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Convenor  
Education and Skills Committee  
T3:40  
The Scottish Parliament  
Edinburgh  
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17 December 2018

Dear Clare

## **EXPANSION OF EARLY LEARNING AND CHILDCARE**

Thank you for your letter of 16 November providing an overview of the recent evidence sessions the Education and Skills Committee held in Rutherglen Town Hall with childcare providers, including the supporting notes from the focus groups held on the day.

I am very grateful to the Committee for taking the time share these findings. I have passed these on to my officials to consider in greater detail, and to inform their ongoing engagement with providers and local authorities.

Providers in the private and third sector, including childminders, have a vital role to play in working with local authorities to deliver the funded early learning and childcare (ELC) entitlement.

The Scottish Government has continued to engage extensively with providers and other representatives of the ELC sector, in particular as we have worked to finalise the new Funding Follows the Child model. This model, which will be introduced from August 2020 alongside the national roll-out of 1140 hours, has broad support across the sector. It is 'provider neutral', with all providers who wish to deliver the funded entitlement having to meet the same National Standard – regardless of whether they are in the public, private or third sector, or childminders.

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Quality is at the heart of our approach and the National Standard will provide reassurance to parents and carers that any provider offering the funded hours will be able to offer their child a high quality ELC experience.

It will also place choice in parents' and carers' hands, enabling them to access their child's funded entitlement from any provider that meets the new National Standard, has a place available and is willing to enter into a contract with their local authority.

We will publish the National Standard and accompanying operational guidance on 18 December, and I will write separately to the Education & Skills Committee with details of where these documents can be accessed.

I recognise that a programme of this ambition brings with it significant challenges. However, I can assure you that we are on course to deliver the expansion in funded early learning and childcare entitlement to 1140 hours for all 3 and 4 year olds and eligible two year olds. I co-chair the Joint Delivery Board overseeing the expansion with Councillor Stephen McCabe, my counterpart at COSLA. Before Christmas I will set out more detailed information before Parliament on the progress that is being made in the transition to 2020.

We know that our transformative programme can support children to fulfil their potential and contribute to closing the poverty-related attainment gap. It is already the case that thousands of children in our most challenged communities are benefitting from the early phasing of the expanded entitlement and I have had the pleasure of hearing about these benefits first hand on visits to settings across Scotland.

I can therefore assure the Committee that children are at the heart of this expansion, which is a powerful motivation for us all to work collaboratively to overcome the challenges inherent in such an ambitious programme.

I will now turn to the specific points which you raised in your letter.

## **Workforce**

We recognise that there is a gap between average earnings of ELC practitioners working in local authorities and funded providers in the private and third sector.

Public sector staff working in ELC settings already receive at least the real living wage. However, the [Financial Review of Early Learning and Childcare](#) in Scotland found that, in 2016, around 80% of practitioners and 50% of supervisors in private and third sector settings delivering the funded entitlement were paid an hourly rate below the real living wage.

Relatively low levels of pay can present a barrier to some people entering the sector, resulting in recruitment challenges, and can also contribute to higher levels of staff turnover. This could have implications for the continuity of care experienced by children and families.

The Scottish Government's aspiration is for all workers in ELC settings to be paid the real living wage as a minimum.

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To support this funded providers will, from 2020, receive sustainable funding rates that are set at a level that enables them to pay the real living wage to childcare workers delivering the funded entitlement.

I also recognise the workforce retention challenges that many providers are facing as a result of the movement of staff from private and third sector settings to local authority settings. We are exploring options to support providers in the transition to 2020 and easing some of these immediate concerns and pressures. I will set out further details in our Delivery Support Plan for Providers, which will be published prior to recess.

At a national level, the Scottish Government continues to take action to encourage additional recruits to join the ELC workforce to meet the needs of employers from all sectors for additional staff to deliver the 1140 hours expansion. A major part of this activity is our recruitment campaign to attract school-leavers, career-changers and parental-returners to careers in ELC. The next phase of the campaign will launch in January 2019, focusing on career changers and parental returners to the labour market.

