

Early learning and childcare

Follow-up



ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Prepared by Audit Scotland
March 2020



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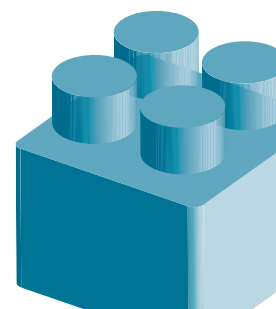
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Audit team

The core audit team consisted of: Tricia Meldrum, Rebecca Smallwood, Yoshiko Gibo and Erin McGinley, with support from other colleagues and under the direction of Antony Clark.

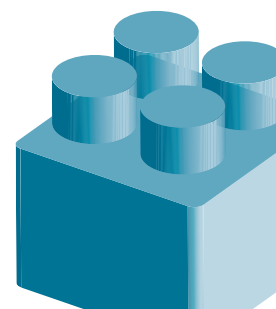
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Summary




Key messages

- 1** The Scottish Government and councils are making steady progress to deliver the expansion of funded early learning and childcare (ELC). At a national level, progress is broadly in line with plans to deliver the increased hours by August 2020. These plans are critically dependent on achieving much in a short time, particularly over the summer months. This creates a number of significant risks around getting enough people and buildings in place to deliver the expansion. In addition, it is likely that some aspects of the policy, such as delivering flexibility and choice, will not be fully implemented by August 2020.
 - 2** There is evidence of a great deal of planning activity taking place at local and national levels. The Scottish Government, COSLA, councils and other stakeholders are continuing to work well together at a national level and there is effective national oversight of the expansion. However, a delay in issuing some guidance increased uncertainty for individual private and third sector providers, including childminders, about their future role in the expansion.
 - 3** Important workforce challenges in all sectors remain. In September 2019, councils still needed to recruit about half of the additional staff required for the expansion. Private and third sector providers, including childminders, are expected to deliver funded hours to over a quarter of eligible children but continue to report significant workforce challenges threatening their sustainability.
 - 4** Putting in place the necessary infrastructure remains a big risk to the expansion as around half of the work is planned for completion in the final few months before August 2020. Any delays to this will impact on service delivery and families who are planning to use these services. Councils have started to make contingency plans for the projects that are critical for the expansion.
 - 5** The Scottish Government's plans to evaluate the expansion of funded ELC are well advanced. Work is under way to capture important baseline information. However, challenges to the evaluation process remain. For example, it is not yet clear how the longer-term economic benefits will be assessed, or how family wellbeing will be measured.
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8. This report has two parts:

- Part 1 – Progress with delivering the expansion
- Part 2 – Plans for evaluation of the policy.

9. Our findings are based on evidence from sources that include:

- interviews with staff from the Scottish Government, **COSLA** , Scotland Excel, the Scottish Futures Trust (SFT), the National Day Nurseries Association (NDNA), Early Years Scotland, Scottish Childminding Association (SCMA) and other national bodies
- a focus group with council staff involved in planning for the expansion
- a review of council committee papers on plans for the expansion
- data from councils on the progress of the expansion
- a review of meeting papers from the national groups involved in planning for the expansion.

10. The Scottish Government and councils are continuing to plan for the expansion to 1,140 hours and, in some areas, children are already receiving 1,140 hours of funded ELC, as part of phasing arrangements. We included information available to us by the end of December 2019 in our audit.

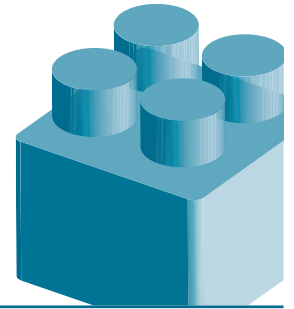


COSLA

COSLA (Convention of Scottish Local Authorities) is a national body which represents councils.

Part 1

Progress with delivering the expansion



Key messages

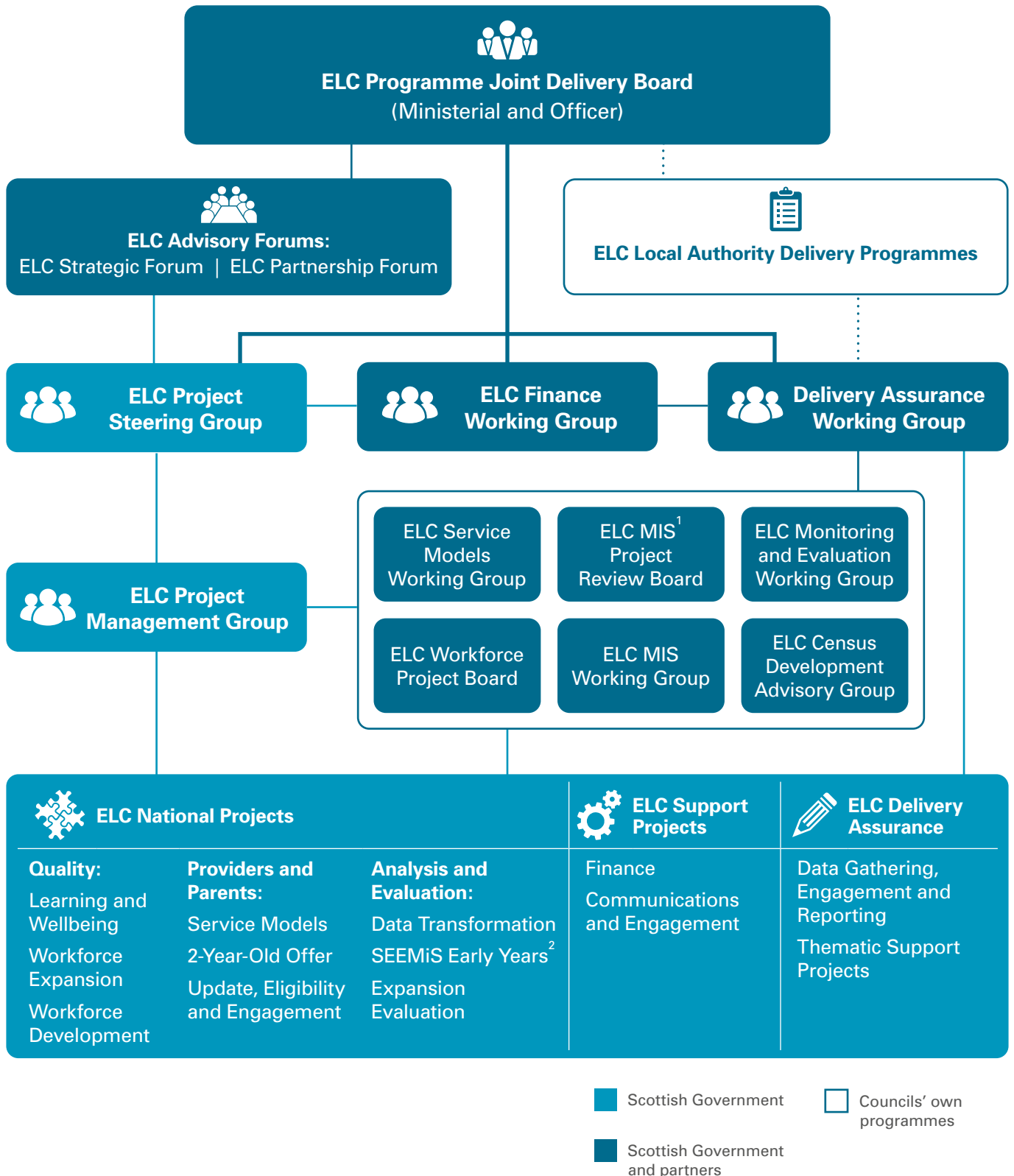
- 1** The Scottish Government and councils are making steady progress to deliver the expansion of funded ELC. At a national level, progress is broadly in line with plans to deliver the increased hours by August 2020. These plans are critically dependent on achieving much in a short time. This creates a number of significant risks around getting enough people and buildings in place to deliver the expansion. In addition, it is likely that some aspects of the policy, such as delivering flexibility and choice, will not be fully implemented by August 2020. Delays in completing planned building work are a particular risk.
- 2** There is evidence of a great deal of planning activity taking place at local and national levels. The Scottish Government, COSLA, councils and other stakeholders are continuing to work well together at a national level to deliver the expansion and there is effective national oversight of the expansion.
- 3** Important workforce challenges in all sectors remain. In September 2019, councils still needed to recruit about half of the additional staff required for the expansion. Private and third sectors providers, including childminders, are expected to deliver funded hours to over a quarter of eligible children but continue to report significant workforce challenges threatening their sustainability.
- 4** Infrastructure remains a big risk for the expansion of funded ELC as around half of the work is planned for completion in the final few months before August 2020. Any delays to this will impact on service delivery and families who are planning to use these services.

