

Public Audit Committee

18th Meeting, 2023 (Session 6), Thursday, 15 June 2023

Early learning and childcare: Progress on delivery of the 1,140 hours expansion

Introduction

1. At its meeting today, the Public Audit Committee will take evidence from the Auditor General for Scotland (AGS) and the Accounts Commission on the joint section 23 report, [Early learning and childcare: Progress on delivery of the 1,140 hours expansion](#), which was published on 1 June 2023.
2. The AGS has prepared a note on the key messages from the report which, along with a copy of the report, can be found in the **Annexe**.
3. The Committee will decide any further action it wishes to take after it has taken evidence from the AGS.

**Clerks to the Committee,
12 June 2023**

BRIEFING PAPER BY THE AUDITOR GENERAL FOR SCOTLAND

1. The third joint Auditor General and Accounts Commission report on Early learning and childcare was published on 1 June 2023. This follows up on the previous reports published in [February 2018](#) and [March 2020](#). It focusses on the progress made by the Scottish Government and councils in addressing the risks to expanding funded ELC to 1,140 hours per year by the revised deadline of August 2021 and progress by the Scottish Government in planning how to assess the impact of the expansion on outcomes for children and families.
2. The 2018 and 2020 reports highlighted risks to delivering the expansion, including risks to getting enough buildings and people in place to deliver the expansion for August 2020, which was the deadline for the expansion at that time. The reports also both identified risks to the sustainability of funded providers in the private and third sectors. In 2018, we reported on the need to finalise plans for evaluating the impact of the expansion and in 2020 we reported that plans were well advanced, although some components had still to be finalised. Since the publication of the 2020 report, the Covid-19 pandemic resulted in the deadline for the expansion moving from August 2020 to August 2021.
3. Key messages and recommendations from the report are:
 - The Scottish Government and councils did well to put in place 1,140 hours of funded ELC by August 2021, during the Covid-19 pandemic. Councils had completed most of the infrastructure projects and had significantly expanded the workforce.
 - Take up among three and four-year-olds remains high and most parents are happy with the flexibility available. More two-year-olds are now receiving funded ELC, but many more are estimated to be eligible. The Scottish Government and partners have made progress with data sharing arrangements to allow councils to identify eligible two-year-olds.
 - This is a flagship policy which underpins the Scottish Government's broader ambitions to reduce child poverty and to support economic transformation. Around £1 billion is invested in it annually. But the sector is fragile. Budget pressures and risks around workforce and the sustainability of funded providers, such as private nurseries and childminders, risk limiting flexibility and choice for families, which is important to achieving the intended policy outcomes. We recommend that the Scottish Government works with councils and other stakeholders to develop long-term workforce plans for the sector to address the risks to sustainability and meet future demand. Also related to these risks around sustainability, and to inform future decisions on funding and workforce, we recommend that the Scottish Government works with

councils to urgently put in place a process for monitoring progress with providers paying the living wage to staff delivering funded ELC.

- In 2021/22 councils spent £956 million on pre-primary education, but apportioning spending specifically to the expansion is complex. 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. The Scottish Government plans to assess the policy's value for money by comparing the costs and outcomes of providing 600 hours of ELC in 2018/19 with the costs and outcomes of delivering 1,140 hours in 2023/24. We recommend that the Scottish Government improves planning for, and implementation of, future policies by working with stakeholders to make plans to gather the necessary data for managing and planning services at an early stage. This should include plans to gather consistent data on the costs of delivering future policies, to help assess whether they are achieving value for money and delivering the intended outcomes.
 - There have been further delays in developing software needed to improve the management and monitoring of ELC services. Also, data gaps still exist around workforce movement and whether funded providers pay the living wage. We recommend that the Scottish Government and councils work together to review data held locally by councils and plan how to gather data consistently to address the data gaps at a national level highlighted throughout the report. In particular, we highlight the importance of considering how to address the data gaps on: the movement of the ELC workforce between the public, private and third sectors; demand for both funded ELC and childcare paid for directly by parents; and the extent to which children with additional support needs are not accessing funded ELC, the reasons for this, and the extent of any unmet needs. These gaps in data and the lack of consistency make it harder for the Scottish Government and councils to plan and manage ELC services.
 - It is too early to assess whether the expansion has led to better outcomes for children and increased opportunities for their parents to work, study or train. The Scottish Government has developed plans to evaluate the impact of the expansion and collect the necessary data. The impact of Covid-19 on children's development and their families' economic circumstances will make the evaluation more challenging. We recommend that the Scottish Government captures and considers children's views as part of future evaluation of the policy, in line with Article 12 of the United Nations Convention on the Rights of the Child. We made a similar recommendation in our 2020 report, and the Scottish Government is still deciding whether and how to include children's views in the evaluation.
4. We plan to undertake further audit work to examine the impact of the expansion on outcomes for children and parents. The timing and approach to this work are still to be agreed.

Early learning and childcare

Progress on delivery of the 1,140 hours expansion



ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Prepared by Audit Scotland
June 2023



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Audit team

The core audit team consisted of Tricia Meldrum, Rebecca Smallwood, Nina Miller and Yoshiko Gibo, under the direction of Mark MacPherson.

Key messages

- 1** The Scottish Government and councils did well to put in place 1,140 hours of funded early learning and childcare (ELC) by August 2021, during the Covid-19 pandemic. Councils completed most of the infrastructure projects and had significantly expanded the workforce.
- 2** Take-up among three- and four-year-olds remains high and most parents are happy with the flexibility available. More two-year-olds are now receiving funded ELC, but many more are estimated to be eligible. The Scottish Government and partners have made progress with data-sharing arrangements to allow councils to identify eligible two-year-olds.
- 3** This is a flagship policy which underpins broader ambitions to reduce child poverty and to support economic transformation. Around £1 billion is invested in it annually. But the sector is fragile. Budget pressures and risks around workforce and the sustainability of funded providers, such as private nurseries and childminders, risk limiting flexibility and choice for families, which are important to achieving the intended policy outcomes.
- 4** In 2021/22, councils spent £956 million on pre-primary education, but apportioning spending specifically to the expansion is complex. 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. The Scottish Government plans to assess the policy's value for money by comparing the costs and outcomes of providing 600 hours of ELC in 2018/19 with the costs and outcomes of delivering 1,140 hours in 2023/24.

