



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 5 October 2023

Session 6



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PUBLIC AUDIT COMMITTEE

25th Meeting 2023, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Sharon Dowey (South Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Graham Simpson (Central Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Joanna Anderson (Convention of Scottish Local Authorities)

Eleanor Passmore (Scottish Government)

Neil Rennick (Scottish Government)

Matthew Sweeney (Convention of Scottish Local Authorities)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament
Public Audit Committee

Thursday 5 October 2023

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Richard Leonard): Good morning, and welcome, everyone, to the 25th meeting in 2023 of the Public Audit Committee. The first item on the agenda is a decision on whether to take items 3, 4 and 5 in private. Are members of the committee content to do that?

Members *indicated agreement.*

Section 23 Report: “Early Learning and Childcare: Progress on delivery of the 1,140 hours expansion”

09:00

The Convener: The committee’s main agenda item is item 2, which is a session on the Auditor General for Scotland and Accounts Commission section 23 report “Early Learning and Childcare: Progress on delivery of the 1,140 hours expansion”. I am pleased that we are joined by four representatives today. We are joined, from the Scottish Government, by Neil Rennick, director general for education and justice, and Eleanor Passmore, deputy director for early learning and childcare, and, from the Convention of Scottish Local Authorities, by Matthew Sweeney, policy manager for children and young people, and Joanna Anderson, policy manager for local government and finance.

Before we ask questions of the Scottish Government team and the representatives from COSLA, I ask Mr Rennick to give an opening statement.

Neil Rennick (Scottish Government): Thank you, convener. I genuinely welcome the opportunity to provide evidence to the committee today. As you know, it is now just over two years since all 32 local authorities began delivering 1,140 hours of funded early learning and childcare. Achieving that by August 2021 was a significant undertaking, particularly in the face of the Covid-19 pandemic. Working together, colleagues in COSLA and the Scottish Government developed and delivered a multiyear investment plan to support the building of necessary infrastructure and the recruitment and training of the required workforce. Delivering that programme could have been achieved only through strong partnership working between the Scottish Government and local government.

I take this opportunity to recognise those working in the private, third and childminding sectors for the time and effort that they have devoted to delivering 1,140 hours and for their continuing work in supporting Scotland’s children and families.

I am pleased with Audit Scotland’s assessment that the Scottish Government and councils have made good progress in implementation since the report that it published in 2020. The universal component of the programme has been delivered with very high levels of take-up, and most parents report that they are satisfied with the quality and flexibility of the provision that is available to them.

The latest Audit Scotland report sets out a number of important recommendations relating to improving planning processes, data collection and data use. As the accountable officer, I accept its conclusions. We have work in hand to take forward all the recommendations. Indeed, progress has already been made on a number of them, including those on data sharing in relation to eligible two-year-olds and on staff movement within the ELC workforce.

As outlined in the Audit Scotland report, we recognise the significant impact that the cost crisis has had, particularly on the private, voluntary and childminding sectors. The Scottish Government is committed to continuing to work closely with local government and the sector in responding to those challenges. Committee members will be aware that, in the 2023-24 programme for government, ministers committed to an uplift, from April 2024, to £12 an hour for those in the private, voluntary and independent sector workforce who deliver funded ELC. The programme for government also set out our plans to work over the next year with local government and other partners on the next phase of early learning and childcare for school-age children, building on the expansion to 1,140 hours that has been achieved. We will implement the recommendations and take on the wider learning from Audit Scotland's report to inform the next stage of work.

We are very happy to answer any questions that the committee has.

The Convener: Thank you very much. I think that you said that, as the accountable officer, you accept all the recommendations in the report that was produced by Audit Scotland and the Accounts Commission. Is that correct, Mr Rennick?

Neil Rennick: Yes.

The Convener: Thank you. I will ask Mr Sweeney the same question. Does COSLA accept the findings and recommendations in the report?

Matthew Sweeney (Convention of Scottish Local Authorities): Absolutely. As Neil Rennick said, work is already being done to address some of the recommendations.

The Convener: Thank you very much.

I turn to something that we took evidence on back in June, when the Auditor General's report was published. At that point, there was real interest in the capital spend to deliver these quite ambitious targets. At that time, the evidence that we were given was that the Scottish Futures Trust was going to gather information on capital spend and try to come up with some estimates of current spend and what future spend might be. Mr Rennick, can you update us on where we have got to with that work by the Scottish Futures Trust?

Neil Rennick: Absolutely. I will bring in Eleanor Passmore to talk about the details of that work, if that would be helpful, but I can confirm that capital investment in infrastructure was a crucial element of delivering the 1,140 hours. The Scottish Futures Trust has not just been involved more recently in looking at the delivery of the policy; throughout the process, it has provided guidance on refurbishments and the construction of new facilities and has monitored the delivery of the capital investment.

The Scottish Government committed to providing about £476 million in capital investment, and the vast majority of the projects have now been delivered. The latest information that I had—I will ask Eleanor Passmore to check this—showed that nine local authorities had carried forward funding for continuing projects and that 94 per cent of projects were complete, 2 per cent were under construction and 4 per cent were still in the development phase. The vast majority of projects have therefore been delivered, and there is flexibility in relation to available capacity.

Eleanor Passmore (Scottish Government): That is correct. As you will have heard from previous evidence, Audit Scotland's report drew on information from 2022 and found that 90 per cent of projects were complete. Updated data from this May indicates that, as Neil Rennick said, 94 per cent of the projects are complete, with 2 per cent under construction and the remaining 4 per cent in the development phase.

The Convener: Thank you. When we took evidence previously, one of the elements that we were interested in was construction inflation, which was defined as being about 30 per cent—considerably higher than even the retail prices index and the consumer prices index. We were not clear on what you have identified as the principal drivers for inflation in the construction sector. Can you shed any light on that?

Neil Rennick: As I said, the vast majority of the capital projects in the programme have been delivered, so, thankfully, they are not affected by that inflation. However, we are aware that inflation has had an impact across a wide range of policy areas, and its causes are mixed and complex. In part, they relate to the impact of Brexit, on-going supply chain issues and hangovers from Covid. There has also been general inflation in the sector in relation to workforce and materials, and that is having an impact across a huge range of areas.

As far as I am aware, no council has approached us to ask for additional capital funding for any projects in the programme, but I confirm that inflation is having an impact across a wide range of areas. I suspect that the committee will see that in other areas.

The Convener: I go back to the question that we put to Audit Scotland in the previous session. I realise that there is an aggregation of factors, but, broadly speaking, can you say what the biggest driver is for the level of inflation in the construction section? Does it relate to labour, for example, or to the supply chain?

Neil Rennick: Colleagues in our capital investment and exchequer teams have been looking at that and have been assessing and communicating the impacts. I genuinely think that a combination of factors are driving the inflation. As I said, I see that in other areas of capital investment that we support.

The Convener: On a related point, the Auditor General recently published a briefing on infrastructure and the challenges in delivering projected budgets. To what extent might those pressures have an impact on the delivery of infrastructure in the early learning and childcare sector?

Neil Rennick: I have read through the Audit Scotland report, which confirms that that is an issue across almost all portfolios. We will absolutely need to factor that into the next phase of work. The immediate phase is not largely focused on infrastructure projects. We are working on development in a number of local communities, but that work is not reliant on significant capital investment. Similarly, with our continuing expansion in relation to two-year-olds, capacity has already been built in for the current number of eligible two-year-olds.

Eleanor Passmore: As Neil Rennick said, we are very alive to the issue in our planning for the next phase of the expansion. As we said, six per cent of the projects remain outstanding, so we keep in close contact with those councils, both directly and through the SFT. It is worth saying that 82 per cent of the infrastructure investment is being delivered to refurbish, repurpose or extend existing assets. That suggests that the risks of inflationary impacts are manageable.