The Scottish Government, councils and other stakeholders continue to work well together to plan for the expansion

- 11.** Since our initial audit published in 2018, planning for the expansion to 1,140 hours has continued. This includes planning at both a local and national level.
- 12.** Effective governance arrangements are in place to oversee national progress with the expansion ([Exhibit 2, page 11](#)). In September 2018, a joint delivery board (the board) was established to oversee progress with the expansion and ensure that it is delivered on time and within budget. The board is jointly chaired by the Minister for Children and Young People and the COSLA Children and Young People Spokesperson.

Exhibit 2

Scottish Government ELC expansion programme governance structure



Notes:

1. MIS (Management Information System)
2. SEEMiS Early Years is the MIS under development

Source: Scottish Government, 2019

13. The board makes decisions, takes action and follows up on the impact of actions. For example, the board receives information on council progress including recruitment to council ELC settings and development of the buildings needed to deliver the expansion. After reviewing this data at their meeting in June 2019, the board asked the Scottish Government and COSLA to report back specifically on councils' readiness and support requirements.

14. The groups overseeing the expansion continue to involve representation from a range of stakeholders with an interest in the expansion. In order to strengthen partnership working, in October 2018 the Scottish Government and COSLA established a Partnership Forum. This includes representatives from councils, the NDNA, the SCMA, Early Years Scotland and the Care and Learning Alliance, in addition to a pool of members from funded providers and childminders across ELC sectors.

15. As part of the national-level planning for the expansion, the Scottish Government has commissioned a range of support to help councils with local planning. This support focuses on addressing the key risks to the expansion, both nationally and tailored to individual councils. For example, commissioning the SFT to provide targeted support for councils on their development plans, and the Improvement Service to provide business analysis support and facilitate the sharing of best practice and knowledge between councils. The Scottish Government also established a delivery support team, led by a Head of Delivery Assurance, to create better links between national and local planning and to provide tailored support to councils if required. In addition to this ongoing national support a small number of councils, where significant risks have been identified, are receiving more intensive support.

The timing of issuing some guidance has added to the risks around delivering the expansion

16. Our previous audit highlighted that detailed planning for the expansion to 1,140 hours should have started sooner. The timing of issuing some guidance for the expansion continues to be an issue. For example, our last report noted the risks around the lack of information for funded providers and childminders on the standards expected to allow them to be eligible to participate in the expansion. This information was due to be available from March 2018. In March 2018, however, the Scottish Government and COSLA launched a joint consultation on the criteria that ELC providers need to meet to be eligible to offer funded ELC, known as the national standard. The national standard underpins the 'funding follows the child' approach. 'Funding follows the child' is the term used to describe the overall delivery model for the expansion of funded ELC. It includes:

- how services are accessed by parents
- how the increase in hours is delivered, reflecting the principles of quality, flexibility, accessibility and affordability
- the national standard
- the support available to providers to help them meet funded provider criteria.

The finalised funding follows the child approach and the national standard were published, along with associated operating guidance, in December 2018.

This delay ensured that interested parties were consulted on the standard and guidance. However, it also increased uncertainty for individual funded providers and childminders around their potential future involvement in the expansion.

17. The funding follows the child approach is intended to give parents choice over where their child receives funded ELC. Our previous report also recommended that the statutory guidance for funded ELC should be updated following agreement on important aspects of the expansion, such as delivering flexibility. We recommended that the guidance should clarify the difference between flexibility and choice to help councils understand what is expected of them and to help parents understand what flexibility they can reasonably expect from services.

18. In December 2019, the Scottish Government issued revised statutory guidance for public consultation, with a view to publishing a finalised version in Spring 2020.² This revised guidance provides greater clarity on the expectations around flexibility and choice. For example, the revised guidance highlights that councils should ensure there is a mix of provision in their area to reflect local circumstances. This should allow choice around different types of setting, including funded providers and childminders, and different patterns of provision, such as different lengths of sessions and weeks of the year when ELC is available.

19. The revised guidance also provides more clarity on the flexibility available to parents. For example, councils should work with parents to try and accommodate requests for changes to a child's pattern of ELC during the year where possible, but there is not an expectation that frequent requests for changes must be accommodated. Similarly, although parents should be offered choice over models of ELC with different start times and session lengths, councils do not need to accommodate every request from parents to use part of these sessions only, by choosing their own drop-off or pick-up time.

The Scottish Government and councils agreed a multi-year settlement to fund the expansion

20. Our previous audit highlighted delays to agreeing a multi-year funding settlement for the expansion, which was initially anticipated in November 2017. In April 2018, the Scottish Government and COSLA agreed that councils will receive an additional £567 million in annual revenue funding for ELC by 2021/22, to deliver the expansion. Between 2017/18 and 2020/21 the Scottish Government will also provide £476 million of capital funding to councils for the expansion.

21. COSLA leaders did not accept the recommendation of the Settlement and Distribution Group (a joint group consisting of officers from the Scottish Government, COSLA and councils) that the multi-year revenue settlement for ELC be distributed between councils using a formula. Instead, total revenue funding was distributed to councils on the basis of financial templates submitted by councils to the Scottish Government in March 2018, outlining the costs of their expansion plans. The Scottish Government adjusted these to include inflation and to introduce a consistent measure of population across councils.

22. The decision on how to distribute funding affected the individual council allocations, as some councils received more money under the financial template approach than they would have under a formula-based approach and vice versa. Our modelling indicates that, in particular, more rural councils were likely to receive less funding under the agreed distribution method than they would have done through a formula-based distribution.

23. To ensure a consistent measure of population between councils, the financial templates were adjusted to reflect 2014 based figures, the most up-to-date national population data available at the time councils prepared their templates. This had an impact on councils with rising populations that had based their templates on more recent local population figures. After including inflation and adjusting for population, twelve councils will receive less revenue funding than they estimated the expansion would cost by 2021/22. Midlothian Council has the largest proportionate gap. It is receiving about 24 per cent less revenue funding than it estimated was necessary in its financial template, by 2021/22, after including inflation and adjusting for population. This funding method meant some councils altered their plans to allow them to deliver the expansion within the available funding.