- 5** There have been further delays in developing software needed to improve the management and monitoring of ELC services. Also, data gaps still exist around workforce movement and whether funded providers pay the living wage.
 - 6** It is too early to assess whether the expansion has led to better outcomes for children and increased opportunities for their parents to work, study or train. The Scottish Government has developed plans to evaluate the impact of the expansion and collect the necessary data. The impact of Covid-19 on children's development and their families' economic circumstances will make the evaluation more challenging. Outcomes will be covered in our future audit work.
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Recommendations

The Scottish Government and councils should:

- work together to review data held locally by councils and plan how to gather data consistently to address the data gaps at a national level highlighted throughout the report. Data to improve planning and monitoring will help manage the risks highlighted in the report; in particular, data on:
 - the movement of the ELC workforce between the public, private and third sectors
 - demand for both funded ELC and childcare paid for directly by parents
 - the extent to which children with additional support needs are not accessing funded ELC, the reasons for this, and the extent of any unmet needs.

The Scottish Government should:

- work with councils and other stakeholders to develop long-term workforce plans for the sector to address the risks to sustainability and meet future demand
- work with councils to urgently put in place a process for monitoring progress with providers paying the living wage to staff delivering funded ELC. This information is crucial to inform future decisions on funding and workforce which are key risks to the sustainability of the sector
- capture and consider children's views as part of future evaluation of the policy, in line with Article 12 of the United Nations Convention on the Rights of the Child
- improve planning for, and implementation of, future policies by working with stakeholders to make plans to gather the necessary data for managing and planning services at an early stage. This should include plans to gather consistent data on the costs of delivering future policies, to help assess whether they are achieving value for money and delivering the intended outcomes.

Background

1. Early learning and childcare (ELC) refers to the care and learning services that children receive before starting school. It is usually funded by parents or by councils. Throughout this report, we use the term 'parents' to refer to parents and carers.

2. Children receive ELC services in a range of settings, including nurseries in schools, stand-alone nurseries, early years centres, playgroups and childminders. ELC providers can work in the public, private or third sector, which includes community groups and charities. We use the term 'funded ELC' to refer to the hours of ELC funded by councils. Councils may provide funded ELC themselves, fund a provider from the third or private sector or a childminder, or use a combination of these options.

3. The Scottish Government has indicated that expanding funded ELC is one of its flagship policies. The policy is intended to improve outcomes for both children and their families. It is also a key strand of broader policy ambitions to reduce child poverty and support economic transformation.^{1 2} Since 2021/22, the Scottish Government has allocated around £1 billion per year to councils to deliver funded ELC.

Funded ELC increased to 1,140 hours per year from August 2021

4. In August 2021, the number of hours of funded ELC to which eligible children were entitled almost doubled, from 600 hours a year to 1,140 hours a year. This applies to all three- and four-year-olds and eligible two-year-olds (estimated at about a quarter of all two-year-olds). It is equivalent to about 30 hours of funded ELC per week in school term-time. Although eligible children are entitled to funded ELC, it is not mandatory.

5. Two-year-olds eligible for funded ELC include those with care experience, those with a parent who gets certain benefits and those with a care-experienced parent. Two-year-olds who are eligible because a parent is on certain benefits remain entitled to funded ELC regardless of whether the parent remains on those benefits or not.

6. The Scottish Government and councils originally planned for the expansion to 1,140 hours to come into effect from August 2020. As a result of the Covid-19 pandemic, the Scottish Government delayed the implementation date by a year. This was to allow councils to focus on responding to the pandemic, including providing childcare to key workers. It was also intended to address potential delays caused by the pandemic in recruiting staff and completing building works.

7. The Scottish Government has committed to providing high-quality, flexible ELC that is accessible and affordable for all families. It intends that funded ELC will primarily deliver the best outcomes for children, particularly those who are more vulnerable or disadvantaged. This means that children's development improves and the **poverty-related outcomes gap** narrows. The expansion is also intended to promote greater choice and flexibility for parents in how they access the funded entitlement and increase the opportunities for parents to work, train or study. A third intended outcome is to improve family wellbeing.^{3 4}

The Scottish Government plans to expand funded childcare to other age groups

8. Since announcing the increase in funded ELC to 1,140 hours, the Scottish Government has committed to:

- expanding funded ELC to one- and two-year-olds, starting in this Parliament (2021–26) with children who will benefit the most
- by the end of this Parliament, building a system of school-age childcare to provide care before and after school, all year round, that will be free for those on the lowest incomes.

The Scottish Government intends to publish more details on the approach and timescales for the school-aged childcare commitment in summer 2023.

About this audit

9. The overall aim of this audit was to examine the progress made by the Scottish Government and councils to deliver the expansion of funded ELC and in planning how to evaluate its impact. We aimed to assess:

- what progress the Scottish Government and councils had made in addressing the main risks to expanding funded ELC
- what progress the Scottish Government had made with planning how to assess the effectiveness of the expansion.

10. This is the third in a series of audits on ELC. Our first and second audits, published in February 2018 and March 2020 respectively, identified risks to expanding funded ELC to 1,140 hours by August 2020 (the deadline for the expansion at that time). These included risks related to having enough people and buildings in place for the expansion and to the sustainability of funded providers. We plan to undertake future audit work to examine the impact of the expansion on outcomes for children and their families.

11. This report is in two parts:

- Delivering the expansion
- Planning to assess the impact of the expansion.



Poverty-related outcomes gap

The poverty-related outcomes gap for ELC refers to the difference in outcomes, such as cognitive and language development (for example, problem solving skills, vocabulary and creativity) between children living in the most deprived and least deprived areas.

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

- interviews with staff from the Scottish Government, **COSLA**, the Scottish Futures Trust (SFT), the National Day Nurseries Association (NDNA), Scottish Childminding Association (SCMA) and other national bodies
- a focus group with council staff involved in the expansion
- a review of council committee papers on progress with the expansion
- analysis of data from councils on the progress of the expansion and spending on pre-primary education
- a review of meeting papers from the national groups involved in planning for the expansion
- a review of parent surveys carried out by the Scottish Government and other bodies.

13. Councils and the Scottish Government are continuing to progress work in this area. We included information available to us by early May 2023 in our audit.



COSLA

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

1. Delivering the expansion

In this part, we look at progress made by the Scottish Government and councils in delivering the expansion to 1,140 hours of funded ELC. Overall, they have made good progress in many aspects of the policy implementation. Councils have completed most of the infrastructure projects and have staff in place. Most parents are happy with the flexibility available and councils and funded providers are offering the extra hours. The Scottish Government has allocated around £1 billion a year for funded ELC, but it does not know the total amount of money spent by councils on the expansion from 600 to 1,140 hours.

