres

Costing model 2: Council-run nursery school in a primary school
(a. 30 places morning and afternoon and b. 20 places morning and afternoon)

Assumptions:

- children attend either five morning or five afternoon sessions a week for 37-39 weeks
- a session is 2.5 hours
- staff:child ratios are 1:10; teacher counted in this ratio
- additional costs for special needs are met outside these costs.

Staff costs (85% of total costs)	Annual costs	Staff costs (83% of total costs)	Annual costs
Teacher (1FTE) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £23,300 ■ including NI and pension 	£26,600	Teacher (1FTE) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £23,300 ■ including NI and pension 	£26,600
Nursery staff (2 FTEs) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £12,100 ■ including NI and pension 	£27,200	Nursery staff (1 FTE) <ul style="list-style-type: none"> ■ standard FTE contract: 32.5 hours per week ■ gross FTE annual salary £12,100 ■ including NI and pension 	£13,600
School (depute) head teacher <ul style="list-style-type: none"> ■ 8 hours per week ■ gross FTE annual salary £29,000 ■ including NI and pension 	£8,222	School (depute) head teacher <ul style="list-style-type: none"> ■ 7 hours per week ■ gross FTE annual salary £29,000 ■ including NI and pension 	£7,194
Administrative/Clerical staff <ul style="list-style-type: none"> ■ 8 hours of admin/clerical staff ■ gross FTE annual salary £12,700 ■ including NI and pension 	£3,280	Administrative/Clerical staff <ul style="list-style-type: none"> ■ 7 hours of admin/clerical staff ■ gross FTE annual salary £12,700 ■ including NI and pension 	£2,870
Allowances for sickness cover (4%) Staff cover for training on in-service days	£2,612 -	Allowances for sickness cover (4%) Staff cover for training on in-service days	£2,011 -
Total Staff Costs	£67,914	Total Staff Costs	£52,275
Property costs (11% of total costs)² Includes rent/charges, rates and water, energy, repairs and maintenance, cleaning, janitorial (costs for full year)	£8,789	Property costs (13% of total costs)² Includes rent/charges, rates and water, energy, repairs and maintenance, cleaning, janitorial (costs for full year)	£8,188
Other costs (4% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for full year)	£3,196	Other costs (4% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for full year)	£2,519
Total Non-staff Costs	£11,985	Total Non-staff Costs	£10,707
Total Annual Costs	£79,898	Total Annual Costs	£62,981
Cost per place (five sessions, 37-39 weeks) Cost if 21 places taken	£1,332 £1,902	Cost per place (five sessions, 37-39 weeks) Cost if 11 places taken	£1,575 £2,863

² Property and other costs are shared with the school. They may be apportioned on the basis of numbers of children or space.

Source: Audit Scotland – costs received from 22 pre-school centres

Costing model 3: Private nursery

(a. 24 places morning and afternoon and b. 10 places morning and afternoon)

Assumptions:

- children attend five sessions a week for 33 weeks and have additional day care which they pay for
- pre-school session is 2.5 hours; day care outside these sessions
- staff:child ratios are 1:8; teacher counted in this ratio
- additional costs for special needs are met outside these costs.

Staff costs (91% of total costs)	Annual costs	Staff costs (88% of total costs)	Annual costs
Teacher (1FTE) <ul style="list-style-type: none"> standard contract: 35 hours per week for 34 weeks gross FTE annual salary £18,000 including NI (no pension) 	£19,620	Teacher (0.5 FTE) <ul style="list-style-type: none"> standard contract: 20 hours per week for 34 weeks gross FTE annual salary £10,200 including NI (no pension) 	£10,710
Nursery staff (2 FTEs) <ul style="list-style-type: none"> standard FTE contract: 40 hours for 46 weeks of which pre-school is 35 hours a week for 34 weeks gross FTE annual salary £8,500 to £10,000 of which pre-school is £5,500 to £6,500 including NI (no pension) 	£12,563	Nursery staff (1 FTE) <ul style="list-style-type: none"> standard FTE contract: 40 hours for 46 weeks of which pre-school is 35 hours a week for 34 weeks gross FTE annual salary £8,500 to £10,000 of which pre-school is £5,500 to £6,500 including NI (no pension) 	£6,281
Managerial staff (additional to teacher above) <ul style="list-style-type: none"> Owner/Manager: 8 hours per week gross FTE annual salary equivalent to £20,000: 40 hours for 46 weeks including NI (no pension) 	£4,360	Managerial staff (additional to teacher above) <ul style="list-style-type: none"> Owner/Manager: 7 hours per week gross FTE annual salary equivalent to £20,000: 40 hours for 46 weeks including NI (no pension) 	£3,815
Administrative/Clerical staff <ul style="list-style-type: none"> 8 hours of admin/clerical staff for 34 weeks gross hourly pay £6 hourly cost £6.30 	£1,714	Administrative/Clerical staff <ul style="list-style-type: none"> 6 hours of admin/clerical staff for 34 weeks gross hourly pay £6 hourly cost £6.30 	£1,285
Allowances for sickness cover (2% of teacher) (other staff receive no sick pay)	£392	Allowances for sickness cover (2% of teacher) (other staff receive no sick pay)	£214
Staff cover for training (1.5% of all staff)	£574	Staff cover for training (1.5% of all staff)	£331
Total Staff Costs	£39,223	Total Staff Costs	£22,637
Property costs (6.5% of total costs)³ Includes rent/mortgages, rates and water, energy, repairs and maintenance, cleaning (costs for 33 weeks out of 52)	£2,802	Property costs (8% of total costs)³ Includes rent/mortgage, rates and water, energy, repairs and maintenance, cleaning, (costs for 33 weeks out of 52)	£2,058
Other costs (2.5% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for 33 weeks out of 52)	£1,078	Other costs (4% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for 33 weeks out of 52)	£1,029
Total Non-staff Costs	£3,879	Total Non-staff Costs	£3,087
Total Annual Costs	£43,102	Total Annual Costs	£25,724
Cost per place (five sessions, 33 weeks) <i>cost if 17 of 24 places taken with 30 places (ratio 1:10) for 33 weeks⁴</i>	£898 £1,268 £721	Cost per place (five sessions, 33 weeks) <i>cost if 9 of 10 places taken</i>	£1,286 £1,429
Cost per place (five sessions, 38 weeks) ⁵ <i>cost if 17 of 24 places taken with 30 places (ratio 1:10) for 38 weeks⁴</i>	£1,030 £1,454 £827	Cost per place (five sessions, 38 weeks) ⁵ <i>cost if 9 of 10 places taken</i>	£1,475 £1,639