24. The Finance Working Group has considered ways in which future funding could be distributed between councils, from 2022/23, after the existing multi-year settlement ends. They recommend a formula-based approach. This has a number of advantages including that it:

- follows a client group approach, based on need, in line with the overall local government settlement
- allows a continuing basis for funding
- uses indicators that are updated in line with the overall local government settlement.

Following discussions by the Finance Working Group, the Settlement and Distribution Group will make a recommendation and COSLA leaders will make the final decision on the approach.

25. Capital funding was allocated between councils on the basis of finance templates. The templates were adjusted to take account of funding principles for new buildings (using standard area and cost reference rates and excluding any land purchase costs). Again, the adjustments resulted in some councils receiving less funding than they estimated the expansion would cost and vice versa.

26. As a result of the adjustments, 18 councils received less capital funding than they estimated was necessary in their financial template. This ranged from under one per cent less in Dumfries and Galloway to about 40 per cent less in South Lanarkshire. This resulted in some councils having to alter their initial expansion plans to reflect the funding available, for example by increasing the numbers of registered places in existing settings.

Councils anticipate that a larger proportion of funded ELC will be delivered by funded providers than previously estimated

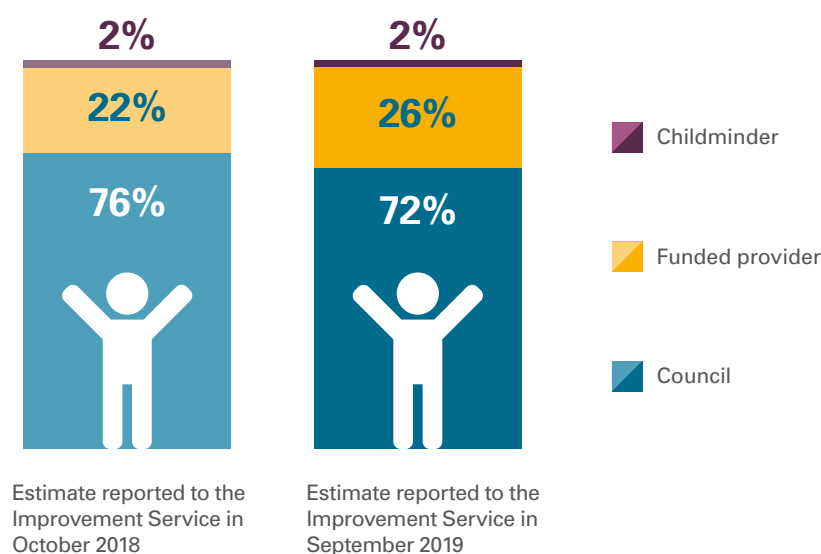
27. The information provided by councils to the board includes the numbers of children accessing or forecast to access the expansion, on a six-monthly basis between September 2018 and April 2021. As noted in [paragraph 4, page 7](#), more three-year-olds become eligible for funded ELC throughout the year, so by April 2021 a greater number are expected to be receiving funded ELC than in September 2020.

28. The most recent forecasts from councils indicate that they now expect that a larger proportion of funded ELC will come from funded providers than was expected previously. Councils initially reported these forecasts to the Improvement Service in October 2018 and subsequently revised them in September 2019. Over this time, the proportion of funded ELC forecast to be delivered by funded providers by April 2021 increased from 22 per cent to 26 per cent. There was a corresponding reduction in the proportion of funded ELC in council settings from 76 per cent to 72 per cent. The forecasted proportion of funded ELC with childminders remains unaltered, at two per cent ([Exhibit 3](#)).³

Exhibit 3

The estimated proportion of children receiving more than 600 hours of funded ELC by provider type in April 2021

Council settings will continue to provide most funded ELC. In April 2021, councils expect to provide 72 per cent of funded ELC.



Source: Improvement Service, 2019

Councils are making progress in recruiting the workforce needed to deliver the expansion

29. The latest council forecasts, made in September 2019, show that the total number of additional full-time equivalent (FTE) staff required for the expansion in council settings by April 2021 is 8,244.⁴ This is around a 12 per cent reduction from forecasts initially reported to the Improvement Service in October 2018 of 9,321. There are a number of possible reasons for this reduction. Funded providers are now expected to deliver a greater proportion of funded hours ([paragraph 28](#)), which could reduce the numbers of staff required in council settings. Changing to more efficient staffing models may also explain some of this reduction.

30. In September 2019, information from councils indicated that additional staff in post in council settings was slightly below forecast at a national level. The number of additional FTE staff in place was 4,310, three per cent lower than the forecasted number of 4,444 FTE staff.⁵ However, progress at a local level varies.

31. The nationally available information on progress with recruiting the additional workforce for the expansion does not provide details on the numbers of staff by grade. However, some councils highlight difficulties in recruiting staff to managerial and senior practitioner posts.

32. The withdrawal of the UK from the European Union (EU) is also likely to have an impact on recruitment. About seven per cent of the day care of children workforce (which includes funded and non-funded ELC as well as out of school care for older children) are estimated to be non-UK EU nationals.⁶ Given the current workforce expansion, any reduction in the potential pool of people to work in the sector may have an impact on recruitment. There is also some evidence to suggest that the changing views on the current economic outlook and concerns over job security may be affecting decisions to make a career change or move employer.⁷

33. In September 2019, about half of the total number of additional staff required in council settings to deliver the expansion were in post. Between April and September 2020, councils will need to recruit 27 per cent of the additional workforce (2,231 FTE) needed for their settings.⁸ These staff may come from both movement of existing council employees and attracting new people. Although, at a national level, councils are broadly in line with plans to recruit the necessary staff, there remain risks to continuing to ensure they attract the numbers of people needed.

34. At a national level, a recruitment campaign is in place to attract people into the ELC workforce. This has taken a phased approach to target different audiences. An evaluation of this campaign found the following:

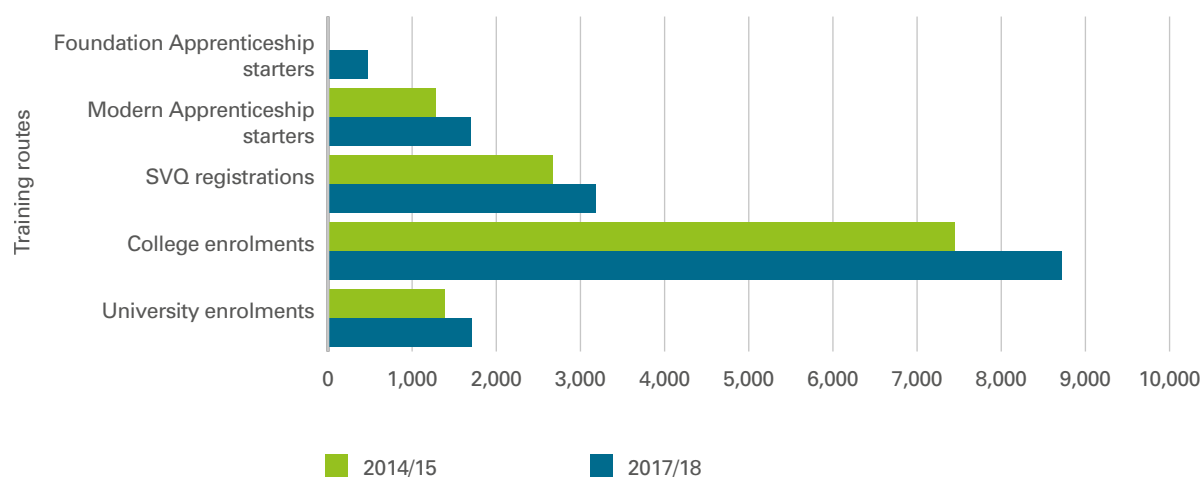
- Although it increased awareness, there has been no significant change in attitudes towards ELC for the target audiences as a whole.
- It has been somewhat effective in changing attitudes among parents who are looking to change careers.
- Although more people have engaged with the relevant website, this has not increased the number of individuals that are likely to apply for ELC-related roles or courses.⁹