The Convener: Thank you. I turn to the representatives of COSLA. Joanna Anderson, I am sure that your ears pricked up when you heard the director general say that no local authority had approached the Government for additional support for capital investment. What is the local government perspective on what has happened with capital spending?

Joanna Anderson (Convention of Scottish Local Authorities): As Neil Rennick and Eleanor Passmore have referred to, there are concerns about inflationary pressures on all council services across the board. As has been said, the vast majority of capital projects relating to ELC expansion have been delivered. Specific concerns

have not been raised with us about additional capital costs that are being incurred as a result of ELC expansion, but we will keep an eye on and monitor the situation. The finance working group, which is chaired jointly by COSLA and the Government, is the appropriate space to monitor it and to have those discussions.

Eleanor Passmore alluded to the fact that the vast majority of projects are refurbishment projects, so the capacity to deliver on expansion is not reliant on new-build projects that are being held back by inflationary pressures. That is not a huge concern at the moment.

The Convener: That is helpful. We will ask questions about the financing of the operational model at some point.

Colin Beattie has some questions.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I want to explore one or two areas, the first of which is on deferred entry to primary 1 and paragraph 20 of the Audit Scotland report. Ten councils were running a pilot and a pilot evaluation report on access to funded early learning and childcare for eligible children who defer entry to primary 1 was published in June. What action is the Scottish Government taking in response to that report?

Neil Rennick: I will bring in colleagues, but you will be aware that, from August this year, eligible children are able to defer entry to primary 1 and get access to early learning and childcare. That deferral opportunity is available for children and families. The pilot projects showed some upswing in the number of families who chose to defer but that was within the flexibilities available in the programme, and that is still our expectation for this year. We will have full information on how many children have deferred and how that is spread across local authority areas when we get the annual statistics in December.

Eleanor Passmore: The member will be aware that the Ipsos MORI independent evaluation that we commissioned found that, broadly, the deferrals policy had been implemented as intended. We were pleased to see the local authorities also reporting that they were broadly content, and that they saw some benefits in simplifying the process for them. The report also found that the policy did not have a major impact on local authority capacity or resources but, as Neil Rennick said, we will keep a close eye on that as we get the collated census data later this year. There were some hotspots in the 10 pilot areas but, nationally, for the children deferring between August and December, there was a 2 percentage point increase, from 7 per cent to 9 per cent. We have seen a change, but we are confident that that

is manageable, based on the analysis from the pilot.

09:15

On the action that we have been taking, we engage closely with COSLA to ensure that local authorities are communicating with parents. One finding of the report was that the conversation between parents and trusted professionals in schools and ELC settings is critical in informing their choice. It will be important to ensure that that communication continues and to keep a close eye on capacity and cost factors as part of the ELC settlement.

Colin Beattie: I ask the COSLA witness to come in. That sounds fairly positive. Are there any downsides?

Matthew Sweeney: The phased approach was agreed between the Scottish Government and COSLA. The piloting approach was based on a joint implementation plan that we created in 2020 when the legislation was introduced. The purpose was to ensure that we did not get into a situation in which the legislation came fully into effect without understanding what capacity was likely to be. It has been really useful that, as Eleanor Passmore mentioned, the learning from the pilots has been understood by local authorities and that they are able to share their practice with others.

The key point that our members have been discussing is that it feels like the number of deferrals is increasing year on year. Now that there is a national offer, there probably will be an increase in communications about what that means. As colleagues have alluded to, we have a close eye on monitoring to understand the impact on uptake. At the moment, from the pilots, it looks like the impact has not been massive and that the uptake can broadly be met, but it will be important to keep an eye on that as the offer to parents is understood.

Colin Beattie: It is nice to hear something positive.

I will move on to something that is less positive: data. In this committee, we often hear that there is inadequate data or no data, and this issue is no different. Paragraph 71 of the report talks about a lack of data on the demand for childcare. It seems pretty basic that you would want those statistics to guide where you are investing. What work is being undertaken to address the lack of national data for funded and non-funded ELC?

Neil Rennick: Data is one of the key themes that runs consistently through the Audit Scotland report. Coming to this area fresh, not having been involved with it before, I have been impressed by the range of information that is available on the

number of children who are eligible and the number of children receiving services—there is a range of information, but I accept that we will always want more data to be available to further understand the implications.

Some good progress has already been made on that, particularly on the issue of eligible two-year-olds. We can talk further about that and the benefits that that is delivering. We know that there is exceptionally high take-up of the 1,140 hours, so there is clearly demand for that funded early learning and childcare. A key part of the next phase that was announced in the programme for government is to do further work, including through digital technologies, to get a better understanding of the needs of children and families and how they can be met.

I do not know whether colleagues want to say any more about that.

Eleanor Passmore: Colin Beattie might be aware that local authorities have a statutory duty to consult parents and carers every two years on local demands and needs, so local areas should have that understanding. Nationally, the parent survey that we ran—which was undertaken with 8,000 parents and was the first national information that we had post the introduction of the 1,140 hours—gave us an understanding of funded provision and demand for unfunded provision. Therefore, we have some information. Jointly with COSLA, we are developing an ELC outcomes framework, which involves looking at the totality of measurement and how we use the information. This will be one of the critical areas in considering the feasibility and the approach to gathering further data and existing data, and whether additional approaches are needed to look specifically at the issue of demand. There is information in the system; it is a question of understanding that picture and where further work may be needed.

Colin Beattie: The issue seems fundamental to me. If you do not know what the demand is nationally, how do you put resources behind that? How do you know what resources councils will need? How do you know what resource the Government will have to allocate? You are talking about some local data that might be available, which is helpful, but clearly that is not available across the board. Not all councils are producing the data, otherwise you would be collating it.

Neil Rennick: All councils should be drawing together data on their local needs, and the need is reported in the survey of parents, so we have that information. We know that there is exceptionally high take-up of the 1,140 offer. Part of what we have reflected is that, for many families, it is about not just early learning and childcare but the combination of early learning and childcare and

school-age childcare. A large part of the work that we are taking forward in the next phase involves thinking about those family units and how to create a system that supports families in the round. Clearly lots of families have different needs.

Positively, the parent survey indicates that the majority of parents and families are happy with the flexibility that the current 1,140 offer provides them, but we always want to do more work to ensure that we are matching up the needs and expectations of families with the offer that is available.

Colin Beattie: The councils are collecting all this data, but are they using a common process and common datasets so that they are comparable and you can collate them nationally?

Neil Rennick: There is a statutory duty on the local authorities to collect that data, but also to analyse it locally and develop their local plans for how to respond to that, taking account of local circumstances.

Colin Beattie: If I am comparing one council to another, would I be able to compare apples with apples?

Matthew Sweeney: The important thing to come back to on the consultation duty is how it works with the other duties on councils and their responsibilities under the funding-follows-the-child model, which was agreed by the Scottish Government and COSLA for running the expansion. The idea in that consultation is to ensure that we have an understanding of needs at the local level. I am not sure whether, at any point in the process, it was designed to provide that sort of national comparison because, fundamentally, the important thing is that there is a range of models and options open to parents at the local level.

As Eleanor Passmore mentioned, we have some of the national-level parents data, which seems to broadly back up the point that the consultation process is working—we have the global figure where we see that the vast majority of families are fairly happy with the quality and flexibility of the provision locally.

Colin Beattie: In the middle of all this, I think that you are saying that local authorities are collecting information in a manner that suits them locally but that may not be capable of being collated at national level into something that can be used by the Government. Is that correct?

Eleanor Passmore: Mr Beattie is right. That is exactly what we need to look at as part of the ELC outcomes framework, recognising that local authorities also collect other data that informs the census, for example. We are carrying out improvement work through the SEEMiS project

that will give us much better information on that. We need to look at the totality of requests and information that we are gathering from local authorities and nationally to ensure that we can do that consistent piece.

