

BACKGROUND

PREVIOUS SCRUTINY BY THE COMMITTEE

AUDIT SCOTLAND REPORT

Audit Scotland published a report on [early learning and childcare](#) in February 2018. Information about the report, including the key facts and the summary are reproduced below.

About this audit

The overall aim of this audit was to answer the question: How effectively are the Scottish Government and councils working together to improve outcomes for children and support parents by expanding access to funded ELC?

Key messages of the Audit Scotland report

The Scottish Government and councils face a number of significant challenges in delivering 1,140 hours by 2020

1. The Scottish Government's policy to increase funded early learning and childcare (ELC) is consistent with national strategic objectives around improving the lives of children and their families. The Scottish Government and councils have worked well together to expand provision. Parents are positive about the benefits of funded ELC for their children.
2. The Scottish Government implemented the increase in hours without comparing the cost and potential outcomes of alternative ways of expanding funded ELC to achieve its aims of improving outcomes for children and parents. It has invested almost £650 million of additional funding since 2014 to expand funded ELC to 600 hours but it did not plan how to evaluate the impact of the expansion. This means it is not yet clear whether this investment is delivering value for money.
3. In most councils the majority of children still have a part-day funded ELC place in a council setting, although the range of options has increased. Parents in our research said funded ELC had a limited impact on their ability to work due to the hours available and the way in which those hours were provided.
4. There are significant risks that councils will not be able to expand funded ELC to 1,140 hours by 2020. In particular it will be difficult to increase the infrastructure and workforce to the levels required, in the limited time available. The Scottish Government should have started detailed planning with councils earlier, given the scale of the changes required.
5. The Scottish Government expects the cost of delivering 1,140 hours of funded ELC will be about £840 million per year. Councils were required to prepare their initial plans for the expansion without some important information about how the

system will operate from 2020. While councils' plans will change over time, initial estimates of the cost of funded ELC following the expansion to 1,140 hours are about £1 billion per year, significantly higher than the Scottish Government's figure.

Specific recommendations included that Councils should:

- Develop commissioning strategies for funded ELC that set out information on demand, capacity, cost, quality, flexibility and parental preferences (paragraphs 49–50).

To progress planning for 1,140 hours of funded ELC and reduce the risks of failing to deliver on time:

The Scottish Government and councils should:

- Urgently finalise and implement plans for changes to the workforce and infrastructure to address the significant risks of not being able to deliver on time (paragraphs 83–84, 90–94, 97–99).
- Collect better information on the cost of different models of ELC and their impact on children's outcomes to allow them to better plan for the expansion (paragraphs 36, 41, 52, 106–108).
- Work with partner providers of both funded and non-funded ELC to understand the impact of decisions on the wider system of ELC and reduce the risk of unanticipated consequences for these providers (paragraphs 102–105).

EVIDENCE SESSION ON 21 MARCH 2018

The Committee took evidence from Audit Scotland and the Scottish Government Minister for Childcare and Early Years (“the Minister”) on 21 March 2018. The focus of these evidence sessions was on preparations for the delivery of the Scottish Government’s policy to expand funded early learning and childcare to 1,140 hours by 2020.

A summary of key issues discussed at the meeting is provided below. The complete Official Report is available online at the following address: <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=11442&mode=pdf>.

Local authorities’ preparedness

A key theme that emerged in the evidence sessions with Audit Scotland and the Minister was how local authorities are preparing for implementation; including the guidance they have received from the Scottish Government; and the resources that are required to deliver the policy.

The Auditor General explained to the Committee that local authorities should have been given more time to prepare plans for implementing the increased hours:

“The Government and councils are working hard to plan for the expansion to 1,140 hours by August 2020, but councils had to prepare their initial expansion plans in the absence of important information about how the system will work from 2020, such as the quality standard expected, the flexibility required, and how the new funding follows the child model will work. Given the scale of the changes required, we feel that the Government should have started detailed planning with councils sooner.”

The Minister explained to the Committee what work the Scottish Government has done to assist local authorities to prepare for implementing the policy:

“Last year, local authorities were given information in “A Blueprint for Fairness: The Final Report of the Commission on Widening Access” six months before we asked for their detailed plans. They had good-quality information with which to work. As well as that, there has been lots of face-to-face engagement between my officials and local authorities to try to help them to understand what is required when developing the plan... We are very close to having a shared understanding of what is required going forward.”¹

The Committee also sought the views of the Auditor General and the Minister on the resources required to deliver the expansion to 1,140 hours. The Auditor General explained to the Committee that the Scottish Government and local authorities’ initial estimates for the cost of implementing the additional hours vary:

¹ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 36.