35. There are numerous training routes into the ELC workforce. Skills Development Scotland (SDS) continues to work with the Scottish Government, the college and university sectors and others to try to ensure that the number of qualified staff meets the demand. Between 2014/15 and 2017/18, there were increases in the numbers of people participating in different potential training routes into ELC ([Exhibit 4, page 17](#)). However, not all of the people in these training routes will necessarily pursue a career in funded ELC.

Exhibit 4

The number of people in training by training route

More people are in training across different training routes.



Notes:

1. Modern apprenticeships form part of Scottish Vocational Qualification (SVQ) provision.
2. Since summer 2019, an ELC graduate apprenticeship pilot scheme has been available at the University of the Highlands and Islands and the University of the West Scotland and 30 students have enrolled.
3. In 2018/19, SDS recorded that 494 people started relevant foundation apprenticeships and 2,102 people started modern apprenticeships.

Source: SDS, June 2019. The number of college enrolments for 2014/15 – *Skills Investment Plan: Prospectus for Scotland's early learning and childcare sector*, SDS, March 2017 and SDS, 2019

Funded providers continue to report challenges with recruitment and retention of staff

36. In our previous audit, we highlighted the recruitment and retention challenges reported by funded providers. This trend has continued and is particularly worrying given that councils are now expecting funded providers to deliver funded ELC to over a quarter of eligible children ([paragraph 28, page 15](#)).

Almost two-thirds of respondents to the NDNA survey in 2019 reported that they faced significant challenges with staff retention.¹⁰ As well as this increasing role in the expansion, private and third sector providers also provide care for older and younger children that is paid for by parents. Therefore, any risks to the sustainability of these providers could have a large impact.

There is a lack of national monitoring of the movement of staff from the private and voluntary sectors into council settings

37. There is a lack of robust, national level monitoring of the impact of staff moving from private- and third-sector providers, including childminders, to council settings, although councils may capture this information locally. Providers continue to report this movement of staff as an issue. For example, respondents to the NDNA workforce survey reported that the most common reason for staff leaving was to move to a council ELC setting.¹¹ In December 2019, both the likelihood and impact of this movement of staff on funded provider capacity increased in the national expansion programme risk profile.

38. There is some evidence of this movement between sectors from snapshots of the Scottish Social Services Council (SSSC) register of ELC staff. This shows that the workforce in settings that deliver funded ELC in the private and third sectors declined in each snapshot taken on a quarterly basis between March and September 2019, while the workforce in council settings increased in each snapshot. The most recent snapshot in January 2020 shows an increase in the workforce delivering funded ELC in all sectors, with councils having the largest percentage increase.¹² However, there are a number of issues with this data. For example, the movements of individual workers are not tracked, so any changes may also reflect individuals who are moving into and out of employment in funded ELC. Updates to the information on whether a setting is delivering funded ELC may also contribute to some of these changes over time. In addition, workers have six months to update their registration following a change in employer, so this information may not be fully up to date. The lack of robust, national monitoring is concerning, given the increasing level of funded provision to be delivered by funded providers.

39. Some councils have plans to try and minimise the impact of their recruitment on other ELC providers. For example, by retraining existing council staff or adopting a 'grow your own' approach to recruitment. However, the extent of recruitment into council settings necessary in some areas to deliver the expansion limits the extent to which these approaches can completely address councils' recruitment requirements.

40. At a national level, the Scottish Government is offering support to funded providers and childminders. In December 2018, the Scottish Government published a delivery support plan. This included key actions to support workforce recruitment and training challenges such as:

- working with COSLA to allow providers to post vacancies for free on the My Job Scotland website
- increasing the number of ELC modern apprenticeships (MAs) and the funding contribution for ELC MAs for people aged over 25 from April 2018
- working with partners to identify ways to incentivise older workers to train in ELC.

The Scottish Government is developing a new project to support the ELC sector with recruitment. This includes actions which may help funded providers such as:

- promoting awareness of MA opportunities for people aged over 25 with employers
- developing a case study on delivering funded ELC and registering as a training provider, to promote the potential benefits
- raising awareness with students due to qualify in summer 2020 and promoting opportunities to pursue employment in ELC.

41. The My Job Scotland website can promote vacancies to a large audience, with almost 50,000 users. Councils use this website to advertise ELC jobs in their own settings, so it already attracts job seekers for the ELC sector. It is possible to measure the number of views that adverts receive, but not whether this leads to

successfully filling the position. There has been a mixed response to this website from ELC providers. Some have indicated this was helpful, while others have indicated it has not helped them to fill their vacancies.

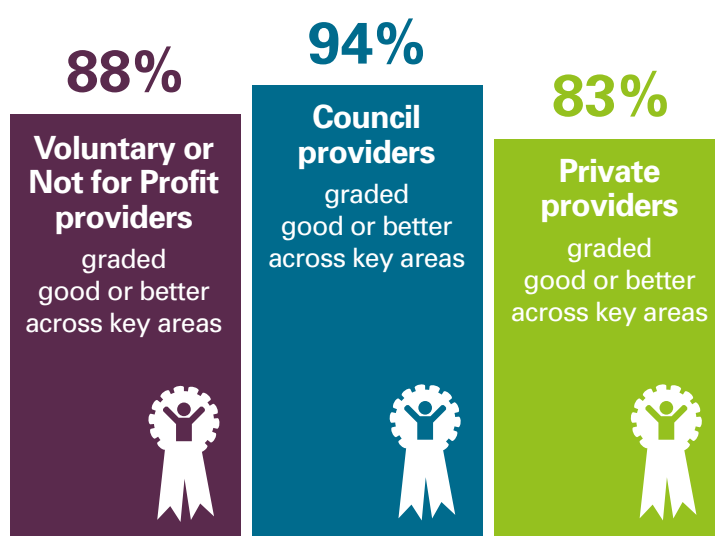
About ten per cent of current providers of funded ELC need to improve quality to meet the requirements in August 2020

42. The national standard requires all settings delivering funded ELC to have Care Inspectorate grades of good or better across key areas. This includes grades around the quality of staffing, management and leadership. Recruitment and retention challenges that result in a high turnover of staff may impact on children's experiences, which feed into a setting's quality grades. This may have a knock-on impact on the number of settings that meet the quality requirements of the national standard. In March 2019, about ten per cent of all current funded ELC settings had quality grades below the national standard requirements. A bigger proportion of private sector funded ELC settings had grades below the national standard requirements, but this issue was evident across all sectors ([Exhibit 5](#)).