Part of the scope of the work on the outcomes framework is about looking in the round. There are a number of sources of data, and we want to make sure that we are collecting it in the right way and using it for the right purposes, and that it is useful and proportionate. Demand is a critical component of that, as are other factors, including better demographic information and information on children with additional support needs, which is critical. We are looking at data in the round, and demand is a key part of that work.

Colin Beattie: We have to remember that the Auditor General's report makes it clear that we do not have national data on the demand for childcare, which to me seems a very basic piece of data that should be collected. If it is being collected locally to suit local conditions, that is fine, but how do you collate that and make sense of it nationally? That is clearly not happening. However positively you may put this, at the end of the day, the national data is not there.

Neil Rennick: It is important to say that we have national data on a consistent basis on the delivery of the 1,140 hours for each local authority, including on what has been delivered, the number of children, the take-up and additional support needs. There is a range of data on the delivery of the 1,140 hours. On the issue of parents' expectations and demands, we have a national picture from the survey that we undertake of parents but, alongside that, quite rightly, local authorities undertake local assessments of the needs and try to match those with local delivery.

Colin Beattie: Without information on demand, you will not be able to do workforce planning, proper budgeting and so on, and that is clearly what the comments in the report are aimed at. When do you expect to have national data on the demand for childcare?

Neil Rennick: We had that for the 1,140 hours and built it into the workforce plans. Every two years, local authorities do an analysis of local needs, so that information is there. As we move into the next phase of the work on early learning and childcare and school-age childcare, we will build in analysis of the workforce needs. Part of the work that Eleanor Passmore described involves looking ahead to the future workforce demands.

Eleanor Passmore: As I said, we will look at the best way to ensure that we gather a national picture on demand and that that is robust and effective. It is worth differentiating between

workforce planning for the funded childcare offer and workforce issues relating to the nearly 50 per cent of private provision that is funded directly by parents. The role of national Government is different in that regard. We undertake a lot of work on sustainability for the full sector, but our responsibility for workforce planning relates to the 1,140 hours and the funded entitlement.

Neil Rennick: We know that not all parents take up the full 1,140 offer—a number do not—and the survey indicates that they choose not to take it up for a variety of reasons.

Colin Beattie: Okay. I will move on from that, but I cannot say that I am terribly convinced by what you are saying.

My next question is about the views of children. How is the Scottish Government progressing the recommendation in paragraph 103 of the Auditor General's report that children's views should be captured and considered as part of the future evaluation of the policy, in line with article 12 of the United Nations Convention on the Rights of the Child?

Neil Rennick: It is important to say that the health and social care standards already include an expectation that service providers will take account of children's views and respect those in how they deliver services for those children. Earlier this year, the Scottish Government published "Voice of the Infant: Best Practice Guidelines and Infant Pledge", in order to improve consistency across a range of services in listening to very young children. That contains good practice examples, including from the early learning and childcare sector.

Colin Beattie: How are you listening to the views of the child?

Neil Rennick: A lot of work has been going on more broadly, linked with the incorporation of the UNCRC, about how we engage with very young children and take their views. As I said, that best practice guidance makes some suggestions. Clearly, parents have an important role in advocating for very young children, but it is also partly a question of ensuring that we find ways of hearing from children directly on what their experiences are. There is a lot of relatively recent analysis and guidance on how to do that, which is still being developed.

Colin Beattie: What are those ways?

Neil Rennick: Individual settings will have different ways of recording children's views on how they are feeling each day and how they feel about the services that they receive, the food that they are given and so on. There are experts on that, and local delivery agencies receive training on how to engage with children.

Colin Beattie: Once again, is that engagement common across all council areas?

Neil Rennick: It is one of the standards in the health and social care standards, so that should be looked at by the Care Inspectorate when it looks at what services are doing.

Colin Beattie: Is each local authority doing the same thing and going through the same evaluation so that a national picture can be collated?

Neil Rennick: The standards are consistent across all providers.

Eleanor Passmore: When it comes to day-to-day practice, the "Realising the ambition" evidence-based practice guidance is clear about the importance of play pedagogy and engaging children in improving the practice of practitioners. As you will be aware, we published our evaluation strategy last October, which set out in great detail the full suite of ways in which we are approaching that. This year, a critical part of that is the Scottish study of early learning and childcare and the completion of the second phase of that post evaluation.

In tandem with that, through our monitoring and evaluation working group, we are engaging with colleagues at the National Day Nurseries Association and others to explore how we look at children's views in evaluation specifically in a meaningful way. There is a difference between day-to-day practice and looking at how to evaluate a national expansion at a policy level. The NDNA has done some thinking around that that we want to draw on to make sure that we do that in a robust and evidence-based way.

We are taking forward that work as part of the evaluation implementation. We expect to report the totality of that evaluation in 2025, but we will publish components of that as it progresses over a number of years. There is a number of big components to that, and children's views are a critical part of it, as Neil Rennick has outlined. As part of the work of our monitoring and evaluation group, we are looking carefully at how we take on board children's views effectively.

09:30

Colin Beattie: You have said that you are already collecting the views of children through local authorities, that that is done on a common basis and that the information is then fed to you nationally. How is it fed to you nationally? How do you evaluate what lands on your desk to ensure that those views are taken into consideration when policy is decided?

Neil Rennick: In the local context of each individual provider, that will be assessed by the Care Inspectorate and reflected in the advice that

it feeds back to the individual service on its improvement. As Eleanor Passmore said, we are doing some wider work around the evaluation of how we draw on children's views as part of that process.

Colin Beattie: What I am interested in finding out is how children are able to input into Government policy.

Neil Rennick: Part of the evaluation work will be to—

Colin Beattie: All the work that you are talking about is at a local level. I do not see how that feeds into any policy.

Neil Rennick: The evaluation framework that was published last October includes the information about how we are trying to draw in children's views as part of the evaluation of the programme, as opposed to how individual children feel about the early learning and childcare services that they receive locally.

Colin Beattie: Okay. Thank you.

The Convener: I want to take you back to the questions about demand for childcare and how that is being assessed and what data is being collected. I think that Willie Coffey and Graham Simpson wanted to come in on that, but Colin Beattie was on a roll, so I let him continue.

Willie Coffey, do you want to come in on that issue before you move on to your other questions? Graham Simpson also wants to come in on this data set stuff.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I want to return briefly to the data gathering issue. Every time the Public Audit Committee looks at a report by the Auditor General, there is always an issue with data gathering. That is the case every time. If you were a betting man, you could bet that his next report will include reference to the subject. Why is there a general issue with data gathering? Why do we continue to ask questions about data during the course of whatever work we do?

Is there any chance that we could think about defining a data gathering standard in advance of a piece of work being done so that, when that work gets under way, the participants—the people who deliver the service for us—have an idea of the range of data that is expected to be gathered? To my mind, that would assist the councils to achieve a consistency of approach in data gathering, which would help us to build up the national picture that Colin Beattie referred to. I feel that we do not do that in advance; if I am wrong, please correct me. Do you get a sense that that might be worth while doing? Should we look across the board at the types of data that we want to collect, define those and gather the information as we go so that, one

day in the future, the Auditor General might not make that point about data gathering in one of his reports?

Neil Rennick: That is a really interesting question. The issue is one that I have been reflecting on in thinking about the report and what it says. As I said earlier, coming to this fresh, I have been impressed by the range of data that is available for understanding how the 1,140 hours of provision has been delivered and the impact that it is having. At the start, baseline data was collected and, as Eleanor Passmore has described, we have set out an evaluation framework that includes a range of different indicators and data that we will draw on to assess what impact the policy is having for children and families in terms of take-up, flexibility and quality, but which will also look at the bigger picture of its financial impact and the value for money that it provides. That is built into the process, but as we go on with such projects, it always becomes clear that it would be useful to have more data. There has been a particular issue around data for eligible two-year-olds, which we can describe further.