Some risks have changed since the expansion came into effect in August 2021, posing a threat to the sustainability of progress. There are particular concerns about workforce, future funding for funded ELC and the sustainability of funded providers. There are also a number of data gaps making it harder to plan and manage services.

Councils decide how to offer funded ELC, taking account of national guidance and parents' views

14. Councils have a statutory duty under the Children and Young People (Scotland) Act (2014) (the Act) to make sure that 1,140 hours of funded ELC per year are available to all eligible children in their area.⁵ They are not required, however, to ensure that all parents' preferences are met. The Act requires that councils 'have regard to the desirability of ensuring that' funded ELC is provided in a way that is 'flexible enough to allow parents an appropriate degree of choice'. Councils also have a statutory duty to consult with parents every two years on how funded ELC is provided and publish a plan taking account of the consultation findings. The frequency of consultation is important, as children are eligible for funded ELC for only two or three years, so the population of families receiving funded ELC changes regularly. The associated statutory

guidance sets out that councils should provide funded ELC in a way that reflects local needs and allows for a choice of different settings and **patterns of delivery**.

15. ‘Funding follows the child’ is the term used to describe the overall delivery model for the expansion of funded ELC. The Scottish Government and COSLA jointly published a National Standard that sets out the criteria that ELC providers need to meet to be eligible to offer funded ELC.⁶ In line with the ‘funding follows the child’ approach, parents should receive a place with the provider of their choice if that provider:

- meets the criteria for the National Standard
- has a space available
- can offer funded hours in line with councils’ ELC delivery plans (subject to the provider’s overall capacity)
- has a contract with the council to deliver funded hours.

16. Parents can expect to have some choice over where their child attends ELC and the pattern in which that ELC is provided. However, the degree of choice is determined by what is offered in each parent’s council area, and, although these options should be based on the findings of consultations with local parents, they may not reflect the individual needs of all families. In addition, choice is limited by the space available in ELC settings, so popular choices may be over-subscribed. Councils are working to increase the flexibility and choice available to parents. However, parents may not always get a place for their child at the setting of their choice, or with their ideal pattern of hours.

An increasing proportion of children are now registered for 1,140 hours of funded ELC

17. A census that counts uptake of any funded ELC, rather than the expansion specifically, indicates that uptake among three- and four-year-olds is high. About 99 per cent of three-year-olds and four-year-olds were registered for funded ELC in 2022.⁷

18. New software for councils to gather administrative data was intended to provide information on children accessing funded ELC, including the numbers of hours of funded ELC children are registered for. In 2020, we reported on delays to developing this software. Continued delays mean that it is not yet available ([paragraphs 91 and 92](#)). In the absence of this software, the **Improvement Service** has gathered information from councils on progress in delivering the expansion. While this data is drawn from different systems, which could result in inconsistencies, it is the only data on uptake of the expansion available at a national level.



Patterns of delivery

refer to the way in which hours of funded ELC are made available. For example, being available during school term-time only, or spread across a greater number of weeks of the year; or being available for more shorter days or fewer longer days each week.

The Improvement Service

is the national improvement organisation for local government in Scotland.

19. The most recent data reported by councils to the Improvement Service, in September 2022, shows that 89 per cent of the children accessing funded ELC were registered to receive 1,140 hours. This is a slight increase from 87 per cent in August 2021, when the requirement to provide 1,140 hours came into effect ([Exhibit 1](#)).⁸ Children may be registered to receive a certain number of funded hours, but this does not mean that they will take up this amount.

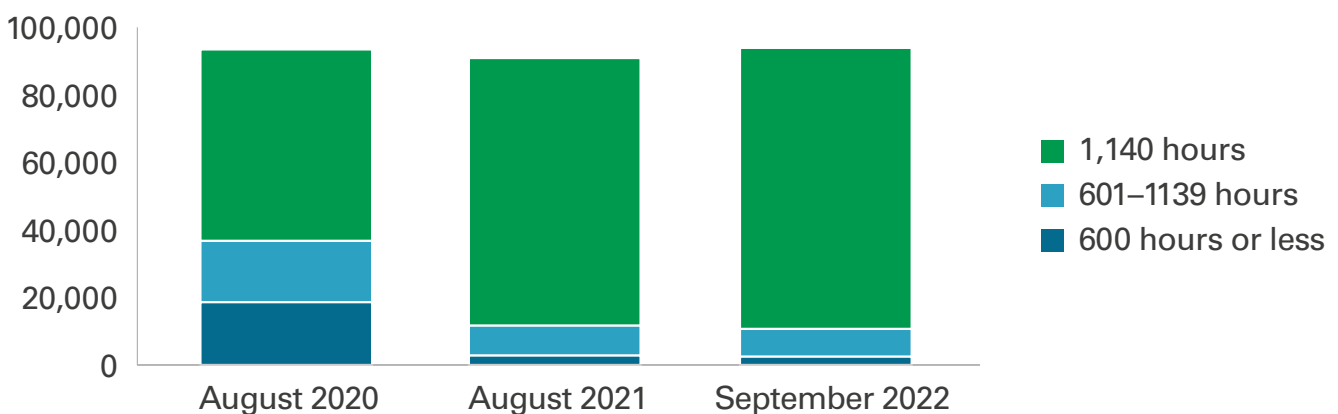
20. Five-year-olds may also be eligible for funded ELC. Parents of children born in January or February may choose to defer their child starting school from the autumn term in the year before their fifth birthday to the following year and receive an additional year of funded ELC. From August 2023, entitlement to an additional year of funded ELC will be expanded to children with birthdays after the start of school in August. Ten councils are already piloting this new approach. Initial feedback from these councils indicates that the increase in numbers of children deferring has not been as high as anticipated, although there have been some localised challenges with the knock-on impact on spaces for younger children.⁹ The pilot has informed assumptions that around half of children with January and February birthdays will be deferred and 15 per cent of those with August to December birthdays. A final report on the pilots is due in spring 2023.

Exhibit 1.

Changes in the proportion of children registered for 1,140 hours of funded ELC over time

A higher proportion of children were registered for 1,140 hours of funded ELC in September 2022 than in August 2020.

Number of children registered



Source: Improvement Service, 2022

While most parents are happy with the funded ELC available, some have concerns about the flexibility and choice

21. Where children are registered for fewer than 1,140 hours, the nationally available data does not indicate whether this is because their parents have chosen to register them for fewer hours or due to unmet need. In August 2021, councils confirmed to the Scottish Government that they were able to offer a place to all eligible children who had applied for funded ELC up to 1,140 hours.