Exhibit 5

Providers achieving grades of good or better across Care Inspectorate key areas by sector in March 2019

A greater proportion of current funded providers in the private sector did not meet the quality requirements of the national standard in March 2019. However, this is an issue across all sectors.



Note: Three settings are classified as being in the health board sector and are not included in this exhibit.


Source: Care Inspectorate, 2019

43. Councils have a statutory duty to improve the quality of ELC. In addition to this, the Care Inspectorate is offering improvement advisor support to settings that are at risk of not meeting the national standard from late 2019. The Scottish Government has also put in place a range of measures to improve quality, including offering targeted support to councils most affected by settings at risk of not meeting the national standard. The Scottish Government has agreed with COSLA and the Care Inspectorate that councils may contract with existing

funded providers and childminders for August 2020 if they do not currently meet the required quality standard provided:

- the funded provider meets all other aspects of the national standard
- at the time of awarding a contract, the council enters into a service improvement period with the funded provider
- the council believes that the funded provider will be able to improve its quality ratings to the required standard by the end of the service improvement period.

It is unclear whether the living wage commitment will be fully implemented

44. Fair work practices, including paying the **living wage** , is a specific criterion within the new national standard, which takes effect from August 2020. This means that funded providers are expected to pay the living wage to all staff delivering funded ELC from August 2020. However, the extent to which councils can ensure this happens is unclear. As noted in our previous audit, the Scottish Parliament is unable to legislate for the living wage to be paid to staff, as employment law is reserved to the UK Parliament. EU procurement rules prohibit councils from specifically requiring providers to pay a wage that is higher than the national minimum wage. This means that councils cannot exclude potential funded providers on the basis of not paying the living wage alone.

45. Councils need to consider payment of the living wage in the context of an overall package of fair work practices. In theory, it would be possible for a provider to meet all other aspects of fair work practices, without paying the living wage. If they are not currently doing so, providers could also indicate that they plan to pay the living wage, as part of their tender submission.

46. Some councils have received legal advice on this issue. We understand that this indicates that once they have contracted with funded providers, it would not be possible to enforce payment of the living wage as part of this contract.

47. The Scottish Government commissioned Scotland Excel to produce guidance for councils on developing options for contracting with funded providers and on calculating sustainable rates for funded providers. These published in April 2019 and set out a range of different methods for councils to consider.¹³ The Scottish Government had initially planned for the guidance to be available by autumn 2018. Although the delay allowed time for funded providers to contribute to the developing guidance, the timing exacerbated the risks to finances or delivery plans and the relationships between councils and funded providers. If the resulting rate is not affordable to councils, within the settlement already agreed with the Scottish Government, they will have to decide whether to pay a lower rate to funded providers, or consider whether additional funds can be used, or whether they amend the way in which they plan to offer funded ELC locally.

48. A sustainable rate should include funding to enable providers to pay the living wage to workers delivering the funded entitlement. The guidance expects councils to use one of the proposed methodologies, or another process that follows the same principles and points. Most councils were expected to confirm their rate in late 2019, in advance of contracting with funded providers by January 2020.



Living wage

We use the term 'living wage' to refer to the hourly rate set independently and updated annually by the Living Wage Foundation, sometimes referred to as the 'real living wage'. This is separate from the national minimum wage which is the legal minimum an employer must pay an employee and is set by the UK Government.


49. Providers have concerns about how to implement the living wage. In July 2019, the Scottish Government provided information from councils on the rates and associated support for funded providers between 2017/18 and 2019/20. Average hourly funding rates to provide 600 hours of funded ELC for three- and four-year-olds increased by 26 per cent over this period.¹⁴ However, as noted above, most councils were expected to set their sustainable rate and contract with funded providers towards the end of 2019. This has meant continued uncertainty for funded providers about the funding they will have to pay staff the living wage from August 2020.

50. Any increases to rates for funded providers, as part of a sustainable rate, are only intended to cover those staff delivering funded hours. Depending on the individual business, there may be other staff delivering ELC paid for directly by parents, including hours in addition to the funded entitlement or care for younger children. In some circumstances, the same members of staff may work with children receiving both funded ELC and ELC directly paid for by parents at the same time. As we previously highlighted, this poses risks around equity for staff, morale and may have an impact on staff retention, the quality of ELC and on the cost for parents of non-funded ELC.

51. There is also a risk that having to implement the living wage deters providers from participating in the expansion, which in turn creates risks for councils relying on funded provider capacity. The Scottish Government has set up a Living Wage Implementation Group to address some of the practicalities around implementation. This group is due to meet for the first time in early 2020.

The expansion poses risks to the sustainability of childminding

52. Although about two-thirds of childminders surveyed by the SCMA were interested in delivering funded hours, only small numbers are currently in partnership with councils to provide any funded ELC.¹⁵

53. In July 2019, about 13 per cent of the 4,768 childminders in Scotland were in partnership with councils to offer funded ELC for three- and four-year-olds. Only four per cent of childminders were actually providing funded places at this time for 404 three- or four-year-olds, an increase from one per cent in the previous year. There is a similar trend for two-year-olds, with about 16 per cent of childminders in partnership to offer funded places, but only about three per cent providing funded places to 196 eligible two-year-olds.¹⁶ According to **council forecasts** , by April 2021, the number of children receiving funded ELC from a childminder will increase to about 2,400.¹⁷

54. Childminders continue to face challenges as the expansion progresses. About a fifth of childminders responding to an SCMA survey reported losing families from childminding as a result of not being able to offer funded ELC.¹⁸ There has been an increasing year-on-year decline in the number of childminders since 2014, with an almost six per cent reduction between July 2018 and July 2019.^{19, 20} As noted above, there is a lack of national data to examine any impact of childminders moving into council ELC settings (**paragraph 37, page 17**). Similar to third- and private-sector-funded providers, any risks to the sustainability of childminders could have an impact on delivering the expansion, as well as on the additional care they provide for older and younger children, paid for by parents.



Council forecasts

Councils have taken different approaches to recording children that receive funded ELC with more than one type of provider, which may impact on this estimate.

55. The national standard also brings in new requirements for childminders, including appropriate induction for newly registered childminders and achieving the benchmark qualification for an ELC practitioner within five years of starting to deliver funded ELC. There is no current data on the qualifications of the current childminding workforce. The Care Inspectorate plans to capture this as part of the annual return information collected from childminders in 2019. Once complete, this will help to establish what impact the qualification requirement may have on the existing workforce.

Infrastructure remains a large risk for the expansion

56. Our previous report found that getting enough buildings and facilities (or infrastructure) in place to deliver the increase in hours was a risk. This remains the case. Infrastructure is the largest risk in the programme risk profile and this risk has increased to the maximum level since September 2019, meaning that it is both very likely to occur and will have a very high impact. This change reflects both an increase in the number of councils with infrastructure projects in development or construction and the limited time left to take steps to resolve any issues.