With whatever policy we develop, I suspect that it will always be the case that there will be a desire for more information in order to improve and refine what we are delivering and how we assess its impact.

Willie Coffey: Is that because we have not thought about the issue up front and have not defined the data that we need, or the range of data that we need, in a standard? It is almost as if we discover midway or part way through the process, "Oh—we need that data." We should have thought about it at the beginning, should we not? Is that fair?

Neil Rennick: Again, coming to this fresh, my impression is that a lot of work was done at the beginning to analyse what baseline data was required and how to monitor that. However, with a programme of this size, it is inevitable that we will find that we need further data. Equally, there were some recognised issues with the information technology systems that were available to local government that affected what we were able to collect and share at a local authority level and a national level. That was partly reflected in some of the work that has gone into investment in the IT systems. It was recognised that we did not have the full suite of data that we wanted, and work has gone on alongside the delivery of 1,140 hours to expand the access to data.

I do not know whether colleagues want to say anything further.

Matthew Sweeney: I agree absolutely on that question. As Neil Rennick said, over time there is new interest in some issues. For example, with the

incorporation of the UNCRC, there has been renewed interest in the children's rights journey. That is an angle that we thought about, but probably not to the same degree in relation to where data was collected and what was different at the local level versus what was needed for a national evaluation. Some of these things happen as part of that.

The other thing to mention is the Verity house agreement that exists between the Scottish Government and local government. Part of that process involves considering a framework for monitoring assurance. That involves asking what is the right data to hold locally and what are the things that we need to know nationally so that we understand how services are being delivered and how we inform national policy. We are at the start of that process, but there is a lot in there that answers the question that you posed.

Willie Coffey: Okay. Many thanks for answering that supplementary question.

The Convener: Graham Simpson wants to come in on a similar theme.

Graham Simpson (Central Scotland) (Con): Mr Rennick, you said that the take-up of the 1,140 hours of provision has been high. How many children are getting 1,140 hours?

Neil Rennick: The analysis that we currently have is that, of the number of children who are eligible for funded early learning and childcare, we are running at 99 per cent of children receiving that level of childcare. I do not have the data in front of me for the numbers who are accessing 600 hours, so I will bring in Eleanor Passmore while I hunt for that.

Eleanor Passmore: We publish the census data each year. The most recent one from last year showed that there were 92,500 children accessing funded ELC across Scotland, which was a 1 per cent increase from the previous year. Uptake of the universal offer for three and four-year-olds increased again over the same period from 97 per cent to 99 per cent. We think that there may have been a Covid impact in that slight change.

It is a more complex picture for two-year-olds. As you will be aware, that is a targeted offer, so it is available to children on certain benefits and also to families and children with care experience. We have had an issue on the data there because it has been reliant on data that is owned by the United Kingdom Government. We have been through an extensive process to ensure that data-sharing arrangements are in place. As Audit Scotland reported, the legislation was passed by the UK Parliament last October.

As of June this year, local authorities have been able to sign agreements to access that data, which means that, from the census this year, for the first time, we will have an accurate picture of the eligible population as well as uptake. We have estimated that around 25 per cent have been eligible. Against that, we have had the total number of registrations. There were 7,042 last year, which was 14 per cent of the total population rather than the eligible population. That is the information that we will have this year, which we will publish broken down by local authority area.

Neil Rennick: I have just found the figures. The difference is that the full 1,140 hours of provision was taken up by 84 per cent and the figure for 600 or more hours was the 99 per cent that Eleanor Passmore mentioned.

Graham Simpson: I am sorry—can you say that again?

Neil Rennick: According to the Improvement Service's latest statistics, 84.4 per cent were taking the full 1,140 hours of provision and, in effect, 98 to 99 per cent were taking between 600 and 1,140 hours of provision.

Eleanor Passmore: Colleagues have mentioned the data improvement process. The census is the most robust data that we have. The SEEMis improvement programme will enable us to have better information about hours and the demographic profile of children accessing it. At the moment, we do not have that through the census, which is why we commissioned the Improvement Service to carry out further survey work in-year to give us the critical picture of how many families are taking up the full 1,140 hours—rather than more than 600 hours—and to give us some further delivery information while the improvement project census is taking place.

Graham Simpson: Let us just drill down into that a bit. Mr Rennick, I think that you said that 84 per cent of eligible children are taking up the 1,140 hours, but earlier you said that 99 per cent are receiving it.

Neil Rennick: Ninety-nine per cent of eligible children are receiving funded early learning and childcare. A number of families choose not to make use of the full 1,140, so they will receive a lower number than that, but that is a choice that they are making. It is not mandatory to take up the 1,140 hours.

Graham Simpson: So 99 per cent get something but 84 per cent take the full amount.

Neil Rennick: Yes, but the vast majority are taking more than 600 hours.

Graham Simpson: When I asked for the overall figure earlier, you gave a figure of 92,500. Is that the number who are taking the 1,140 hours?

Eleanor Passmore: No, that is the registration data. That is the number of children taking a place in funded services. The 84 per cent is, as Neil Rennick said, the number taking the full 1,140 hours.

It may be helpful to say that, in the parent survey that I mentioned from last December, we asked a question about why families were not opting to use the full 1,140, and the majority said that that was a matter of choice. A minority—I think that it was around 20 per cent—said that there were issues with flexibility and being able to access the provider they would wish to use or the package of hours that they wanted. We know that there are issues with that, but the majority are content overall with the flexibility that is on offer. As Neil Rennick said, it is not a mandatory offer. There will always be reasons why families may not wish to take up the full number of hours, so we think about that in our understanding of the evaluation and the data on uptake and usage.

Graham Simpson: Absolutely. It is a choice for parents. What is the number of families who are taking up the 1,140 hours?

Neil Rennick: I need to do a calculation in my head of what 84 per cent of 92,000 is.

Eleanor Passmore: There is a difference, because the data sources are different, which may be a source of slight confusion. I can pick that up offline.

Graham Simpson: It is all right; we can work that out. I have one more question on data. The Auditor General said right at the start of his report:

“The Scottish Government does not know how much has been spent in total by councils on phasing in the additional hours between 2018/19 and 2021/22.”

Is that correct?

Neil Rennick: That is an important question and one that I am keen to discuss further with Audit Scotland more broadly. We know how much we are spending on early learning and childcare now, and we know how much local authorities were spending to provide 600 hours of early learning and childcare back in 2017, before the expansion happened. We know how much extra we are paying to deliver the 1,140 offer. What we are not able to say is how much of the current spending is going towards 600 hours and how much is going towards 1,140, because that is not the way in which families use the service and not the way in which it is delivered by providers.

We have a good understanding of what we are spending and of what we spent before the expansion. We are not able to say what we would be spending now in delivering 600 hours, because the services are now delivering that wider offer. The evaluation framework that we described

earlier includes a specific strand that is focused on this issue of finance and value for money and assessing the amount of money that we have spent and what that is delivering—not just the number of hours but the economic benefit and the value for money.

It is an interesting question from Audit Scotland: in a live system in which we are applying expansion, how do we assess what difference that expansion is making? From my past, I remember that we faced similar issues with free personal care when that was becoming available on top of existing adult social care services.

09:45

Graham Simpson: Mr Rennick said he had two figures. Eleanor, are you able to give us the figures for what was spent before and what is spent now?

Neil Rennick: They are in the Audit Scotland report.