“Councils’ initial estimate of the costs of delivering 1,140 hours is around £1 billion a year, which is significantly higher than the Government’s figure of around £840 million. Councils estimate that they will need 12,000 extra whole-time equivalent staff, and £690 million for changes to infrastructure, while the Government expects that the expansion will need between 6,000 and 8,000 more staff, and it has initially allocated around £400 million for infrastructure. Some of the differences between those figures are due to different assumptions about flexibility, workforce and the uptake of funded places by eligible children. The Government and councils are now working together to develop the plans, but it is clear that the expansion will require a significant increase in staffing and infrastructure over the next two and a half years, and it is difficult to see how that can be achieved on time.”²

The Minister told the Committee that the level of recruitment required to deliver the policy has been described as “the biggest recruitment drive since the second world war”.³ The Minister explained that so far the Scottish Government’s investment has supported between 2,000 to 3,000 additional placements to enter the early learning and childcare workforce, representing a quarter of the number of additional staff required.⁴ In the Minister’s view, the Scottish Government is “confident that we are on track” to recruit the level of staff required by 2020.⁵

In relation to the infrastructure required to deliver the policy, the Scottish Government explained to the Committee that its estimate of £400 million was “an indicative figure” that was based on the Scottish Government’s economic modelling.⁶ The Scottish Government also expressed confidence in its negotiations with local authorities on this issue, explaining that “we will reach a point very soon where there is a shared understanding of what is required.”⁷

Provider procurement and unit cost calculations

The Committee also explored issues for providers in delivering the policy, in terms of the competitiveness in the sector and the barriers that certain providers may face, when it took evidence from Audit Scotland and the Minister.

The Minister explained to the Committee that the Scottish Government’s intention is that the new national standard will make the delivery of the policy “provider-neutral”:

“The view of central Government is that we are provider neutral. We want this expansion to happen. We are not saying who should be providing the care; we are saying that we want it to happen... To go back to the funding follows the child model, I think that it will solve many of the problems in this area—or the perceived problems, or the perceived barriers. The model will make it provider neutral. As

² Education and Skills Committee, [Official Report](#), 21 March 2018, Cols 3-4.

³ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 23.

⁴ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 23.

⁵ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 20.

⁶ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 32.

⁷ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 33.

long as the provider meets the national standard, they will be eligible to become a funded partner.”⁸

Audit Scotland explained to the Committee that a financial review by the Scottish Government found that the cost of council provision is £5.45 per hour, whilst councils are paying partner providers on average £3.59 per hour. Audit Scotland also explained to the Committee that partner providers consider the provision costs them £3.70 per hour, whilst local authorities have advised that it costs them £0.99 an hour to commission a partner provider place.⁹

The Minister explained to the Committee that the Scottish Government is “not going to set a national rate” but it is “determined to iron out some of the differences in procurement across the nation, because we think that the steps that are involved in procurement mean that businesses can face quite a lot of barriers to becoming funded providers.”¹⁰ The Minister also explained in relation to the procurement process:

“We are also quite keen to simplify the procurement process so that it is not quite so burdensome and so that it is a bit more proportionate for childminders, who may only be looking after a small number of children but, if they are unlucky, those children might come from different local authority areas.”¹¹

In relation to differences in the unit cost calculations between private and public providers, the Minister also noted:

“I understand that there is an issue with private nursery staff being more lucratively employed in local authorities and we are working very hard to change that situation. You will understand that, as part of our offering, what we have agreed to fully fund should enable nurseries to pay the living wage.”¹²

Uptake of funded hours

The challenges of increasing the uptake of funded hours by eligible children was another issue that the Committee explored with Audit Scotland and the Minister. Audit Scotland explained to the Committee that one of the main obstacles in this regard is that local authorities do not know how many children are eligible for funded hours within their area.¹³ The Minister agreed that this is an issue and explained to the Committee that Her Majesty’s Revenue and Customs (HMRC) and Department of Work and Pensions (DWP) are not able to share relevant data with Scottish local authorities because they do not have the power to do so.¹⁴

⁸ Education and Skills Committee, [Official Report](#), 21 March 2018, Cols 27-28.

⁹ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 14.

¹⁰ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 23.

¹¹ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 28.

¹² Education and Skills Committee, [Official Report](#), 21 March 2018, Col 22.

¹³ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 6.

¹⁴ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 37.

The Committee was told by Audit Scotland that not only is data sharing is an issue on an intergovernmental level, but also at the level of provider and local authority:

“Local authorities do not necessarily have good, reliable data from their partner providers about the number of parents that use funded places and pay to top up early learning and childcare. That is important information to help local authorities to understand the capacity in the system at the moment and the gaps that need to be filled as we move towards the expansion to 1,140 hours. The Government and local authorities are aware of that issue and are working through it as part of their expansion planning, but there are significant issues around data availability to inform appropriate planning.”¹⁵

The Auditor General explained to the Committee how this problem could be tackled:

“We found that informing the parents of eligible two-year-olds, in particular, of their entitlement is key in getting the take-up figure up from around 10 per cent to 25 per cent. Some councils have done some very good work, but the evidence that we heard from parents was that the issue is more widely one for parents of three and four-year-olds as well.”¹⁶

