

Education, Children and Young People committee
Scottish Government Submission
19 May 2022

Ahead of the Committee's meeting on 25 May 2022, we wish to provide the Committee with information about the programme to expand funded Early Learning and Childcare (ELC) to 1140 hours from August 2021 and the continuing work being undertaken to support the delivery of the increased funded entitlement as we approach the end of the first full year of implementation this autumn.

All three and four year olds in Scotland, and those two year olds who need it most, have been eligible for 1140 hours of funded ELC since August 2021. Data collected by the Improvement Service shows that 111,574 children were accessing funded ELC as of the end of January 2022. Of these children, 97% were accessing more than 600 hours, and 88% were accessing their full entitlement of 1140 hours of funded ELC.

Scotland is the only part of the UK to offer the equivalent of 1140 hours to all eligible children regardless of their parents' working status, putting families and children first. We estimate that this can save parents up to £4,900 per year for each eligible child.

The expansion of funded ELC has been a significant achievement, particularly in the face of a global pandemic. It could not have happened without the hard work and dedication of our partners in local government and in the private, third and childminding sectors. The Scottish Government is very grateful to these partners for the role they have played in delivering this transformational increase in funded ELC and for the support staff have provided to Scotland's children and families during this difficult time.

We are committed to working with our partners to ensure that the programme fully delivers the intended outcomes for children and families, as well as value for money. The remainder of this submission sets out information about our approach and what further work we are undertaking to both support the sector to deliver the expanded entitlement, and to embed the benefits of the expansion to 1140 hours.

Funding and strategic planning

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

A multi-year funding agreement was reached in April 2018 between the Scottish Government and CoSLA which has seen annual revenue investment in ELC increase by £567 million against 2016-17 levels. Total Scottish Government funding for ELC has risen to over £1 billion annually in 2022-23.

The jointly chaired Scottish Government and CoSLA ELC Finance Working Group has played a crucial role in ensuring that the 1140 programme is delivering value for

money, considering distribution models and carrying out work to inform the Spending Review process that will inform funding agreements beyond the interim year that was agreed for 2022-23.

The number of eligible children is one of the primary determinants of the level of ELC funding. Calculations based on recent population estimates show that there are now fewer children eligible for funded ELC now than was originally anticipated when the multi-year funding agreement was reached in 2018. For example, the data shows there are 7.5% or 8,500 fewer 3 and 4 year olds eligible for the universal offer than was projected in 2018.

The 2022-23 settlement took account of the changing eligible population, as well as including uplifts to meet inflationary pressures and the direct costs of responding to COVID-19. It provides sufficient funding to local authorities to continue to deliver high quality 1140 provision in line with the interim National Standard guidance and capacity to implement the priorities for the programme in that year.

In 2022-23 the Scottish Government is also beginning to phase in the new needs-based distribution methodology agreed by Scottish Ministers and CoSLA Leaders for the 1140 expansion funding. This is designed to ensure the allocation of resources to local authorities more accurately reflects changes and local variation in the ELC population, and measures of deprivation and rurality.

To support the roll-out of 1140 the Scottish Government provided £476m of capital funding to local authorities to refurbish, re-purpose and extend existing nursery settings, as well as providing 160 new build facilities across Scotland. As of February 2022, 85% of the 913 projects in the capital programme were complete. The capital programme will create around 22,000 additional physical spaces in total.

Underlining the Scottish Government's commitment to tackling child poverty, the cost of living crisis and to supporting recovery from COVID-19, we will be publishing a Strategic Childcare Plan to set out our ambitions for the totality of childcare provision until the end of this Parliament later this year. This will focus on our strategic approach to improving children's outcomes, increasing families' opportunities to access work, training or study, and to supporting family wellbeing through the provision of high quality funded childcare.