Eleanor Passmore: I am afraid that I do not have the pre-expansion figures to hand, but current spend is £521.9 million that is ring-fenced and £474 million that sits within the general spending line for local government. I think that that is also part of the complexity that Audit Scotland has drawn out in assessing cost and spend, which we have looked at.

It is worth reflecting that, from the local finance returns, which are the audited accounts and the best-quality data that we have on spend on pre-primary education, we are pretty confident that 95 per cent of that spend is on ELC, but we are undertaking further work to ensure that we can differentiate between the 1,140 and other areas of pre-primary spend. We are doing some quality improvement work there.

As Neil Rennick said, we can look at the before and after picture carefully through the evaluation. We ran, jointly with COSLA, three data collection exercises during the expansion to try to get a better picture of spend. I think that part of the challenge, as Neil Rennick alluded to, is that services that are already delivering 600 hours will be using that cost base for estates, staff and shared resources, so it can be hard for them to differentiate what is a marginal extra hour for provision between 600 hours and 1,140.

The other thing to flag is that the challenge that we will reflect on hard as we deliver the next phase of the expansion is that local authorities—and this was a decision that was agreed as part of the planning process, I believe—implemented the expansion in slightly different ways. Some opted to go early by implementing 1,140 hours from a certain point in time, but others phased it in

incrementally. Again, that made it more challenging to understand from a snapshot taken at a point in time what the precise costs were as the expansion was being delivered. That is one of the recommendations that we are considering very carefully as we look at plans for the next phase of the expansion.

The Convener: There is a striking implementation gap here, isn't there? I am thinking in particular about provision for eligible two-year-olds. That is targeted according to people's benefit receipts and the care experience of either parent or child. They are an extremely important group that is very much a priority for the Scottish Government through the Promise and other work that has been carried out, but these two-year-olds are only two once, aren't they? If this programme has been in place since August 2021 and we are now at October 2023 and you did not know who these children were, that means that an awful lot of children have missed out on an opportunity for early learning that was stated as a matter of public priority and imperative public policy. How do you answer that?

Neil Rennick: We have been recording information on the delivery of early learning and childcare and the hours for two-year-olds. The census in December showed that the highest ever number of two-year-olds were accessing funded early learning and childcare. More than 7,000 two-year-olds were receiving that service. The challenge that we were facing for ourselves and for councils was in identifying the children who were eligible and comparing that delivery to the number of eligible children. That was reliant on having information about benefits uptake of individual parents. We did not have a data-sharing agreement in place with the UK Government that would allow local authorities to access that information. That has been in place since the summer, so that information is now available and the census this December will be the first time that we will be able to look at the number of two-year-olds receiving and the eligible levels. More importantly, local authorities are now able to identify and engage with the families and make them aware that the service is available.

Matthew Sweeney: I think that local authorities have found it challenging to engage because they have not had the exact data, but they have taken a number of approaches, which is reflected in the fact that there have been increases in the two-year-old uptake year on year. They have worked with family nursing partnerships and health visitors to see whether there are ways that they can identify families through them and have taken part in community engagement exercises as well. While work on the data has been on-going, there has been work by councils to see what they can

do to maximise the uptake, noting that it is quite a hard job to get that data.

The Convener: It is an entitlement for those families and children that does not appear to have been fulfilled. It is a failing of this part of the policy, isn't it?

Neil Rennick: It is a challenge to be able to identify the eligible children, because the policy was targeted at particular families. We had to have that data available and that was reliant on the UK Government agreeing to share it. We take our responsibilities for data handling and data sharing very seriously, so we had to ensure that that was in place before information could be shared. I wish that it had been earlier, but I am glad that that is now in place and that councils are able to identify those children. Eleanor, is there anything further you can say on that?

Eleanor Passmore: It has been a source of some frustration that we were not able to access that data sooner. I think that ministers and officials have sought to progress that work as fast as possible and to escalate this as an issue with UK Government ministers, but the provisions of the Digital Economy Act 2017 are clear about what steps had to be taken. We have worked closely with the Cabinet Office, His Majesty's Revenue and Customs and the Department for Work and Pensions to progress that work as fast as we can. As Matthew Sweeney has alluded to, councils have not been standing still and we have also been working closely with the Improvement Service to support councils to maximise uptake as far as possible in the absence of that data.

The Convener: But it was a stated Scottish Government policy, wasn't it? I do not know whether that is the point that Mr Simpson is going to make. I understand what you are saying about the availability of data sharing and so on, but if the Scottish Government announces a policy and Parliament legislates for it but we are unable to deliver, it becomes a rather hollow promise, doesn't it? You do not need to answer that question. I will bring in Graham Simpson.

Graham Simpson: Yes, convener, it is the same point really. Essentially, you are saying that we had a policy under which two-year-olds could access 1,140 hours but we had no way of letting their parents know about it.

Neil Rennick: As Matthew Sweeney said, efforts were made by local authorities to contact families and make them aware of this availability. We did not have the data held by the UK Government that could be shared and would allow us to specifically identify those children.

Graham Simpson: Should that not have been put in place before you rolled out the policy? That is the point, isn't it?

Eleanor Passmore: My understanding is that, at the time the policy was agreed, social security powers were not in place to enable the Scottish Parliament to legislate itself and to set eligibility criteria based around benefits. That position has changed. We are looking carefully at eligibility for the totality of the childcare offers, including new benefits that have come on stream since 2014 when I think the policy was first conceived.

The Convener: Exhibit 4 in the Audit Scotland report gives examples of data gaps—we will say a little bit more about those again, I am sure. One of the data gaps listed is the extent to which children with additional support needs are not accessing funded early learning and childcare and the extent of any unmet needs. Here is another targeted group—and an especially important group—where there is a significant gap in the data available.

Neil Rennick: I think that we would all agree that it is especially important that children with additional support needs and their families have appropriate access to early learning and childcare in the support that they receive. We have information, which is included as part of the census information each year, on the number of eligible children who are receiving funded early learning and childcare and the proportion of those who have additional support needs. As I said earlier, effectively for three and four-year-olds access to funded early learning and childcare at the level that parents are looking for is universally available. That includes children with additional support needs. Our census data indicates that that is around 18 per cent of children, so a significant proportion of children with additional support needs are receiving that funded service.

We also know from the parent survey that the vast majority of parents of children with additional support needs are accessing the service and in 84 per cent of cases are happy with the service that is being provided. We do not have specific information on the number of families with children with additional support needs who are not able to access the full 1,140 because of, for example, access issues with the types of service, although clearly universally three and four-year-olds are accessing the service and the vast majority of parents are happy with the service that they have. Equally, we face the same issues for two-year-olds with additional support needs as we do with other two-year-olds.

It is not the case that there is not information about the number of children with additional support needs accessing early learning and childcare, but there are some of the similar gaps that apply for the data provision as a whole.

The Convener: Again, Mr Rennick, I think that our view is that this ought to be a priority group. If

anybody is to miss out on the childcare and early learning offer, it should not be this group.

You have talked quite a lot about the surveys. We get the importance of surveys in helping inform policy, but what really ought to lead policy is the raw data, is it not? It is all about the evidence of where the demand is, whether it is being met, where the target groups are and whether they are accessing the promise that has been given to them and which they should be accessing. The committee's view is likely to be that customer surveys and those kinds of sampling exercises are useful, but it is the hard data that we are interested in. Why are you not capturing that?

Neil Rennick: That is a really important point. We are capturing hard data.

The Convener: But is it the right hard data?

Neil Rennick: Yes. What we have here is information that shows that 99 per cent of eligible children are receiving funded early learning and childcare and that, of those children, 18 per cent have an additional support need. We know that, as far as three and four-year-olds are concerned, those children are receiving funded early learning and childcare. That hard data is shown for each local authority area, and we publish it each December in the early learning and childcare census. It is available.