We are continuing to boost the provision of ELC training to meet the needs of employers. In 2017-18 we funded the Scottish Funding Council to provide an additional 650 HNC Childhood Practice places. We are working with the Scottish Funding Council to offer over 1,500 additional places on HNC courses in 2018-19 and over 400 additional graduate level places. We will also create additional capacity in relevant courses in the 2019-20 academic year.

In addition, in recognition of the growing popularity of the Modern Apprenticeship (MA) route, Skills Development Scotland (SDS) have committed, through their Skills Investment Plan for the ELC expansion, to increasing ELC MAs by 10% each year to 2020, subject to employer demand. Figures from SDS show that numbers of ELC MAs increased by 21% in 2017-18 compared with 2016-17, significantly above the original target.

Planning for the 2018-19 academic year included the assumption of around 1,700 MA starts on ELC routes in 2018-19; however, SDS have advised that they would expect to see a further rise in demand for apprenticeships in the course of 2018-19 and beyond. To create new opportunities for people to join the ELC workforce we have increased the financial contributions for ELC related apprenticeships for those aged 25 and over. The contribution increased from £700 to £1,700 for over 25s from April 2018.

## **Childminders**

Our recent parental survey indicates that there is considerable demand from parents and carers to increase their use of childminders when accessing their child's funded ELC entitlement.

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The research, published in August, highlighted that 13% of parents currently use a childminder. However, looking towards the full roll out of 1140 hours in 2020, 22% of parents expected to use a childminder, rising to 35% for parents of 2 year olds. However, we know that childminders current role in delivering the funded entitlement has been relatively limited.

I was encouraged by some of the findings in the latest Scottish Childminding Association (SCMA) survey which was published September which found that the number of childminders approved to deliver funded ELC for eligible 2 year olds has increased from 453 to 639 since July 2017, and from 49 to 119 for 3 and 4 year olds.

This is welcome progress, but I recognise that more can be done. We have committed to holding a summit with the SCMA by March 2019 to identify actions we can collectively take to ensure parents understand the potential benefits of accessing all or part of their child's ELC entitlement from a childminding service.

## Capital Investment

Local authorities have a statutory duty to ensure that funded ELC entitlement is available to all eligible children in their area. They also have a duty to consult regularly with parents and carers to ensure that ELC provision in their area reflects demand.

The Scottish Government wrote to local authorities on 14 November to set out its expectations as regards to the use of capital funding, and in particular whether funded providers in the private and third sector could access this funding.

This letter highlighted that investment decisions taken by local authorities should continue to follow the principles set out in the **ELC Expansion Planning Guidance** published in March 2017. This guidance supports authorities in making the best use of assets through the following sequential decision-making process:

- a) **Use what we have:** Making full use of existing assets within the local authority (including, workforce, potential of the natural environment, buildings and infrastructure);
- b) **Use what we purchase:** Enhancing the use of partner assets – developing and extending existing partnership models against a default assumption of a continued mixed economy – strengthening both local authority and other provision (including, for example, childminders and blended models); and
- c) **Create what we need** – where full use of existing local authority services and assets, plus enhanced commissioning, still leaves a gap, plan to create or build new capacity, including outdoor nurseries.

The capital funding provided to local authorities from 2017-18 is intended to support the creation of the additional capacity within their respective areas to enable delivery of 1140

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hours in line with their locally approved expansion plans, where the authority has already planned to make full use of existing in-house and partner capacity.

Local authorities are permitted to use this funding to provide support to funded providers in the private and third sectors where a need to create additional capacity has been identified in local expansion plans, subject to any legal and financial restrictions on local authorities' ability to use capital funding to create assets owned outside the public sector.

It is for each local authority to seek advice from their own financial and legal teams when considering options for providing support to providers.