57. The data provided by councils shows that, as at October 2019, about 30 per cent of infrastructure projects were complete. This equates to 5,097 places, 23 per cent of the total places being developed for the expansion.²¹

58. Almost half of the places to be created through infrastructure development are due to be ready between July and August 2020 ([Exhibit 6, page 23](#)). This, in part, reflects the opportunity for more work when buildings are empty during school holidays. However, as well as increasing the likelihood of any delay directly affecting the services available in August 2020, this pattern also creates further pressures. New places must be registered by the Care Inspectorate before services can open to children, and a large volume of registrations all at the same time may create capacity issues for the Care Inspectorate. The Scottish Government is working with the Care Inspectorate to plan for this increase in demand and they are encouraging councils to submit applications as early as possible.

59. The UK withdrawal from the EU may present further risks to completing the necessary infrastructure work on time. The impact of withdrawal from the EU remains uncertain, however the SFT will provide support to councils to help reduce the potential impact of increasing construction costs and challenges related to supply and demand in construction, if required.

60. Not all of the places being created are necessary to meet demand from August 2020. Councils are forecasting that around 20 per cent of additional places will be available after this date.²² This can be for a number of reasons. For example, as noted in [paragraph 4, page 7](#), more three-year-olds will become eligible after August. Other infrastructure projects are also intended to increase flexibility and choice or may have timescales linked to developments of the wider school estate.

61. The Scottish Government and the SFT are working closely with councils to ensure that contingency plans are in place to address any delays. However, data from the SFT in October 2019 indicates that about 303 projects are due to complete between June and August 2020, 250 of which are critical to meeting

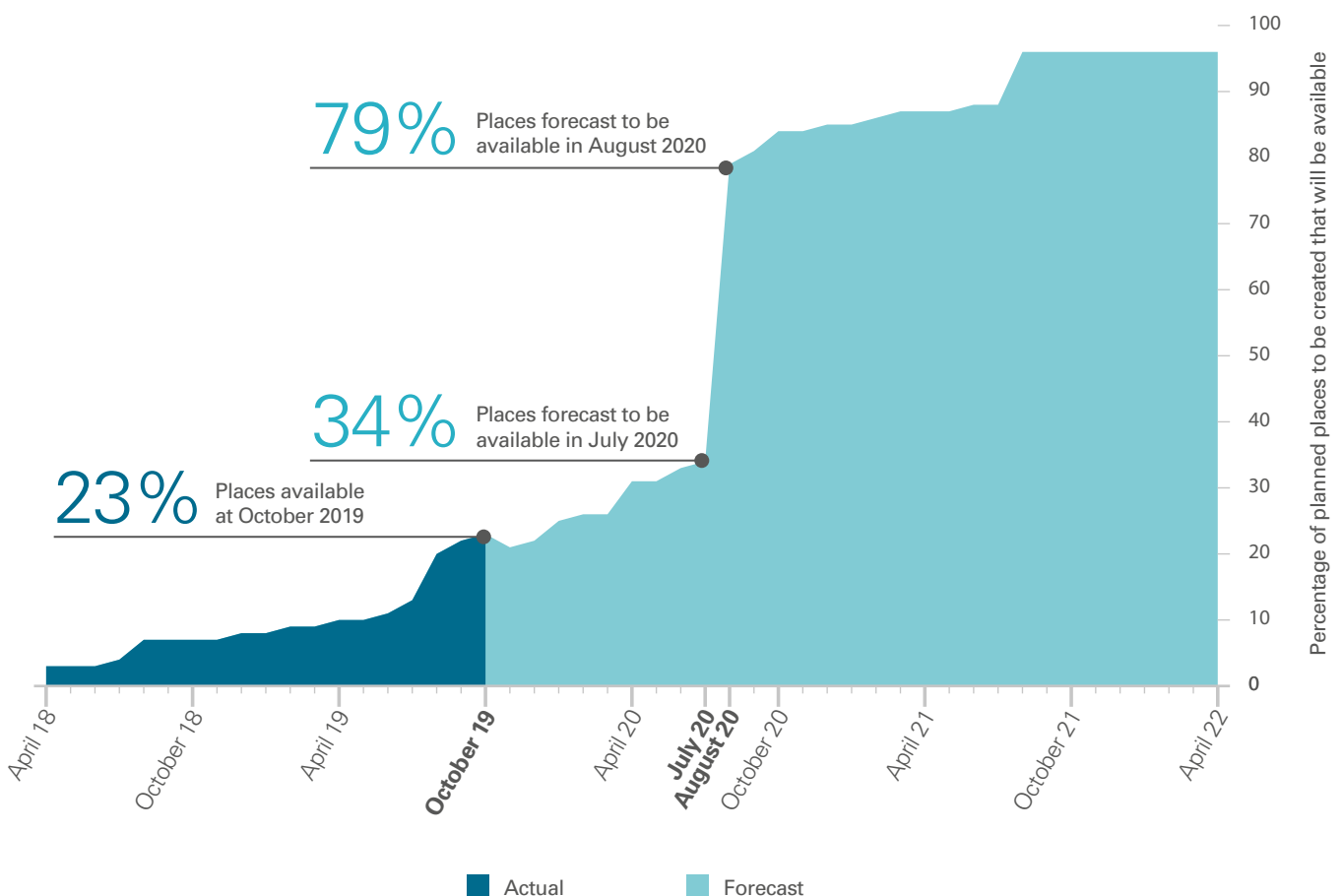
forecast demand in August 2020. Of these 250 projects, 83 do not have a contingency plan as councils are confident they will be completed by August 2020. However, a further 39 projects, without this assurance have not yet identified contingency plans. These 39 projects account for about 1,645 places for children.²³ The number of projects without a contingency plan in place has continued to fall since October 2019.

62. Where contingency plans are required for projects, about 40 per cent of these involve either temporary buildings or using existing community or school or other council buildings on a temporary basis.²⁴ The use of temporary facilities may further increase registration pressures on the Care Inspectorate, as these facilities must also be registered before they can operate.

Exhibit 6

Plans to create places by infrastructure development

Almost half of the places to be created through infrastructure development are due to be ready between July and August 2020. Around 20 per cent of places are planned to be ready after August 2020.



Note: Some projects which still need to finalise detailed plans have no confirmed dates for availability. This creates a gap between the total places to be created (22,357) and the forecasted places available (21,451). Some councils have plans for capital spend up to September 2023 which will increase the forecasted places available to 22,051.

Source: SFT, 2019

63. Any delays to infrastructure resulting in temporary changes in venue may be unsettling for children, by increasing the number of times they have to adjust to a new setting. The need for temporary changes in venue could have a huge impact on the families expecting to send their children to a particular setting from August 2020. Even where contingency plans are in place, delays may still have an impact on families as they may need adequate time to make alternative arrangements to accommodate changes in venue.

64. The increased capacity due to complete beyond August 2020 and any delays to earlier plans may result in less flexibility and choice for families. Councils are putting plans in place to ensure children can be offered 1,140 hours of funded ELC in August 2020. However, the policy ambition to promote greater choice and flexibility for parents may take longer to fully achieve.

65. As part of plans for expanding infrastructure, councils have been considering opportunities for outdoor learning. This can result in the following types of settings:

- Fully outdoor settings – in these settings provision is outside and there is minimal infrastructure.
- Satellite settings – these settings use accessible local outdoor spaces such as parks, beaches or woods.
- Indoor/outdoor settings – in these settings outdoor space is included in calculations of the number of registered places available in a setting. This can increase the number of places by up to 20 per cent.