Clearly, we would like further data and more information. For example, we know that a number of families have said that, although they ultimately access services that they are happy with, they have found it harder to access those services than other parents have. We would want further information on families being happy with the quality of support that they receive and whether it reflects the particular needs of their children. In the annual census, we record information on the different types of additional support needs that children have and how those are being reflected.

We do have hard data, but I come back to Mr Coffey's earlier point: we will always want more information so that we can have more of an understanding of parents' needs and try to reflect them. However, I am personally reassured that the families of disabled children are accessing the funded early learning and childcare for three and four-year-olds in the same way that other parents are.

Matthew Sweeney: I want to add briefly that local authorities obviously have their responsibilities and duties with regard to additional support needs, but on the data question, what is delivered and what is captured are two slightly separate issues. A huge amount goes on in local authorities to support children and young people with additional support needs, and it is also important that we look across at Angela Morgan's

report and the work that followed through the joint project board involving the Scottish Government and COSLA. The board looks at additional support needs in the round and what more we can do there, not just in early learning and childcare but also in schools.

That is really important work, because we are facing a lot of challenging things. We have seen changes in demand, especially an increase in the numbers with additional support needs over the past 10 years or so, and working to improve those services is an active process for local authorities at the moment.

10:00

Neil Rennick: Another area that we are very concerned about is children with particular needs and disabilities, and specific work has been done on those with higher-level needs. I think that Eleanor Passmore can say more about that.

Eleanor Passmore: Earlier this year, there was a report from the Scottish Centre for Children with Motor Impairments on children with very acute needs. The number of children that we are talking about is relatively small in Scotland, but we have looked carefully at the report's findings; the minister chaired a working group over the summer; and we are working with those people on the actions set out in the report. As Matthew Sweeney has said, this is not just about data, but about the action that we are taking. We are taking a careful look at national level at what more might be required for those children, whose number might be relatively small as far as local authorities are concerned but whose needs are particularly high.

The Convener: I am not sure that we accept that data and delivery are two entirely separate entities. I think that there is an extremely strong relationship between the two.

Willie Coffey has some questions to put to you.

Willie Coffey: I want to nip back to the issue of infrastructure for a moment, if I may. It was raised earlier in the discussion with the convener, but my question is: how well are we set up to achieve our net zero targets with the existing infrastructure? I imagine that most early learning facilities might not be net zero compliant at the moment. Is the Government thinking about that issue and how we will achieve that aim?

Neil Rennick: It is an incredibly important issue across all our capital projects and responsibilities. As Eleanor Passmore has mentioned, the vast majority of the infrastructure projects specifically relating to the early learning and childcare programme were refurbishments of existing facilities. Indeed, 82 per cent of the capital projects

were not new-build projects, and clearly part of our net zero approach is to use existing buildings instead of new build.

I should also say that the Scottish Futures Trust has published a suite of guidance for public sector construction projects specifically on net zero building standards and how we ensure that we are building net zero into them. Early learning and childcare settings—both standalone facilities and facilities in primary schools—formed some of the pathfinder projects that were included in that respect. However, we would always like to go further and do more, and ensuring that we build net zero into infrastructure projects will be a key part of the next phase.

Willie Coffey: What about the retrofitting side of things? I am scared to ask this, but is there any data that would tell us the estimated cost of that?

Neil Rennick: Unless colleagues are aware of anything, I would have to come back to you on that. I know that the Scottish Futures Trust is doing a lot of work on what we have already done in this area and, more broadly, on the costs to the public sector in driving forward with net zero. It is not something I have immediately to hand, though.

Willie Coffey: I am sure that the committee will be interested in following through with that.

I have another question. There is a little quibble with regard to £9.1 million less being allocated to fund early learning and childcare. It has been highlighted in the Auditor General's report, and there seems to be a little bit of an issue between COSLA and the Scottish Government as to whether that was fair and so on. However, paragraph 64 of the report sets out an explanation. Can you expand on that and explain the reason for the £9.1 million shortfall?

Neil Rennick: This was always intended to be a multiyear programme with multiyear funding commitments based on the data on the numbers of children and young people at the time. In recognition of the impact of Covid on local authorities, we allowed flexibility in how the money was used in 2020-21, but that meant that, as far as implementation was concerned, 2021-22 was the first year that we got information on the full costs for local authorities, taking into account the fact that it was part way through the year. The information indicated that the number of eligible children in place at that time was lower than the projections that we made at the beginning of the programme, and an adjustment was made to the budget in subsequent years to reflect our assessment of that lower level of demand. The issue was discussed with COSLA through our joint working arrangements.

There will always be discussion and debate about the right level of funding, but we were

confident that that was the right level of funding to deliver the 1,140 hours commitment. That said, it is vital that we continue to engage with COSLA on agreeing the resources that need to be in place for what is currently being delivered and for the next phase of work. That will absolutely be reflected in the future work.

Willie Coffey: Was COSLA happy with the explanation?

Joanna Anderson: As the report sets out, it is one of the few areas where there is a difference of opinion. The issue is the impact of the reducing population; COSLA's leaders have always been very clear that a reducing population does not directly translate into a reduction in savings, largely due to the fixed costs for settings regardless, such as rent, utilities and so on. As Neil Rennick has said, it is an area for joint discussion, and we will continue to engage with the Scottish Government on the quantum for delivering ELC through the finance working group arrangements. Things are well set up for that joint discussion.

Willie Coffey: I understand.

I have just one final question. We are talking about a £1 billion programme, the principal aims of which are to reduce child poverty and help support economic transformation. In your opening remarks, Neil, you reminded us that the programme has been running for two years now and that all 32 councils are delivering the 1,140 hours. That brings me back to the data issue again. In the Government's view, how successful is the programme at the moment? I know that the Auditor General will be looking at it, but with two years' worth of experience in service delivery, the response from parents and so on, can you give us the Government's view of how well the programme's principal aims have been met so far?

Neil Rennick: As far as the data is concerned, it always has to be, as the convener has said, a combination of the hard data—that is, the pure numbers—and the views of parents and ultimately children, too. From a personal point of view, I would say, having looked at the analysis, that three and four-year-olds are taking up funded early learning and childcare places in effect universally, the vast majority at the full 1,140 hours. According to the parent survey, 88 per cent of parents are satisfied that the service is meeting their needs—that is, it matches what they need with the different demands on their time—with 97 per cent happy with the quality of their provider and 97 per cent happy that it is accessible from a travel point of view. Purely on the basis of delivering the number of hours and families being satisfied with what they are getting—and also the Care Inspectorate's confirmation that the vast majority of providers are operating a good-quality

service—those figures feel like good indicators that the programme is delivering.

However, we always made it clear that the programme would need to be reviewed and that we needed a fuller evaluation of not just what was being delivered but its impact. As a result, the evaluation framework that we published last year specifically set out the areas from which we would draw information together, and those areas included not just take-up, quality and flexibility but the financial impact on the wider economy, access to work and so on. An interim evaluation report will be published next year, with the final report due in 2025, and that will give us a fuller picture of what this programme has delivered.

From the immediate data that we have available, though, all the indicators are positive and reflect well on the work that local authorities and private sector providers have done.

Willie Coffey: That was a long answer to my question.

Neil Rennick: Sorry.

Willie Coffey: What you are saying is that, at the moment, we do not have data that tells us whether we have managed to reduce child poverty. The programme has been running for two years, but we do not have any data that supports the principal aim behind the policy.

Neil Rennick: Not in that specific way, but we have wider data on the movements in child poverty. For instance, we know that, when parents are asked what their main reason is for using the additional early learning and childcare hours, they say that it is so that they can work, search for work or plan for the future. That indicates to me that that is what parents are using it for.