22. A recent large-scale parent survey by the Scottish Government found that about 20 per cent of parents of three- to five-year-olds responding to the survey did not use their full 1,140 hours. Most of these parents said that this was their choice. But just under a quarter of parents of three- to five-year-olds not using the full 1,140 hours said that this was due to not getting the days or hours of funded ELC that they would like in their preferred setting.¹⁰ Information on the extent to which parents get their preferred ELC option is not available nationally.

23. Although uptake of funded ELC is very high, a small number of children do not use it. Parents of three- to five-year-olds who are not attending funded ELC at all (three per cent of those responding to the Scottish Government survey) reported a lack of flexibility and choice as a barrier to uptake.¹¹

24. The Scottish Government's parent survey found that 74 per cent of parents agreed or strongly agreed that funded ELC meant they had been able to work or look for work, while 11 per cent disagreed or strongly disagreed. Parents living in deprived areas or low-income households were more likely to have used funded ELC to think about their future, to study, to care for others and to have more time to look after themselves. They were less likely to have worked or looked for work or increased their working hours. The Scottish Government plans to assess the impact of the expansion on parents' opportunities to work, train and study as part of the planned evaluation ([paragraphs 101–102](#)).

25. Overall, 88 per cent of parents of three- to five-year olds were satisfied with the flexibility of their funded ELC. But there were differences between some groups of parents:

- Parents in a household with no working parents were more likely to be very satisfied than those with two working parents.
- Parents living in deprived areas were more likely to be very satisfied.
- Parents with a household income of under £16,000 were more likely to be very satisfied than those with higher household incomes.¹²

More two-year-olds are now receiving funded ELC, but many more are estimated to be eligible

26. About 14 per cent of all two-year-olds were registered for funded ELC in 2022 compared to 11 per cent in 2019.¹³ But it is estimated that 25 per cent of two-year-olds are eligible for funded ELC.¹⁴ Some councils indicate that more two-year-olds are becoming eligible due to the current economic climate.¹⁵

27. Of the eligible two-year-olds registered for funded ELC, the proportion registered for the full 1,140 hours is increasing. This rose from 72 per cent in August 2021 to 83 per cent in September 2022.¹⁶ As noted previously ([paragraph 21](#)), we were unable to determine whether children are not being registered for the full 1,140 hours because their parents preferred to use fewer hours.

28. The Scottish Government and COSLA jointly identified increasing uptake by eligible two-year-olds as a priority in 2022. The Scottish Government has asked councils to promote uptake by eligible families and consider using their **discretionary powers** to support families in need, using ELC funding.

29. The Scottish Government intends to review the best way to expand access to funded childcare for the **priority families** identified in the Tackling Child Poverty Delivery Plan.¹⁷ This is intended to simplify the approach for families and maximise opportunities to support families out of poverty, by providing access to childcare.

The Scottish Government and partners have made progress towards implementing data-sharing arrangements so councils can identify eligible two-year-olds

30. We previously reported that a barrier to increasing uptake by eligible two-year-olds was that councils did not know which families in their area were eligible. The Scottish Government has worked with partners including His Majesty's Revenue and Customs (HMRC) and the Department for Work and Pensions (DWP) to progress data-sharing arrangements and allow councils to access this data. Legislation passed in the UK Parliament in October 2022 created a legal gateway to allow data-sharing. The Scottish Government has been finalising a technical platform to share this data and councils are expected to be able to access this information once they have agreed the necessary documentation.

31. The Scottish Government is also exploring whether the new legal gateway can provide data to update the estimated numbers of eligible two-year-olds. This is necessary to better understand uptake relative to the eligible population and changes in the numbers of eligible children over time.

Discretionary powers

Councils have discretionary powers that allow them to provide support beyond the statutory ELC entitlement. This could include providing additional hours of funded ELC to eligible families or offering funded hours to families not covered by current eligibility criteria.

Priority families

The priority families are lone parents, households where someone is disabled or has a minority ethnic background, families with three or more children or where the youngest child is under one and families where the mother is under 25.

It is difficult to assess the extent to which children with additional support needs are accessing funded ELC

32. Since 2018, the proportion of registrations of children with additional support needs for funded ELC had been consistent at about 15 per cent of all registrations. In 2022, 16,500 children registered for funded ELC (about 18 per cent of registrations) had additional support needs.¹⁸

33. National data on children with additional support needs is from an aggregated annual census, rather than information on individual children. Data-quality issues mean there are inconsistencies in the data. From the limited available information, it is difficult for the Scottish Government and councils to identify gaps between families' needs and the services available. It is also difficult for them to assess the extent to which children with additional support needs are not accessing funded ELC, and the extent of unmet needs. The delayed new software to gather administrative data will help to address some of these issues once it is in place ([paragraphs 90–92](#)).

34. A recent survey found that 85 per cent of parents of a child with additional support needs accessing funded ELC were satisfied that it met their child's needs and 69 per cent reported no difficulties in finding funded ELC to meet their child's needs. Where parents were not satisfied with how their child's needs were being met, concerns included:

- staff not fully or appropriately trained
- lack of support
- poor communication with funded ELC setting
- hours unsuitable.¹⁹

Most of the infrastructure needed for the expansion was in place for August 2021

35. In our previous ELC audits, we found that councils faced risks in getting the buildings and facilities (or infrastructure) needed to offer the increase in hours in place by the original deadline of August 2020. Since our last audit, councils have made good progress throughout the Covid-19 pandemic to develop the infrastructure needed for the expansion. This has included building new facilities, extending and refurbishing existing facilities and outdoor projects.

36. Not all of the places being created were necessary to meet demand from the new August 2021 deadline. Councils anticipated that about 25 per cent of additional places would be available after August 2021. This takes account of increasing numbers of three-year-olds becoming eligible for funded ELC throughout the school year, peaking annually in April, and other infrastructure projects to increase flexibility and choice or

to link with wider school estate development – for example, a planned new school including nursery places.

37. In August 2021, 510 of the 587 (87 per cent) infrastructure projects identified by councils as being necessary for the start of the expansion were complete. Contingency arrangements were in place for the remaining 13 per cent.²⁰ Some councils reported that contingency arrangements meant less flexibility or choice for parents. For example, some families received a place at an alternative setting until building work was completed.