Governance, delivery and engagement

Partnership working has underpinned the approach to governance and delivery of the 1140 programme, and been a key part of the success of the programme to date. The Early Learning and Childcare Joint Delivery Board (JDB) was set up in September 2018 and is jointly chaired by the Scottish Government and CoSLA to provide oversight of the ELC expansion programme, to manage and monitor progress against key milestones, and to ensure that national and local government deliver the ELC expansion on time and within budget. Minutes from the Board are published and can be found here: [Early Learning and Childcare Joint Delivery Board - gov.scot \(www.gov.scot\)](https://www.gov.scot/Information/OtherPublications/EarlyLearningandChildcareJointDeliveryBoard)

The JDB, supported by the Finance Working Group, will continue to play an important role as we transition into a new stage in the delivery of the 1140 expansion programme, into a steadier state of embedding and improving services. Delivery of the programme is also supported through the work of the Improvement Service, the Scottish Futures Trust and the professional Early Learning and Childcare advisers who provide sector-specific expertise and support to delivery partners.

Regular engagement with the childcare sector is a vital part of the Scottish Government's approach to policy development and monitoring delivery of the 1140 expansion. We consulted extensively throughout the development of the Funding Follows the Child framework (set out below) and we continue to engage with provider representatives and individual providers through a range of routes.

We have an established Childcare Sector Working Group which brings together representatives from the private, voluntary and childminding sectors, along with local government and the Care Inspectorate, which considers a range of issues affecting the sector. The Group last met on 5 May. Scottish Government officials also meet with a range of individual providers and nursery chains on a regular basis.

Meaningful and genuine partnership working between local authorities and providers is a key principle of Funding Follows the Child, and vital to ensure that parents are able to access a variety of funded ELC offers in the local area. Each local authority is responsible for ensuring they have in place effective means of regular engagement with their funded providers.

The role of providers in the private, third and childminding sectors

The Scottish Government puts provider neutrality and parental choice at the heart of the 1140 programme. [Funding Follows the Child](#) is the long-term policy framework that supports the delivery of funded ELC, and has been agreed by both the Scottish Government and CoSLA. This 'provider neutral' approach is underpinned by a National Standard that all services – regardless of whether they are in the public, private or third sector, or childminders – have to meet in order to be able to deliver funded ELC.

For families this means that they will be able to access high quality funded ELC with the provider of their choice if that provider meets the criteria set out in the National Standard; wishes to deliver the funded entitlement; has a space available; and is contracted by their local authority to deliver the funded hours.

The National Standard criteria focus on what children and their families should expect from their ELC experience, regardless of where they access their funded entitlement.

Funding Follows the Child and the National Standard for ELC providers is currently subject to Interim Guidance to reflect the impacts of the pandemic. In light of the evidence presented at the last Joint Delivery Board, it has been agreed that:

- Interim Guidance will remain in place for 2022/23 (with minor changes); and

- Work will take place towards full implementation of Funding Follows the Child and the National Standard in August 2023, with a further review point in late 2022.

The Scottish Government and CoSLA will review progress with local authorities and the sector again in late 2022, and publish updated guidance in Spring 2023 confirming requirements from August 2023.

Financial sustainability and rates

The [Financial Sustainability Health Check](#), published in August 2021, highlights sustainability challenges for some parts of the sector and what action we are taking to support long-term sustainability, including working with Business Gateway to pilot tailored business support offers for all types of ELC provider.

In recognition of the impact of COVID-19, the Scottish Government has also made up to £35 million of targeted financial support available to the childcare sector since the onset of the pandemic, including up to £9.8 million recently made available through the Childcare Sector Omicron Impacts Fund.

The Scottish Government recognises that the payment of sustainable rates by local authorities to services in the private, third and childminding sectors is vital to supporting financial sustainability and to enabling the delivery of high quality ELC.

The Scottish Government's funding agreement with CoSLA enables local authorities to pay sustainable rates to ELC providers in the private, third and childminding sectors. This has helped to support significant increases in hourly rates in recent years. For example, our hourly rates data collection exercises – undertaken in [summer 2019](#) and [summer 2021](#) – report that the average rate paid by local authorities to providers in the private and third sector to deliver an hour of funded ELC to 3-5 year olds has increased from £3.68 per hour in 2017-18 to £5.44 per hour in 2021-22, an increase of 48 per cent. This compares to an average rate of £4.50 an hour in Wales and £4.88 an hour in England in 2021-22.