Eleanor Passmore: There is a really strong international evidence base showing that high-quality early learning and childcare for the age cohort targeted by the programme delivers significant difference to children's lives over the life course. That is the evidence-based approach we have taken. Given that the issue of quality lies at the heart of the expansion, we are encouraged by the fact that 89 per cent of services have been rated as high quality across the four domains on which the Care Inspectorate inspect, so we absolutely expect it to deliver in that particular domain and in terms of parent satisfaction.

Parental employment is critical to child poverty, and it is one of the three outcomes that we are seeking to deliver. We have some early data on that; I think that 74 per cent of parents reported that the expansion has supported them into work or to find work, which is positive. However, a full evaluation is required. You would expect us to carry out a robust economic evaluation to

understand the direct wider economic impacts, and indeed that work is under way.

Willie Coffey: I look forward to seeing more of that data as it emerges. Thank you very much for answering those questions.

The Convener: I hope that one of the outcomes that is measured is not just economic but is about the flowering of the human spirit and how the programme will help the children and young people going through it to prosper in the future—not just as economic units, but as human beings.

Neil Rennick: That is a really important point. The three elements that we are looking at as part of the evaluation are what the impact has been on children and young people and what their experience of the expansion of early learning and childcare has been—that is very much based on the pedagogy of what is good for children and young people in play and learning—what impact it has had on families and what the benefits have been for them, not just in economic terms but more generally; and the economic analysis. You are absolutely right that all those elements have to be analysed to see whether the programme has been successfully delivered.

The Convener: Good. Graham Simpson wants to ask some questions.

Graham Simpson: My questions follow up on the questions about funding. I hope that all of you will have seen the reports based on a survey from the National Day Nurseries Association that was published yesterday. Its members have real concerns about funding.

I think that these questions are probably best directed at COSLA rather than the Scottish Government, but obviously Mr Rennick can come if he wants to. The NDNA is saying that childcare businesses in about a third of councils have started the academic year without knowing how much they are being paid for funded places. Do you accept that?

Matthew Sweeney: I do not know the detail of that, as I have not seen it. Councils often take different approaches when they set up their contracting arrangements, which means that there are different times when funding rates are confirmed. I know that often, in the past, if there has not been a decision taken on the uplift at that stage, when a decision is taken it is then backdated.

Graham Simpson: You do not have the details. Well, let me quote what the study says:

“56 per cent (18 councils) were committed to increasing their funding rates. This ranged from 1.35 per cent uplift in Falkirk to 15.48 per cent in the Shetland Islands.”

The NDNA say that the average increase in hourly rates is just 36 pence an hour for children over three. That is putting their members in a pretty perilous position, because in a good number of council areas, they do not know what they will get.

Matthew Sweeney: Maybe it would be helpful to go into the guidance and approach that has been agreed between the Scottish Government and COSLA on the setting of sustainable rates. Clear guidelines were set out under the funding follows the child approach, which were followed by a first set of guidance in 2019 and further interim guidance that was issued last year. The guidance sets out the detailed step-by-step process that councils have to follow in how they set the rates, including looking at the costs of delivery—at the moment, the real living wage commitment comes as part of that—and how they engage with providers in the process. There are different approaches to delivering childcare in different parts of the country and different costs for that, and that is reflected in some of the variance.

10:15

The variance between the highest and lowest rates across the country has come down by about 20 per cent since 2017. Over the same period, provider rates have risen by an average of 50 per cent. We are moving towards an increase in rates generally and coherence in how rate setting is undertaken.

A range of work has been undertaken by us, the Scottish Government and the Improvement Service on improving the quality of data. One of the real challenges that has come back from providers and local authorities is that making these decisions requires good quality data, and that can be hard to get. We undertook a national cost collection exercise by an external party, and that data was provided to councils to allow them to base their decisions on it.

The rates review that the Scottish Government and COSLA are undertaking is considering new issues in the round and what more we can do to improve rate-setting processes. As was mentioned in our opening statement, the impact of the Scottish Government’s decision to move towards £12 an hour for childcare staff delivering funded entitlement will mean another change in that rate-setting process.

Graham Simpson: Let me quote Jonathan Broadbery, who is the NDNA’s director of policy and communications:

“Our members are telling us they have serious concerns about the sustainability and their ability to continue delivering funded early learning and childcare places. Our research into funding rates that providers are receiving from their local authority is not encouraging. Only three have increased their funding rates sufficiently to allow

nurseries to be able to pay their delivery costs and we need to see the differential funding rates between council and partner providers addressed.”

If that is not addressed, we could see nurseries closing, could we not?

Matthew Sweeney: Councils value their private and voluntary providers—and all providers—and working together is a key part of offering local childcare that matches the needs of parents, as we spoke about earlier.

On the specific point that is raised in that work, in the Scottish Government’s financial health check we have not seen some of the predicted changes, such as a great drop-off in the number of places. The number of private places has been essentially stable since the introduction of the policy. It does not feel as though some of those concerns have come to fruition so far.

However, through the rates review and through our on-going work we are committed to making sure that we can create a sense of sector sustainability, because it is in the interests of councils to be able to provide the offers to children and their families. The private sector and third sector childminders are a very important part of that offer.

Graham Simpson: The number may have been stable up until now, but clearly there is a warning that it may not be stable in the future and that nurseries could close.

Eleanor Passmore: I had a chance to look at the data that was published and I think that it was based on a freedom of information return from August. We are three months on from that, and I would expect that a number of councils, as is the usual process, will have set their rates by this point. The Scottish Government publishes rates data, which we collect from all local authorities every year. The information for 2022-23 was published last December and showed a 6 per cent rise from the previous year. As Matthew Sweeney indicated, since the expansion, there has been a 57 per cent increase, and rates paid in Scotland for three to five-year-old provision were the highest in the UK.

We carried out the rates review because we recognised that there were issues that we wanted to explore, including around the timing, recognising that in many areas councils work on a term-time basis, which is not always aligned with how businesses operate. We are considering that carefully as part of our findings.

As Matthew Sweeney alluded to, we keep a very careful eye on the Care Inspectorate data on capacity, cancellation rates and the number of registrations.

Although we absolutely recognise and engage closely with providers on some of the challenges that they are experiencing, particularly around workforce issues and costs, capacity has remained stable, as Matthew Sweeney suggested. Cancellation rates have not spiked over the past three years. I should emphasise that cancellation rates do not suggest that a provider is necessarily closing; they also relate to turnover, a change of premises and so on.

We review the situation closely and engage closely on with our partners in the sector on the response that has been set out.

The Convener: I will go swiftly to the deputy convener, Sharon Dowey, who has some questions that follow up on that theme.

Sharon Dowey (South Scotland) (Con): The joint report highlighted that although councils recruited the staff that they needed to deliver the expansion, risks relating to recruitment and retaining enough staff remained. The Scottish Government is developing a strategic framework for the ELC and school-age childcare workforce along with an action plan. Will the workforce issues that are set out in the audit report, including recruitment challenges, difficulties quantifying the extent of workforce movement between sectors, falls in the numbers of childminders and a lack of long-term workforce plans be covered by the actions in the framework?

Neil Rennick: There is a number of different elements in that and we are responding to them in a number of different ways. The Scottish Social Services Council published some data in the summer to provide us with information on workforce movements, particularly those between different sectors—the public sector, the private sector and the voluntary sector. We have delivered on one of the recommendations from the Audit Scotland report by having that information. It showed that the majority of people who move out of roles in the private sector go to other roles in the private sector. Those who go to the public sector is roughly proportionate to the scale of the public sector within the system. An issue it highlighted was that very few people move out of the public sector into the private and voluntary sector. There is clearly something in that about the positives of working in the public sector for those people doing so, but there was not any indication that the scale of movement was different from the proportions within the overall system.