Councils have continued to make progress in completing the infrastructure needed for the expansion

38. By August 2022, councils had completed about 90 per cent of the 911 infrastructure projects planned, including those due to complete after August 2021. The remaining projects were either in construction (four per cent) or in development (six per cent). These projects are all planned for completion by 2025.²¹

39. Of the 587 projects that councils had defined as necessary for the start of the expansion, 95 per cent were complete by August 2022, with 28 projects (providing 1,453 additional places) still outstanding and using contingency arrangements where necessary.²²

40. Progress in completing the necessary infrastructure varies locally. Of the 28 projects required for August 2021 that were still not complete by August 2022, seven were in The City of Edinburgh Council, four were in Midlothian and three were in South Ayrshire, with one or two projects in a further ten councils.²³ It is important to note that where infrastructure is not complete, this does not mean that children are not receiving funded ELC, but it may reduce the flexibility and choice available to parents. Contingency arrangements were in place for these projects where required. Some councils have indicated that contractor failure and the impact of Covid-19 on timescales has led to slower progress in completing their planned infrastructure.

Councils are forecasting spending over £100 million more on capital projects than was allocated by the Scottish Government

41. Between 2017/18 and 2020/21, the Scottish Government provided £476 million of capital funding in **cash terms** to councils to develop infrastructure for the expansion. As at August 2022, councils projected to the SFT that their final capital spend on the expansion would be £598 million.²⁴ This figure is in cash terms and spending is spread across a number of years. It does not include projects for which councils have not yet reported an estimated capital cost. Some councils indicated

Cash terms means that we are reporting the actual cash or money paid or received.

that their forecast spending figures included projects not intended to be funded by their capital allocation for the expansion. For example:

- Orkney Islands Council's forecast spending included a £4.3 million project which was agreed prior to the capital allocations for the ELC expansion in 2018. Delays meant this was not completed until 2023, so the project was included in reporting to the SFT.
- East Renfrewshire Council included around £2.9 million of forecast spending for ELC developments that were not a direct consequence of the ELC expansion, for example to meet increased demand as a result of new housing developments.

42. The Scottish Government based capital allocations on information from councils about how much they needed to spend on infrastructure projects for the ELC expansion. These were adjusted to take account of cost metrics for new buildings and did not cover the costs of purchasing land. Some councils chose to include higher building specifications than the cost metrics covered, for instance to improve insulation and help them achieve net-zero carbon targets. Some councils, including Clackmannanshire and East Renfrewshire, revised their initial plans and included additional infrastructure which also led to higher costs. Councils have indicated that the reasons for cost increases include the Covid-19 pandemic and the impact of delays and increasing construction prices. Supply chain issues and contractor failure have also contributed to increasing costs in some council areas. For example, in The City of Edinburgh Council, the main contractor went into administration for five new-build projects.

43. Councils have reported that spending on capital projects in general was likely to increase in 2022 because of inflation. They estimated that costs would be about 30 per cent higher than expected.²⁵ This may explain some of the higher forecast spending compared to allocations.

Councils had the staff they needed to deliver the expansion, but continuing to have enough staff in future will be challenging

44. The number of full-time equivalent (FTE) council staff working in ELC increased by almost 8,000 between 2016/17 and August 2021. Councils reported employing over 17,500 FTE ELC staff by August 2021.²⁶ Based on this number of staff and the places available in funded providers, councils were able to confirm to the Scottish Government that they could offer funded ELC to all children who had applied for a place of up to 1,140 hours.

Risks in relation to recruitment and retention of staff remain

45. The ELC sector continues to face recruitment and retention challenges. Falling rates of unemployment mean that employers are facing recruitment challenges in many sectors.²⁷ For day care of children

services (which includes funded ELC, non-funded ELC services and out of school-care), the percentage of services reporting staff vacancies increased from 21 per cent in 2020 to 31 per cent in 2021. Vacancies accounted for almost five per cent of the FTE day care of children workforce in 2021.²⁸

46. Withdrawal from the European Union may also have contributed to recruitment and retention challenges in the ELC sector, by reducing the pool of potential workers. It is difficult to assess the extent to which the number of EU migrants in the workforce has changed over time, as research using different methodologies and definitions of the ELC workforce has produced varying results.

47. The Scottish Government is working with stakeholders to draft a strategic framework for the ELC and school-age childcare workforce and an associated action plan for the next four years, to address the continued pressures in recruitment and retention in the sector. This is due to be published in summer 2023.

Councils report recruitment challenges in some areas

48. Some councils have highlighted issues in recruiting ELC staff in their areas. This includes difficulties in recruiting for posts in remote or rural locations, for Gaelic settings, and for more senior roles. These local recruitment challenges can affect the flexibility and choice of the ELC available to families.

ELC providers in the private and third sectors continue to report particular challenges with recruiting and retaining staff

49. As in our last audit, representative bodies of private and third sector ELC providers, including childminders, report that their members have challenges in recruiting and retaining staff.

50. We previously recommended that the Scottish Government and councils consider how the local data on the movement of ELC workers from the private and third sectors to council settings could be used for national monitoring. The Scottish Government worked with partners and concluded that data was not collected consistently enough to enable national monitoring. Therefore, it is still not possible to quantify the extent to which workers are moving from the private and third sectors to council settings. The Scottish Government is working with the Scottish Social Services Council (SSSC) to identify what additional information on workforce movement may be possible with SSSC data. This data was not available at the time of finalising our audit.

51. In the absence of national data on staff movement between sectors, the Scottish Government monitors the stability index of staff. This index reflects the extent to which ELC staff remain in post after one year. Between 2019 and 2021, stability was consistently higher in council settings (82 per cent in 2021), than in private (71 per cent in 2021) or third sector (75 per cent in 2021) settings.²⁹

52. Research in 2019 found that financial reasons were the most frequently given reason for employees leaving the day care of children workforce, particularly in the private and third sectors.³⁰ Since then, the implementation of the National Standard means that funded providers should be paying the **living wage** to staff delivering funded hours ([paragraph 79](#)).

53. Childminders also report recruitment and retention challenges. The number of childminders has decreased year-on-year from 5,669 in 2016 to 3,998 in 2021 (a 29 per cent reduction).³¹ The SCMA is working with partners to pilot an approach to recruiting 100 childminders in ten remote and rural communities that need more childcare. The pilot is ongoing, but, in early 2023, almost 60 new childminders had completed or applied for registration with the Care Inspectorate to establish new businesses in remote and rural areas. The approach has subsequently been expanded to additional communities and now includes some larger urban areas.³²

The Scottish Government allocated over £1 billion to councils for funded ELC in 2021/22

54. Councils receive funding for ELC from the Scottish Government through both core funding and a specific revenue grant. This reflects pre-existing arrangements where 600 hours was expected to be funded through core funding. A specific grant was introduced to fund the expansion from 600 to 1,140 hours. Councils' total core funding covers a wide range of services. The Scottish Government calculates indicative core funding for each of these services, including ELC. Councils spend their total core funding in the way that best allows them to meet local needs and priorities, meaning that indicative core funding for ELC does not need to be spent on funded ELC. In contrast, the specific grant is ring-fenced and must be spent on funded ELC.