66. Councils' plans include 35 outdoor settings, providing 750 places for children. However, these settings have faced challenges around environmental health, planning, transport and access. In October 2019, only four of these projects were complete and no anticipated construction completion date was reported for seven.²⁵

67. There has also been a reduction in the number of indoor/outdoor settings planned, from 319 in April 2019 to 272 in October 2019.²⁶ This is, in part, due to challenges faced by councils in meeting the necessary requirements to allow them to register the outdoor space. The SFT has highlighted that it is unclear whether all these indoor/outdoor settings are necessary to meet demand from August 2020, although this information will be available from January 2020. At the June 2019 meeting of the board, the Care Inspectorate's commitment to work with the Scottish Government to find a solution to these registration issues was noted. In October 2019, the Scottish Government organised an event which brought together the relevant stakeholders, including the Care Inspectorate, the SFT and councils. They considered the barriers and challenges to indoor/outdoor registrations and identified specific actions to progress these. Four further events were held across Scotland in late 2019.

Some children are already receiving increased hours of funded ELC

68. In advance of the full roll-out of the increased entitlement to 1,140 hours of funded ELC in August 2020, councils have chosen how to phase in the expansion. This allows councils opportunities to test what works and scale up provision incrementally.

69. In September 2019, 49,213 children were receiving more than 600 hours of funded ELC. This is about 40 per cent of the total number of children expected to be receiving the expanded hours by April 2021.²⁷ Different decisions on how to phase in the expansion locally mean that not all of these children will be receiving 1,140 hours of funded ELC, as some areas are also taking a stepped approach to increasing the number of hours available ([paragraph 75, page 26](#)). The largest increase in both two-year-olds and three- to five-year-olds who are accessing more than 600 hours of funded ELC is expected to be between April 2020 and September 2020.²⁸


70. In response to feedback on the national standard for funded ELC, and a survey of parents, the legislation has been changed to increase the maximum length of a daily funded ELC session from eight to ten hours from August 2019. This allows children to receive funded ELC over fewer longer sessions per week in some settings. This change was necessary to allow some councils to implement their plans for delivering funded ELC. The Scottish Government has stated that it intends to monitor the impact of longer sessions of funded ELC on children's developmental outcomes.

Work to improve the uptake of eligible two-year-olds is continuing

71. In September 2019, about 3,674 two-year-olds were receiving more than 600 hours of funded ELC. This was slightly below the 3,905 expected by this date.²⁹ Work to improve the uptake of funded ELC for eligible two-year-olds has been under way since our last audit. Between September 2017 and September 2019, the number of registrations of two-year-olds for any funded ELC (600 hours or longer) increased from 5,363 to 5,990.³⁰

72. In September 2018, the Scottish Government launched a nine-month improvement project. This aimed to help practitioners use quality improvement methodologies to take practical approaches to increasing two-year-old uptake in their local settings. This has had encouraging results, with a number of settings increasing two-year-old uptake beyond their initial aim. What has been learned from this project is being shared at relevant events and being developed into a package to share more widely.

73. Our previous audit highlighted that the lack of a data sharing agreement between the DWP, HMRC and councils, meant that councils were unable to accurately target families with eligible two-year-olds. We recommended that the Scottish Government work with the DWP and HMRC to resolve this. This requires legislation from the UK Parliament to progress. The Scottish Government has reached an agreement with the UK Government on the legislation and is awaiting confirmation of UK Parliament timescales for this. Following this legislation, appropriate data-sharing agreements and mechanisms need to be in place so that the DWP and HMRC can share the relevant information with councils. The Scottish Government is continuing to discuss these requirements with the DWP and HMRC.

74. In October 2019, the legislation on **eligibility criteria**  for two-year-olds was changed, in response to changes to the benefits and national minimum wage levels. The revised criteria aim to ensure that a similar profile of two-year-olds continues to be eligible for funded ELC. Further changes to eligibility for two-year-olds were announced in the recent Programme for Government, with care-experienced parents to be able to receive 1,140 hours of funded ELC for their two-year-olds from August 2020.³¹



Eligibility criteria

The regulations increase the income threshold for families in receipt of both Child Tax Credit and Working Tax Credits from £6,420 to £7,320.

Parents report confusion with the different phasing arrangements locally

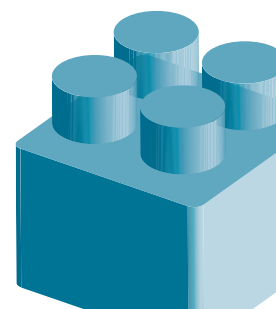
75. Councils are taking many approaches to phasing in the provision of 1,140 hours. For example, Glasgow City Council already offers at least 900 hours of funded ELC to three- and four-year-olds in families that earn up to £45,000 per year (and other three- and four-year-olds where capacity allows). In contrast, Angus Council is not planning to offer more than 600 hours of funded ELC to any children in council settings until the August 2020 deadline, although eligible two-year-olds can access up to 1,140 hours of funded ELC with a childminder (and can continue to receive additional hours once they turn three). Other councils are using different approaches in different settings. For example, in West Lothian Council, from August 2019, children may receive around 760, 1,000 or 1,140 hours of funded ELC depending on whether they attend a funded provider, a childminder, or the pattern of sessions they attend in a council nursery.

76. These differences in what is on offer can make it difficult for parents to understand what is available locally and how or why this differs from other areas. Scottish Government focus groups with parents in March 2019 found that parents were largely unaware of what phasing was happening locally.³² A survey of parents carried out in 2019 found confusion over the extended hours available and what this might mean for their child. Some parents reported that a lack of information about the additional hours places was causing anxiety and worry. Some parents were also concerned about the fairness of decisions regarding which children would receive additional hours.³³

77. National work is under way to improve communication with parents. For example, the Scottish Government has produced a parental engagement toolkit which it has shared with councils and has made information about the expansion and forthcoming changes available on the Parent Club website. In October 2019, the board noted their confidence in proceeding with planned parental communications from January 2020. However, these plans are more focused on providing information on the August 2020 offer, around the time that most councils ask parents to apply for places. This information may be too late for some parents, for example parents of children starting school in August 2020, parents whose child becomes eligible for funded ELC before August 2020 and parents hoping to make longer-term decisions that would avoid changing childcare arrangements.

Part 2

Plans for evaluation of the policy



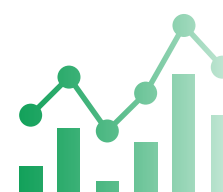
Key messages

- 1** The Scottish Government's plans to evaluate the expansion of funded ELC are well advanced. An evaluation strategy is being finalised and this will measure both the short-term objectives and the longer-term outcomes of the policy.
- 2** Work is under way to capture important baseline information. However, challenges to the evaluation process remain. For example, it is not yet clear how the longer-term economic benefits will be assessed, or how family wellbeing will be measured.
- 3** A delay in updating software used to record children's data means that there will be some gaps in the baseline equalities information. This will make it difficult to fully evaluate the impact on different groups of children and families.

The Scottish Government is continuing to finalise an evaluation strategy for the expansion

78. Our last audit found that the previous expansion of funded ELC from 475 hours to 600 hours, in 2014, did not plan for how to evaluate the impact of the expansion on outcomes. We noted that there was more planning for evaluating the impact of the expansion to 1,140 hours of funded ELC and recommended that the Scottish Government should continue to develop the detail of how they will evaluate the expansion to 1,140 hours and ensure that baseline data is available.