We know that the number of childminders has reduced since the policy was introduced. You will be aware that the Government committed in the programme for government to expand on some pathfinder work that we have been doing to increase the number of childminders by 1,000 by 2026.

The other issue—this links back to the sustainability issues that we were just discussing—is that we know that sustainability within the private sector links with access to workforce and issues such as paying the real living wage. In the programme for government, ministers committed to providing funding sufficient to pay a wage of £12 an hour to relevant staff who are delivering funded early learning and childcare services.

There is a number of different responses to those elements that are picked up within the Audit Scotland report.

Sharon Dowey: I should also have asked whether the strategic framework has been published. I think that it was due at the end of the summer.

Neil Rennick: It has not been published yet. Work has been progressing on it between COSLA and the Government. We are looking at the implications of the announcements in the programme for government and also at some of the other work that we have been doing on workforce movement to examine the implications of that. The intention is to publish the output from that this year. I think that that is right. Eleanor, do you want to comment?

Eleanor Passmore: We have been carrying out the actions that were agreed through the working group, which includes COSLA colleagues and the unions. For example, we announced a waiver of protection of vulnerable groups fees, and we have been consolidating and simplifying access to continuous professional learning.

As Neil said, we want to think carefully about the quite different approach that was announced in the programme for government for early adopters that will consider what childcare looks like from nine months to the end of primary. That might look quite different in the regulatory requirements and the workforce requirements.

We want to take a bit more time to examine that fully with the Care Inspectorate, SSSC and SFC. It might take a bit longer to do that piece of work properly with those agencies and engaging carefully with COSLA on that. We anticipate that it might be next year before we set out more detail around that but, as I said, we are cracking on with the actions that we had agreed already with colleagues who sit on that working group.

Sharon Dowey: The strategic framework was originally due to be published in summer. You are changing the way that you are doing it. It will not be published this year, so it will be next year, but you are doing some announcements as you go along. Is that what you are saying?

Eleanor Passmore: We are doing some of the things that are sensible, that we need to get on and do and where we have agreement to do that. However, we need to take a bit more time to think about the implications of a different approach to delivery—which we are trialling in six local authority areas; those are in the communities that are experiencing the most deprivation—and we want to take the time to reflect on the findings that we have from where school-age childcare has been developing that work. That might mean, for example, looking at models of family support that are different from traditional ELC delivered in ratio within a setting. That might look different in terms of the workforce that you want to recruit.

We want to have the time to do that thinking, but that does not mean that we will pause the work that is necessary, for example, to address some of the recruitment and retention issues that the sector is facing or the planning that is necessary for the expansion to two-year-olds. We want to ensure that we are taking the learning from the early adopters and taking the time to consider with partners what might look different as a result of that approach.

Sharon Dowey: Do you have a list of all the things that you have already implemented?

Eleanor Passmore: I mentioned the PVG fees, which is one area. We are looking at SSSC fees. We have worked with SSSC on staff movement data and understanding those implications. We have started work on workforce planning and development. I have already mentioned simplification of access to continuous professional learning. We are also working to ensure that young people understand what sources of funding are already available for them in their training and development. Those are some examples of the actions that we have agreed with colleagues that we need to crack on and do and that we are doing.

Sharon Dowey: We do not know when we will see the strategic framework, then. Will it include details on the affordability of and funding for all the actions?

Neil Rennick: Yes, absolutely—any actions will be built into our overall investment plans. The biggest of those is the commitment to the wage of £12 an hour and that will be factored into the budget for 2024-25.

Sharon Dowey: You mentioned earlier that the Scottish Social Services Council has published new data on workforce movement. Does that fill the data gap that was highlighted in the audit report in relation to the movement of ELC workers between sectors?

Neil Rennick: It has very rich data on the movement between different sectors and within sectors.

Sharon Dowey: What impact has the new data had on planned actions to mitigate workforce risks?

Neil Rennick: All that data is feeding in. As I said, the data indicated that the movements from the private and voluntary sector into other areas was broadly proportionate with what you would expect for the scale of the sector. It did not indicate that there was a disproportionate movement in particular directions, other than that one issue that I mentioned, which is that there tended to be far fewer people moving out of the public sector. We are factoring that in, but clearly this has to fit within the wider programme of work on retention and remuneration in the early learning and childcare sector, particularly in the private and voluntary sector.

Sharon Dowey: Private early learning providers were greatly concerned about staff moving to the public sector. Has any action been taken on the point?

Neil Rennick: As I said, the data did not particularly suggest that the numbers were disproportionate compared with what you expect. The majority of people who move out of the private sector move into other private sector roles, but we clearly need to keep a watch on the movements and whether they are an indicator of movement.

As Eleanor Passmore mentioned earlier, the Care Inspectorate assessment of the quality being delivered across the board for early learning and childcare is very high and that is to the credit of the staff across all sectors.

10:30

The Convener: A final quick question from me. You mentioned a couple of times about the real living wage being paid. That has been announced as an uprating to £12 an hour, so a rate of at least £12 an hour is what we are speaking about here. You said that that would be funded by the Scottish Government. Do you know for sure that all employers in the voluntary, private and public sectors are paying their staff the real living wage? Do you monitor that? How do you know that?

Neil Rennick: Some data that was collected this summer showed that 84 per cent of private and voluntary sector providers were paying the real living wage either to all their staff or to those staff who were delivering funded early learning and childcare. On the commitment of £12 an hour, we will then move that to all staff and we will have arrangements in place to monitor that.

The Convener: What do you do about the 16 per cent?

Neil Rennick: As I said, the commitment of £12 an hour will respond to that.

The Convener: Sorry, but what I am asking, Mr Rennick, is to do with what you said about 84 per cent of providers meeting the criterion of paying their staff at least the living wage, which means that 16 per cent did not. What leverage do you have over that 16 per cent?

Neil Rennick: The commitment that we have now given is to making that available, and part of the work that we are doing on that is ensuring that that feeds through to the staff. I do not know whether Eleanor wants to comment.

Eleanor Passmore: I wonder whether COSLA colleagues want to mention the contractual obligations through the national standard. That includes a mechanism for ensuring that those that are funded are implementing them.

Matthew Sweeney: You have absolutely made the point. The national standard, which was part of the foundation of how this works, requires all operators that wish to deliver funded hours to be able to evidence their ability to meet those criteria. Many of those are things that we have discussed already about the quality under the Care Inspectorate, but there is a specific standard on fair work. That is not just the living wage but the range of other commitments that you require to be a good employer. Councils will be examining that through their contractual arrangements process with providers.

The other thing that we have is the ELC fair work and living wage group. It is considering the issue and what more we can do, because we recognise that there is more that we could be doing.

The Convener: As we reflected in the previous evidence session that we had with the Auditor General, that is an implementation group. That is its title, is it not? It is the ELC living wage and fair work implementation group. What is its role in ensuring that fair work and living wage conditions are implemented? Matthew Sweeney, I do not know whether you can answer that.

Matthew Sweeney: I am not on that group. I understand the remit is primarily looking at what approaches have been taken in different areas, how can we share best practice and understand how we are able to do that. I think that there will be a role, as Neil Rennick said, as we move towards a new commitment from the Scottish Government, in considering what that means for the implementation approach. There is probably also something for the group to think about what the cross-sectoral issues are. I would imagine that this is not just an issue in ELC but that there will be a range of areas in which we will need to think about the power and ability to influence the passing on of those commitments.

The Convener: Thank you very much, indeed. That has been a useful session for us. I thank the director general, Neil Rennick, for coming along and leading on this evidence and Eleanor Passmore for your input. Matthew Sweeney and Joanna Anderson from COSLA, thank you very much, indeed, for answering our questions and taking part in this morning's discussion.

10:33

Meeting continued in private until 11:06.

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