Audit Scotland also suggested that health visitors and staff who are already engaging with relevant families could play a role in raising awareness amongst parents of their entitlements.¹⁷

The Minister explained to the Committee that work is already being done by relevant staff to raise awareness of funded hours entitlements with parents of eligible children:

“Meanwhile, we are doing everything else that is within our power to improve the situation. We have staff in jobcentres who are trained to raise the issue and to offer places. We have been working with healthcare professionals who are working with these younger children, who might raise the issue that there are places available for eligible two-year-olds. In some places it is working quite well.”¹⁸

The Committee also heard evidence that uptake by parents of eligible children can be affected by nurseries’ opening hours. Audit Scotland states in its report, for example, that “parents in our research said funded ELC had a limited impact on their ability to work due to the hours available...”

The Minister explained to the Committee that it expects the issue to be addressed as a result of the number of funded hours increasing in 2020:

¹⁵ Education and Skills Committee, [Official Report](#), 21 March 2018, Cols 6-7.

¹⁶ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 10.

¹⁷ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 10.

¹⁸ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 37.

“What we are aiming to do is increase childcare... that will naturally increase flexibility, because it is a huge increase. We are talking about moving from a half day each day to a whole day—virtually the same as a primary school day.”¹⁹

Additional support needs

Audit Scotland explained to the Committee that, as part of its approach to developing its 1,140 funded hours policy, the Scottish Government surveyed parents of eligible children with additional support needs. This survey found that 17 per cent of parents who have eligible children with additional support needs were dissatisfied with their access to suitable early learning and childcare, and about half had had one or more difficulty in accessing suitable provision.²⁰

The Committee heard from Audit Scotland that the Scottish Government has developed an early learning and childcare inclusion fund of £2 million to help staff to support children with additional support needs. This will be used to fund specialist training for early learning and childcare staff, as well as equipment.²¹

Measuring the policy’s outcomes

The Scottish Government’s approach to setting and measuring outcomes for the expansion of funded places was a key theme raised in the evidence sessions on 21 March. The policy has two key outcomes, which include: improving outcomes for children; and supporting parents to work, train or study. The Auditor General, Caroline Gardner, explained to the Committee that since the policy was first announced, the Scottish Government has clarified that one policy aim takes precedence over the other:

“Since 2014, the Government has invested almost £650 million of additional funding for the expansion to 600 hours, but the Government was not clear about the specific outcomes that it expected to achieve for children and parents. When the expansion was introduced, the Government stated that improving outcomes for children and outcomes for parents were equally important objectives, but there is a potential conflict between them. Improving outcomes for children means focusing on quality, whereas flexibility is more important if the aim is to improve outcomes for parents. The Government has now stated that the primary aim of the further expansion to 1,140 hours is to improve outcomes for children.”²²

The Auditor General also commented on the Scottish Government’s approach to measuring outcomes and evaluating the impact of this policy area, as follows:

“The Government did not plan how to evaluate the impact of the expansion to 600 hours or make sure that baseline data was available, so it is not yet clear whether the investment is delivering value for money. The Government has done

¹⁹ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 25.

²⁰ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 16.

²¹ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 16.

²² Education and Skills Committee, [Official Report](#), 21 March 2018, Cols 2-3.

more to plan how it will evaluate the expansion to 1,140 hours, including publishing some baseline data.”²³

The Auditor General was also keen to emphasise the importance of evidence-based policy-making, noting that “there is a lack of clear evidence that increasing the number of funded hours each week for children already receiving early learning and childcare improves their outcomes.”²⁴ In this regard, the Auditor General also highlighted the difference between outcomes and outputs when she explained that “the number of childcare hours is not an outcome but an output”.²⁵

The Minister explained the Scottish Government’s policy approach to outcomes when she gave evidence to the Committee:

“The primary intention is to improve the quality of our educational offering for children. We are determined to close the attainment gap, which is already apparent at age three. We are determined to put in place early years education that narrows that gap before the children reach school...It is not an either/or. We can do more than one thing at a time. We are absolutely determined to increase the quality of early years education, but we are also determined to increase flexibility for families. As well as improving the educational offering, if we can also improve the family income by reducing childcare costs or by freeing parents up to go into education or to work longer hours, then we will improve the family income as well. That will make a huge difference to the individual child.”²⁶

The Scottish Government also explained to the Committee that it will be measuring the quality of provision using the national standard that will underpin the policy delivery. The Scottish Government also outlined its plans for inspecting providers, noting that it is considering:

“...a much more integrated inspection regime between the Care Inspectorate and Education Scotland so that there is a more seamless understanding of the quality of the provision that is provided in all the different settings, on the education and learning side and the childcare side.”²⁷

²³ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 3.

²⁴ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 3.

²⁵ Education and Skills Committee, [Official Report](#), 21 March 2018, Cols 17-18.

²⁶ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 29.

²⁷ Education and Skills Committee, [Official Report](#), 21 March 2018, Col 30.