55. At the national level, the money allocated to funded ELC increased in cash terms from £0.46 billion in 2017/18 to £1.02 billion in 2021/22, decreasing to £0.997 billion in 2023/24. The indicative core funding for ELC changed very little in cash terms but fell by 14 per cent between 2017/18 and 2023/24 in **real terms**. The specific grant for the expansion increased as councils planned for, phased in and implemented 1,140 hours ([Exhibit 2, page 19](#)).

Living wage

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

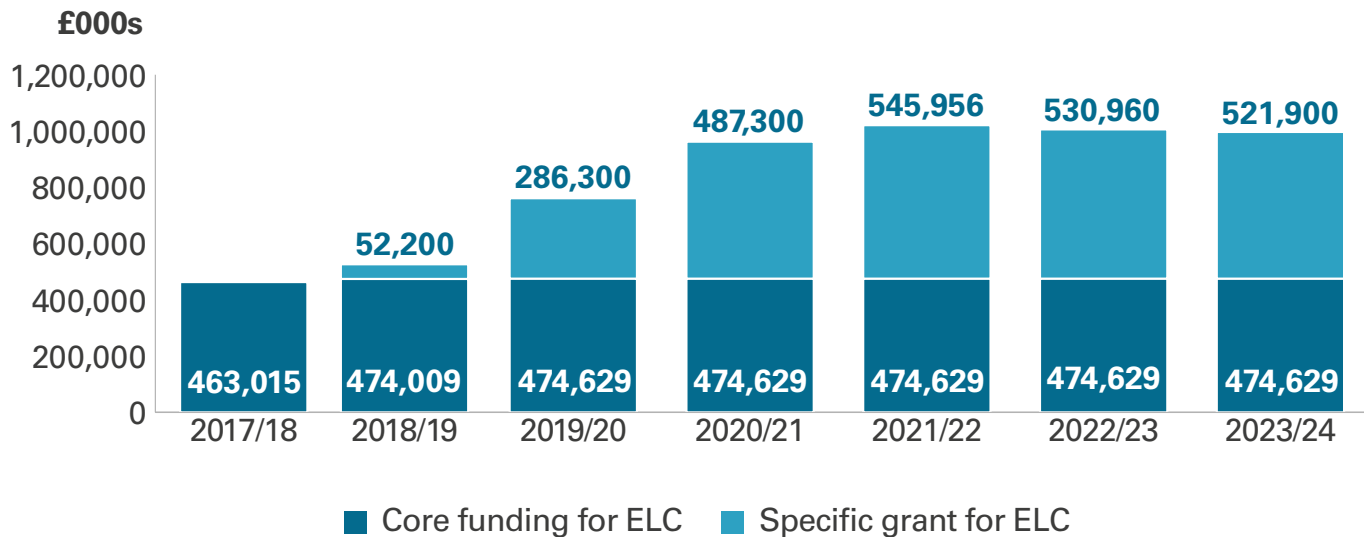
Real terms

Real terms figures means that we are showing financial information from past years at 2022/23 prices, adjusted for inflation so that they are comparable. We use gross domestic product (GDP) deflators to adjust for inflation, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK and Scottish governments when analysing public expenditure. As a result of the way that GDP is calculated, Covid-19 resulted in volatility across 2020/21 and 2021/22. To compensate for this, and to provide meaningful comparisons between years, we have used an average GDP growth rate across 2020/21 and 2021/22 in our calculations to separate inflation (changes in prices) from changes in outputs and those largely attributable to Covid-19 spending.

Exhibit 2.

Trends in revenue funding allocated for ELC between 2017/18 and 2023/24 in cash terms

There has been little change in indicative core funding for ELC, while the specific grant increased up to 2021/22.



Source: Scottish Government, 2023

The Scottish Government does not know how much money was spent by councils specifically on the expansion

56. Routine spending information that councils report does not distinguish between spending on 600 hours of funded ELC and spending on the additional hours provided by the expansion. The Scottish Government has gathered separate financial information on spending on the expansion from councils three times. However, there were issues with data quality on each occasion. This means that, despite these efforts, the information gathered does not provide a comprehensive picture of how much councils have spent specifically on the expansion at a national level.

57. As part of gathering this information from councils in 2020 and 2021, the Scottish Government requested data on ELC funding redirected as a result of Covid-19 and spending on critical childcare and mitigations to reduce the spread of Covid-19 in ELC settings. Inconsistencies in the data meant it was difficult to quantify accurately the extent to which ELC spending was redirected as a result of Covid-19.

58. Data from **local financial returns** (LFRs) shows that gross expenditure on pre-primary education increased in cash terms from £441 million in 2017/18 to £956 million in 2021/22.

Local financial returns

LFRs are a series of returns completed by councils on their audited expenditure annually.

59. Spending on pre-primary education is broader than spending on the expansion to 1,140 hours. It includes any spending on discretionary ELC provided by councils in addition to their statutory responsibilities. For example, hours of ELC in addition to the statutory entitlement, or ELC for children not covered by current eligibility criteria. LFR data makes no distinction between spending on providing the original 600 hours of funded ELC and implementing the expansion to 1,140 hours. The way in which the expansion was phased in across a number of years, with councils taking different approaches to best suit local circumstances, means it would be difficult to do this. Shared costs between the original 600 hours and the additional hours as a result of the expansion, for example the costs of building maintenance, add to the complexity of separately setting out the cost of the expansion. In addition, as we have reported previously, inconsistencies in the way that councils compile information in their LFRs can make comparison between councils difficult. For example, councils may use different methods to apportion the costs of teachers and head teachers and other whole school costs (such as the cost of cleaning) in nurseries that are part of a school.

60. These complexities make it difficult to compare councils' spending specifically on the expansion with the amounts allocated. This means the Scottish Government does not know the overall amount spent on implementing the expansion from 600 to 1,140 hours.

61. The Scottish Government intends to consider value for money as part of evaluating the expansion ([paragraph 100](#)). It intends to compare the cost of providing 600 hours of funded ELC in 2018/19 with the cost of providing 1,140 hours of funded ELC in 2023/24 compared to outcomes for children and parents at both timepoints.