³ Property and other costs are shared with the childcare for ages 0-5 years. They may be apportioned on the basis of numbers of children, or space, and number of weeks in the year and hours in the week.

⁴ A ratio of 1:10 would require the same number of staff, and could provide six additional places (space allowing): or with one less staff (non-teacher) would reduce places from 24 to 20.

⁵ If most children attend and pay for day care outwith the 33 weeks of pre-school, increasing the weeks to 38 (or 475 hours per year) would increase the costs per place in lost income.

Source: Audit Scotland – costs received from 22 pre-school centres

Costing model 4: Voluntary playgroup

(a. 24 places morning and 16 afternoon and b. 16 places morning only)

Assumptions:

- children attend five sessions a week for 33 weeks
- a session is 2.5 hours
- staff:child ratios are 1:8; no teacher
- additional costs for special needs are met outside these costs.

Staff costs (91% of total costs)	Annual costs	Staff costs (87% of total costs)	Annual costs
Teacher (none)		Teacher (none)	
Nursery staff/Play leaders (2.5 FTEs) ■ standard FTE contract: 35 hours for 34 weeks ■ gross FTE annual salary £7,000 ■ including NI (no pension)	£18,375	Nursery staff/Play leaders (1 FTE = 2 half-time) ■ standard FTE contract: 35 hours for 34 weeks ■ gross FTE annual salary £7,000 ■ including NI (no pension)	£7,350
Managerial staff (done by volunteer committee)		Managerial staff (done by volunteer committee)	
Administrative/Clerical staff ■ 8 hours of admin/clerical staff for 34 weeks ■ gross hourly pay £6 ■ hourly cost £6.30	£1,714	Administrative/Clerical staff ■ 5 hours of admin/clerical staff for 34 weeks ■ gross hourly pay £6 ■ hourly cost £6.30	£1,071
Allowances for sickness cover (staff receive no sick pay)	–	Allowances for sickness cover (staff receive no sick pay)	–
Staff cover for training (1.5% of all staff)	£301	Staff cover for training (1.5% of all staff)	£126
Total Staff Costs	£20,390	Total Staff Costs	£8,547
Property costs (5% of total costs) Includes rent/charges, rates and water, energy, repairs and maintenance, cleaning (costs for 33 weeks)	£1,120	Property costs (7% of total costs) Includes rent/charges, rates and water, energy, repairs and maintenance, cleaning, (costs for 33 weeks)	£680
Other costs (4% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for 33 weeks)	£896	Other costs (6% of total costs) Equipment, materials and snacks, transport, third-party payments (costs for 33 weeks)	£583
Total Non-staff Costs	£2,017	Total Non-staff Costs	£1,263
Total Annual Costs	£22,407	Total Annual Costs	£9,810
Cost per place (five sessions, 33 weeks) <i>cost per place if 17 & 9 places taken</i> <i>cost per place with teacher input⁶</i>	£560 £862 £867	Cost per place (five sessions, 33 weeks) <i>cost per place (five sessions, 38 weeks)</i> <i>cost per place for 12 places (33 weeks)</i> <i>cost per place for 8 places (33 weeks)</i>	£613 £703 £764 £1,159
Cost per place (five sessions, 38 weeks) <i>cost per place if 17 & 9 places taken</i> <i>cost per place with teacher input⁶</i>	£643 £989 £922	<i>cost per place for 5 places (33 weeks)</i> <i>cost per place for 3 places (33 weeks)</i>	£1,748 £2,913

⁶ If one of the nursery staff/play leaders was replaced by a teacher, the total costs would increase by the difference between their salaries. If the play leader was paid between £5.50 and £6 per hour with no sick pay and no more than four weeks' holiday pay (annual cost approx. £7,350), and the teacher brought in on a gross annual salary of £18,000, the difference would be approximately £12,000.

Source: Audit Scotland – costs received from 22 pre-school centres

Estimated cost per place in fully occupied centres

	37-39 weeks teacher employed by centre	33 weeks teacher employed by centre	33 weeks no teacher employed by centre
Council 80-place nursery school am & pm	1,291	-	-
Council 40-place nursery school am & pm	1,734	-	-
Council 30-place nursery class am & pm	1,332	-	-
Council 20-place nursery class am & pm	1,575	-	-
Private nursery 24-places am & pm	1,030	898	633
Private nursery 10-places am & pm	1,475	1,286	962
Playgroup 24 places am /16 pm	1,011	881	560
Playgroup 16 places am only	1,164	1,015	613
Playgroup 12 places am only	-	1,299	764
Playgroup 8 places am only	-	1,962	1,159
Playgroup 5 places am only	-	-	1,748
Playgroup 3 places am only	-	-	2,913

Note: Scottish Executive grant per place (for equivalent financial year 1999/2000) = £1,165



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