Both the Scottish Government and local government recognise the need to strengthen the process for rate-setting. As set out in the [Financial Sustainability Health Check](#), a series of actions are being progressed to strengthen the process for setting sustainable rates. To support this, CoSLA and local authorities commissioned Ipsos Mori to carry out an independent cost data collection exercise. This will help ensure that all local authorities have access to robust data on the costs of delivering funded ELC. It is the first time since 2016, when the Scottish Government published [Cost of early learning and childcare provision in partner provider settings](#), that data on costs has been collected nationally, so this exercise is critical to ensuring that local rate-setting decisions are informed by the latest information, and we hope that as many providers as possible have taken the opportunity to participate and inform the findings.

The findings of the national cost collection exercise are only one part of the rate setting process. Once local authorities receive outputs from Ipsos Mori and consider local factors that need to be reflected in their sustainable rate, it will be important for

them to engage with their funded providers. This includes ensuring they have a full understanding of costs, and to explain the steps to be taken to set sustainable rates.

Workforce

Data published by the Improvement Service indicates that, as at August 2021, the additional workforce required to deliver the 1140 hours expansion was in place, with a 26% increase in the Daycare of Children workforce between 2016, when ELC expansion planning began, and 2020.

The Scottish Government has worked with skills bodies and training providers throughout the expansion to increase the number of candidates entering all parts of the sector. Between 2017 and 2020, this was reflected in an increase of 25.6% in enrolments on childcare training courses.

We are committed to a highly skilled ELC workforce with a mix of professionals. We know from evidence- such as the '[Rapid evidence review: Childcare quality and children's outcomes](#)' (NHS Health Scotland, 2017), that the best experiences for children tend to be found where there is a range of staff with complementary skills and higher level qualifications specific to early childhood - particularly so for children affected by poverty.

We are working with leading partners to develop professional learning opportunities to support our workforce, from the early stages of undertaking benchmark qualifications, through to more focused and specialised training.

The most recent national census for schools and ELC in December 2021 shows that the number of teachers, graduate staff and staff working towards graduate level qualifications in funded ELC was 5,387 FTE - an increase of 372 FTE (7%) from the previous year. Graduates with relevant degrees increased by 16% to 429 FTE.

In response to the Financial Sustainability Health Check which gathered evidence on the sustainability of all types of children services, including assessing the impact of COVID-19, we committed to developing a new Childcare Workforce Strategy. Created in partnership with the sector, the Strategy will explore the medium to long-term recruitment, retention and professional learning challenges facing the wider childcare sector. This will include reviewing learning from the roll out of the expanded funded hours, and looking ahead to the future workforce requirements.

Pay

Through the ELC expansion we are making good progress in supporting the ELC sector to become a Real Living Wage sector, in line with the commitment set out in our 2018 Funding Follows the Child and the National Standard policy framework.

The funding agreement between the Scottish Government and CoSLA allows local authorities to pay sustainable rates at a level that enables private and third sector services to pay at least the Real Living Wage to staff delivering funded ELC. Our Financial Sustainability Health Check found that 88% of private and third sector providers delivering funded ELC planned to pay all staff in their settings the Real

Living Wage from August 2021. This compares to a position before the ELC expansion in 2016 where around 80% of practitioners were paid less than the Living Wage at the time.

It is important to be clear that our Financial Sustainability Health Check found that, on average, public funding accounts for around 33% to 45% of overall income for private childcare services delivering funded ELC. The majority also sell services privately. The Scottish Government and local authorities therefore cannot singlehandedly improve conditions for the private and third sector workforce. Significant changes to terms, conditions and pay in the childcare sector will require individual businesses to be willing to make changes elsewhere in their business models.

Through our forthcoming Childcare Workforce Strategy, we are committed to working with the childcare sector to explore what further progress can be made collectively in improving pay, terms and conditions across the sector.