The Scottish Government reduced funding for ELC in 2022/23 and 2023/24

62. Our previous audit looked at the multi-year ELC funding agreement between the Scottish Government and COSLA covering the period from 2018/19 to 2021/22. When this agreement was made, it was intended to last until the 1,140 expansion had been in place for over a year. However, the delay caused by Covid-19 meant that this was not the case. An interim funding agreement was put in place for 2022/23, in advance of an anticipated subsequent multi-year settlement.

63. Funding for 2022/23 was based on funding levels for 2021/22, with adjustments made to take account of:

- changing circumstances, including more recent population data (lower numbers of eligible children than previously projected)
- change as a result of inflation
- Covid-19-related costs.

Using this approach, the Scottish Government calculated that the ELC budget needed would be at least £30 million less than allocated in the previous year. The Scottish Government therefore reduced funding for councils by £15 million compared with 2021/22 levels. It intended that councils use the remaining £15 million to support three priority areas as follows:

- increasing the uptake of ELC by eligible two-year-olds
- mitigating the impact of Covid-19 on children eligible for funded ELC
- paying sustainable rates to funded providers ([paragraph 73](#)).

£8.9 million of the £531 million specific revenue grant for ELC in 2022/23 was allocated to support the pilot of changes to deferring the start of school. This funding was distributed between the ten councils which were part of the pilot.

64. In 2023/24, the Scottish Government has allocated £9.1 million less to councils for funded ELC than in 2022/23. This is based on its calculation of the funding necessary for the expansion by modelling the numbers of eligible children and uprating for increased staff costs and inflation. These calculations were refined following feedback from the Financial Working Group, which comprises Scottish Government and COSLA officials, as well as representatives from councils. The Scottish Government believes that the 2023/24 allocation will still fully fund 1,140 hours of funded ELC as there has been a further reduction in the three- and four-year-old population compared to the previous year.

65. COSLA is concerned that the reduction in funding specifically for ELC, and other pressures facing councils' core budgets, may affect ELC service delivery in future. While acknowledging that the number of eligible children is lower than previously estimated, it considers that lower numbers of children will not always equate to a reduction in costs, because of staffing ratios and fixed costs of delivery.

66. Both the Scottish Government and councils are facing increasing financial pressures, which will impact decisions on priorities and spending on ELC going forward. The current cost-of-living crisis and the Covid-19 pandemic have added to these pressures.³³ This is creating more pressure on public sector budgets and the need to identify further savings in addition to the substantial savings that both councils and the Scottish Government have already made across public services more widely.³⁴ Councils experienced significant financial challenges in 2021/22 which required making savings to deliver a balanced budget and increasingly difficult choices on spending priorities.³⁵

67. As part of planning for future ELC funding, the Scottish Government has committed to working with councils and third and private sector partners to develop an outcomes measurement framework for funded ELC by 2025. This is intended to continue to measure progress towards

the desired outcomes, in relation to the funding provided, after the evaluation reports in 2025. Work has started on this project and the Scottish Government and partners plan to agree the governance arrangements and scope of the framework in 2023.

Funded providers continue to report risks to their sustainability

68. In September 2022, just under a third of children in funded ELC received most of their hours in a funded provider or with a childminder.³⁶ Risks to the sustainability of these providers create risks for delivery capacity overall, given the number of children receiving funded ELC in these settings.

69. Representative bodies of funded providers, including childminders, have highlighted the sustainability risks facing private and third sector ELC providers. Many of these concerns are similar to those reported in our previous audits, such as recruitment and retention of staff and funding rates for the expansion. Risks to sustainability have increased as a result of the impacts of the Covid-19 pandemic on the sector and the associated closures, changes to services and the mitigation measures required. Funded providers have experienced further cost increases as a result of higher energy and food prices, higher interest rates and increases to the national minimum wage and living wage. The Scottish Government is gathering more information on sustainability as part of a financial health check of the childcare sector. This had not been published at the time of finalising our audit.

70. Providers also have fewer opportunities to increase their income through charges to parents, as the expansion means councils now fund a greater proportion of the hours of care they deliver. Providers can only make additional charges for optional extras, such as snacks and outings. Another option to increase providers' income is to increase charges paid privately by parents for non-funded ELC. A Scottish Government survey of providers in 2021 found that 44 per cent of funded provider respondents planned to change hourly rates for parents for non-funded hours in the next six months.

71. No national data is available on the demand for childcare across both funded and non-funded ELC. This makes it difficult to understand how current supply matches parents' demand and what this may mean for the sustainability of services across the sector. Risks to funded provider sustainability may lead to a reduction in flexibility and choice for families. This applies not only to funded ELC, but also to any additional privately funded hours of ELC, care for children who are too young to be eligible for funding and school-aged children.

The Scottish Government and councils put in place financial support for private and third sector providers during the pandemic

72. During the Covid-19 pandemic, the Scottish Government and councils implemented a range of financial measures to specifically support private and third sector ELC providers and childminders. This included:

- continued payments for funded hours that providers could not deliver during periods that services were closed or restricted
- a series of grants for day care of children services and childminders (including funded ELC providers).

The Scottish Government and COSLA are reviewing how councils set the rates they pay funded providers to help address funded provider concerns

73. Average rates paid by councils to funded providers for delivering ELC to three- to five-year-olds increased by about 57 per cent, from £3.68 per child per hour in 2017/18 to £5.77 per child per hour in 2022/23.³⁷ Rates paid to funded providers as part of the expansion are intended to be sustainable for providers. The Scottish Government has defined this as rates that:

- support the delivery of a high-quality ELC experience for all children
- reflect the cost of delivery, including national policy objectives
- allow for investment in the ELC setting
- enable the payment of the living wage to staff delivering funded ELC.

74. In addition to hourly rates, councils also provide funding for meals and a range of other supports to funded providers. The available support varies by council, but can include access to training, quality improvement, access to teachers, support for children with additional support needs and financial grants.³⁸

75. In 2021, the Scottish Government committed to strengthening the rate-setting process. This led to updated guidance for councils on rate setting in May 2022 and the Scottish Government funding a national cost collection exercise managed by COSLA, the Improvement Service and council representatives in 2022. This exercise gathered data from providers to help councils understand local funded providers' costs. A low response rate meant that information was available only at **regional improvement collaborative area level**, rather than council level in some areas, to ensure the anonymity of providers who took part in the exercise.

76. The local government elections in May 2022 meant that many councils had not set up their committees in time to decide on the rates for funded providers in advance of the start of the academic year in

Regional improvement collaborative area level

Councils in Scotland are grouped into six regional improvement collaboratives for education, comprising between three and eight councils.