79. Our *Planning for outcomes* briefing highlights the complexities and challenges of evaluating longer-term outcomes. For example, the time before any changes in outcomes may be apparent and the difficulties in separating out the impact of public sector policies from the many other factors that may also have an influence. A wide range of factors may influence outcomes for children and their parents, aside from the expansion of funded ELC. For example, changes to the economy or welfare system may impact on longer-term outcomes for parents. Changes to policies related to education and child poverty could impact on longer-term outcomes for children.



Planning for
outcomes
June 2019 

80. Since our last audit, the Scottish Government has made good progress with evaluation plans. This includes updating the evaluation strategy, which is due to be finalised in spring 2020. The current draft strategy sets out the short-term objectives of, and longer-term outcomes anticipated to result from, the expansion ([Exhibit 7](#)).

Exhibit 7

Anticipated outcomes of the expansion

The draft evaluation strategy sets out the anticipated short-term objectives and longer-term outcomes



Longer-term outcomes



Children's development improves and the attainment gap narrows



Parents' opportunities to take up work, training or study increase



Family wellbeing improves through enhanced nurture and support



Short-term objectives



The available ELC is high quality



Accessible for all and parents are aware of it



Affordable for all parents



Parents take up the available hours of ELC, especially those from the least advantaged backgrounds



Sufficiently flexible to meet parents' needs



Increased parental confidence and capacity through enhanced nurture and support

Source: *Draft evaluation strategy*, Scottish Government, December 2019

81. Overall, the draft evaluation strategy aims to assess:

- the achievement of the short-term objectives
- the impact of the policy on long-term outcomes for children, parents and family wellbeing
- the impact of the policy on councils and the wider ELC sector, such as the economic impact on ELC providers and on the workforce, and capacity to support high-quality ELC.

The draft evaluation strategy sets out the evaluation questions, measures and data sources to assess progress. However, it also recognises the need for the strategy to remain flexible and able to adapt to any future policy changes.

82. A national roll-out of the policy means that it is not possible to use an experimental design to compare the outcomes of children and their parents who get access to 1,140 hours, with another group who do not. Instead, the Scottish Government is using a theory of change, which attempts to demonstrate a plausible sequence of activities, or short-term objectives, that are likely to lead to the desired changes in outcomes, after considering other known influences. The Scottish Government will evaluate whether these short-term objectives are being achieved, for example whether children are accessing the increased hours and whether quality is as anticipated.

The Scottish Government is capturing baseline information, but challenges to the evaluation process remain

83. The Scottish Government has commissioned a new study to provide information on funded ELC and the associated outcomes. This is known as the Scottish Study of Early Learning and Childcare (SSELC). The SSELC will measure the impact of the policy on long-term outcomes for children and parents by comparing two groups of children: baseline samples of children receiving 600 hours of funded ELC and children receiving 1,140 hours of funded ELC in 2022/23. Additional data will be collected from eligible two-year-olds before and after a year of funded ELC and a comparable sample of three-year-olds starting funded ELC.

84. The SSELC will measure children's social, emotional, behavioural and cognitive development when they leave funded ELC to start school. This includes their self-confidence, interactions with peers, problem-solving skills and vocabulary. It will also measure children's physical and mental health and wellbeing, for example their general health and motor skills. For parents, the SSELC will measure their health and wellbeing, their belief in their parenting ability, their engagement with their child's learning and development and their uptake of work, training or study. The SSELC will be nationally representative but will not allow comparisons between different councils or the assessment of any impact of local decisions on how to offer funded ELC and outcomes for children and their parents.

85. The SSELC will also be used to measure family wellbeing, based on responses from parents and keyworkers. However, the specific measure which will be used to assess changes in family wellbeing is still to be developed.

86. The first phases of data collection for the SSELC are complete, with information collected from two-year-olds receiving 600 hours of funded ELC and from four- and five-year-olds leaving 600 hours of funded ELC to start school. Data collection following up the initial eligible two-year-olds after a year of 600 hours of funded ELC and a comparative sample of three-year-olds starting funded ELC is also complete.

87. There are risks around the SSELC being able to disentangle the impact of the expansion where children are already receiving additional, paid for hours of ELC during the baseline period.

The absence of some baseline data will make it difficult to fully assess the impact of the expansion for some groups of children and families

88. Changes to the existing software used to record administrative information for ELC are necessary for the expansion, as there are problems with the functionality in the existing software. This includes issues for councils and funded providers using the software to administer the services and using the information available from the software to evaluate the service. For example, the existing software is not used in a way that consistently allows children to be uniquely identified, so if a child receives funded ELC in more than one setting, they may be double counted.

89. Delays in signing a contract and technical issues mean this update to the software, used by councils to record ELC management information, will be delayed beyond August 2020. This means that councils will need to rely on the interim processes they have been using to administer funded ELC during the phasing period, until the new system is in place. In the absence of more accurate information, the Scottish Government will be reliant on data from an annual ELC census to assess uptake of funded ELC until 2021. This only provides a snapshot of registrations for funded ELC during a specific census week.

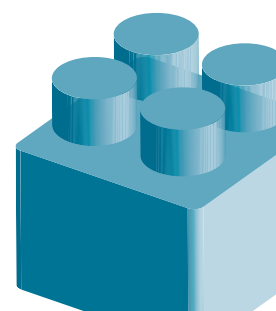
90. Once the updated IT system is in place, it will allow for more detailed information on children to be captured, including equalities characteristics. However, the current lack of individual child level data means there will be no baseline information on some equalities characteristics of children, prior to the expansion. For example, information on ethnicity, sex or the Scottish Index of Multiple Deprivation area in which children using funded ELC live. The Scottish Government acknowledged this lack of data in an equalities impact assessment prepared for the expansion and highlighted plans in place to capture this information in future. However, the absence of baseline information will make it difficult to assess whether there have been any differences in these groups accessing funded ELC following the expansion.


Some gaps in the evaluation strategy remain

91. The draft evaluation strategy does not include information on how the longer-term economic benefits of the policy will be assessed. The Scottish Government is considering the best way to progress this.

92. Although the evaluation will include information on children's outcomes as a result of the expansion, the draft evaluation strategy does not set out how the views of children will be reflected in the evaluation process. This will be an important consideration for the Scottish Government going forward.

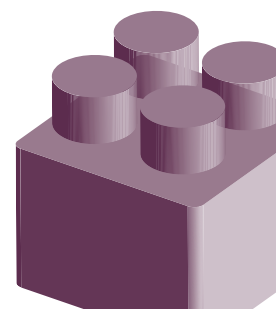
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Appendix

Advisory group membership



Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

| Member | Organisation |
|---|--|
| Alison Cumming | The Scottish Government |
| Angela Leitch | East Lothian Council |
| Carrie Lindsay | Fife Council |
| Catherine Agnew | Care Inspectorate |
| Clare Lamont | Education Scotland |
| Graeme McAlister | Scottish Childminding Association |
| Jane Brumpton | Early Years Scotland |
| Jane Malcolm (until October 2019) Linz Connell (from October 2019) | National Day Nurseries Association |
| Laura Friel | North Ayrshire Council |
| Neil Craig | Health Scotland |
| Nicola Dickie | Convention of Scottish Local Authorities |

Note: Members sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Early learning and childcare

Follow-up

This report is available in PDF and RTF formats, along with a podcast summary at:

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