Staff recruitment and retention

As outlined above, the ELC workforce has grown overall as a result of the ELC expansion. The latest Scottish Social Services Council data (published 31st August 2021) reflects the significant growth in the public sector workforce as local authorities increased their ELC services. Between 2016 and 2020, the public sector workforce grew by 5,900. Over the same period, the private sector workforce reduced by 430 and the voluntary workforce by 600. The data does not capture the subsequent employment destinations of those leaving their post.

Data shared with Willie Rennie MSP in response to a previous discussion at Committee from the SSSC's 'Stability Index' (i.e. the rate of staff retained in the same role as the previous years) rating of 78.9% has risen 2.5% in the year from 2019 to 2020, and reflect the average for the social services sector as a whole. This means that over three quarters of people employed in the ELC sector remained in the same role for this period.

We are committed to working with the sector and partners in the SSSC and skills bodies to understand recruitment and retention issues in more detail through our workforce strategy.

Childminders

Childminders are an important element of the childcare sector in Scotland and offer a unique and valuable experience of childcare for children and families. The childminding sector in Scotland has faced challenges prior to the impacts of the pandemic. In January 2021 the Scottish Government published [Our Commitment to Childminding](#), which sets out actions to help address long standing challenges, as well as those resulting from COVID-19.

We understand that the Committee has received a copy of the Scottish Childminding Association's (SCMA) Early Learning and Childcare Audit 2021. The Scottish Government provided a response to this Audit in December 2021 setting out the

actions that it is taking, working in partnership with local government and the sector representatives, to support childminders and to address the recommendations set out in the Audit. Further details about this response can be provided if required.

Quality

We know that COVID-19 has impacted young children over the past two years in a number of different ways. For example, [a report from Scottish Directors of Public Health](#) earlier this year highlighted that the proportion of children recorded as having one or more developmental concerns (at 13–15 months and 27–30 months) has increased in 2021, having been more stable in 2020. We are continuing to engage with partners to identify and better understand what the impacts of COVID-19 have been on young children, so that we can respond to their needs.

To support the children who stand to benefit most from high quality ELC provision, the Scottish Government continues to provide funding for additional graduate level posts in our most disadvantaged communities across all 32 local authorities. These Equity and Excellence leads support quality improvement by modelling pedagogical practice and upskilling other practitioners, as well as working directly with children to improve their learning experiences.

On 21 March, the Care Inspectorate published a new Quality Framework which will come into effect for settings from June 2022. The new self-evaluation framework will help settings to gauge their own practice, identify areas for self-improvement and better prepare for inspection. The Care Inspectorate is implementing a package of support for providers and local authorities to build confidence in using the new framework.

In addition, a range of quality improvement support is in place at the national level, complementing the support that is being delivered by local authorities, including:

- The Care Inspectorate's Quality Improvement Programme, which is funded by the Scottish Government. In 2022-23 this programme enables all local authority areas to nominate settings. The programme provides targeted quality improvement support for existing funded ELC providers that do not have current Care Inspectorate evaluations of 'good' or 'better', but who have been commissioned to provide funded ELC hours, or that have previously achieved a grade of 'good' but are now at risk of falling below that at their next inspection.
- The Children and Young People Improvement Collaborative (CYPIC) Learning Exchange is supporting ELC practitioners, including Equity and Excellence Leads to use QI tools to improve outcomes, connect people and share learning.

Uptake among eligible two year olds

Across local and national government we are committed to maximising uptake for this cohort of children, including on the UK-level data sharing agreement which will be critical to providing local authorities with the information they need to reach their local eligible population. Progress on data sharing is encouraging and we more progress on the UK Regulations that will enable this over the course of this year.

The number of registrations for funded ELC of two year olds is reported annually. The latest publication in December 2021, reports that registrations of two year olds have increased to their highest level. The proportion of all two year olds registered for funded ELC increased from 9% in 2020 to 13% in 2021. Whilst there is still work to do on up-take for this cohort, this is good news, particularly given the impacts of the pandemic over this period.

Further information

The Scottish Government is happy to provide additional information or supporting data on the above topics or other elements of the 1140 expansion programme that are of interest to the committee.