A number of authorities, including Angus and Moray, have developed their own support schemes for local providers, whilst others are developing schemes. We are encouraging local authorities to share examples of support schemes that they are offering to providers.

In respect of the issues raised about 'Space to Grow', I have included a letter from the Care Inspectorate with this response. The Care Inspectorate have offered to contact the Committee directly should you require any further clarification around the 'Space to Grow' policy.

### **Support for funded providers**

We wrote to local authorities on 2 November regarding the allocation of the remaining £6 million revenue funding for 2018-19. We have strongly encouraged authorities to consider using the funding to support providers in the private and third sectors, including childminders, as they transition towards the statutory roll-out of 1140 hours, and the accompanying Funding Follows the Child model, from August 2020.

This support, to be provided in 2018-19, could be delivered through, but not limited to:

- additional training and development support, including for new recruits;
- enabling providers to access business, financial or human resources support; and/or
- grants to providers to support capacity building. I addressed these matters under the Capital Investment section above.

Our multi-year funding agreement with COSLA includes funding for the payment of sustainable rates to providers from 2020 – as a result the hourly rates paid to providers across the country will significantly increase over the period to 2020.

In the Programme for Government we committed to building on these actions and ensuring that early learning and childcare providers, including childminders, are supported through the transition to the implementation of the expanded entitlement in 2020.

As highlighted earlier we will set out a Delivery Support Package for Providers prior to recess.

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It should also not be forgotten that we have already provided financial support to providers through the 100% rate relief for private properties wholly or mainly used as day nurseries that was introduced in April 2018. We estimate that the relief will remove the burden of rates for up to 500 businesses.

## **Other issues**

Turning to the matter of SEEMiS, local government is at the early stages of the development of a new ELC data management system for use in both ELC providers and central local authority teams. SEEMiS has formed a working group to identify high-level requirements for the new system to enable them to proceed with procuring developers to take on this project.

The working group includes representatives from local authorities (who represent users at this stage), Education Scotland and the Scottish Government. Once the initial requirement gathering stage has concluded, we expect SEEMiS to engage with a wider user group, including providers from across the ELC sector.

## **Conclusion**

We expect and encourage local authorities and providers to work together meaningfully and in genuine partnership to deliver flexible ELC provision, while continuing to ensure a high quality experience for children is maintained and accessible to all.

There are already good examples of partnership working between local authorities and funded providers in the private and third sectors, including childminders, which we encourage everyone to build upon.

It is apparent from our engagement with the sector that challenges remain, and that some providers do not currently feel as though they are in a genuine partnership.

In order to strengthen partnership working we have worked with COSLA to establish the ELC Partnership Forum. The Forum provides a platform to drive action, enable the sharing of good practice in partnership working, enabling authorities and providers to work constructively together to identify solutions to challenges.

The Forum held its first meeting on 23 October, where it focused on principles and best practice in partnership working, and on the draft National Standard for all providers (in particular the Food and Inclusion criteria). The second meeting of the Forum was held on 12 December in Aberdeen and focused on workforce issues. Partnership Forum papers and meeting notes are available to all providers on our Knowledge Hub.

The key messages from each Forum meeting are tabled at the Joint Delivery Board. Cllr McCabe and I will also attend a meeting of the Forum in 2019.

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Progress is also being made in other areas – for example, in September COSLA and the National Day Nurseries Association (NDNA) agreed a set of partnership principles for delivering the expansion. These include transparency, accountability and communication between councils and providers, with all stakeholders being involved in the expansion plans.

I hope that the Committee can see that while challenges remain we have taken significant steps to ensure that the expansion is on track to deliver our ambitious programme which will be transformational for families in Scotland and we are committed to continuing to work closely with our delivery partners across all sectors to promote and secure meaningful implementation of Funding Follows the Child alongside the expansion in funded entitlement.

**MAREE TODD**

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