August 2022. This created uncertainty for funded providers who were delivering a service without knowing the final rate they would receive for this. COSLA has highlighted that councils not knowing their 2023/24 budget in advance of August 2022 also impacted on decisions on rate setting.

77. Two councils did not finalise their planned rates for the 2022/23 academic year until 2023. Of the 30 councils which had set rates by December 2022, 27 increased the rates paid to funded providers for three- and four-year-olds.³⁹ Some providers have expressed concerns about both limited council engagement with providers on rate setting and about the resulting rate.

78. The Scottish Government and COSLA are working with councils to review the approach to setting rates and identify any possible improvements to ensure that rates reflect the costs of delivering funded ELC and paying staff the living wage.⁴⁰ This is intended to inform any action needed within available resources, and the wider approach to rate setting over the rest of this Parliament. The review will also look at whether the guidance on sustainable rates needs to be further updated. It is due to be published in summer 2023.

The extent to which funded providers are paying the living wage to relevant staff is still unclear

79. Fair work practices, including paying the living wage, is a specific criterion of the National Standard ([paragraph 15](#)). This means that funded providers are expected to pay the living wage to all staff delivering funded ELC. Our previous audit highlighted that councils cannot refuse to enter into a contract with a funded provider on the basis of the provider not paying the living wage alone. Councils need to consider this as part of an overall package of fair work practices, which it would theoretically be possible to demonstrate without paying the living wage. Flexibilities in the way that the National Standard was implemented, in response to the Covid-19 pandemic, meant that the fair work aspect was only implemented fully in August 2022.

80. The ELC Living Wage and Fair Work Implementation Group advises the Scottish Government on monitoring and evaluating the living wage commitment. Establishing the group was delayed due to the Covid-19 pandemic and the first meeting was in December 2022. The group is due to discuss an approach to monitoring the implementation of the living wage at its next meeting. In the absence of this monitoring, the extent to which funded providers across Scotland are paying the living wage to staff delivering funded ELC is unclear. Some information on payment of the living wage will be available as part of the Scottish Government's financial health check survey with providers. This had not been published at the time of finalising our audit. Some councils have gathered this information locally from providers.

Childminders have concerns that their limited involvement in the expansion threatens their sustainability

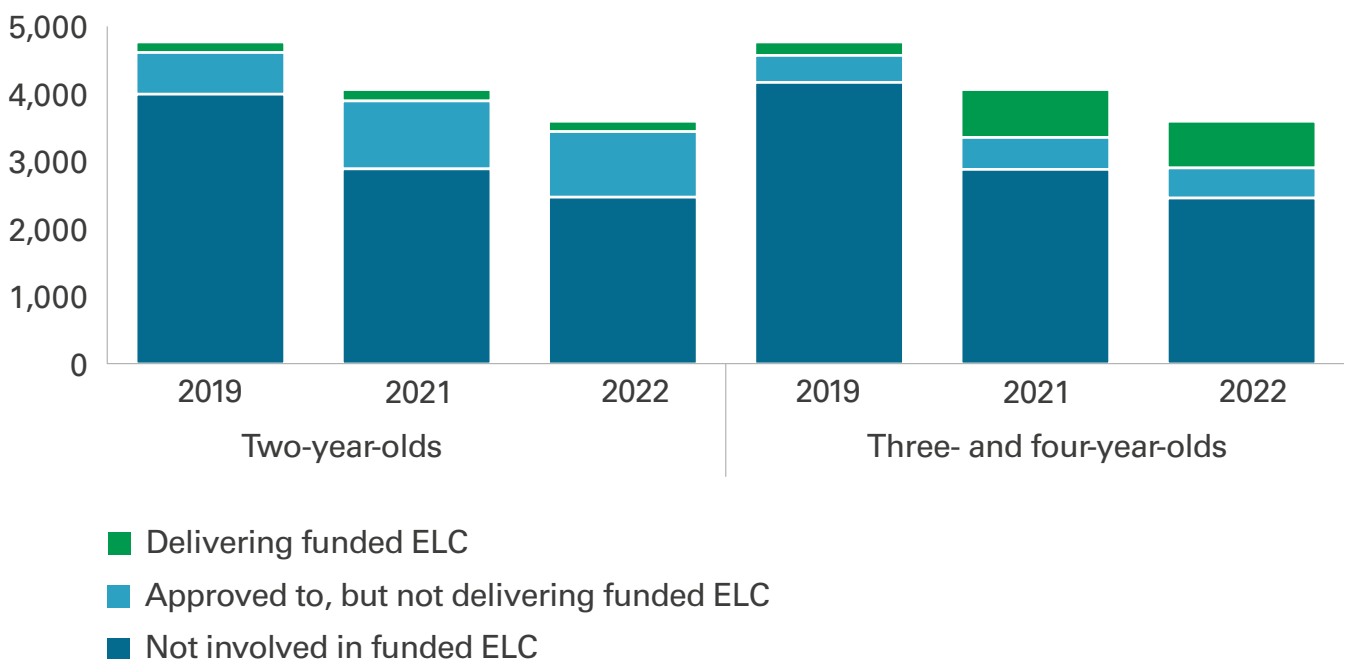
81. There has been less progress in involving childminders in delivering funded ELC for eligible two-year-olds than for three- and four-year-olds. Although a greater proportion of childminders are delivering funded ELC than before the expansion, the childminding workforce is continuing to decline ([paragraph 53](#)). Not all of the childminders who have been approved by councils are actually delivering funded ELC to children ([Exhibit 3](#)). In addition to delivering funded ELC, childminders provide ELC that parents pay for themselves and care for older and younger children, so risks to their sustainability will have a broader impact on the sector.

Exhibit 3.

Childminders' involvement in funded ELC between 2019 and 2022

A greater proportion of childminders were delivering funded ELC in 2022 than in 2019, but the childminding workforce is declining.

Number of childminders



Notes:

1. The SCMA did not conduct an audit in 2020 because of the Covid-19 pandemic.
2. These figures show the extent of childminder involvement in funded ELC for each age group. An individual childminder may deliver funded ELC to both age groups, but we cannot quantify the extent to which this is the case.

Source: SCMA annual audits, 2019, 2021 and 2022

82. Around one per cent of children were accessing most of their funded provision with a childminder in September 2022, but this is likely to underestimate the full extent of their involvement.⁴¹ Childminders reported to the SCMA their concern that they are often providing only part of a child's 1,140 hours, with the remaining hours delivered by another provider in a **blended model**.⁴² They are concerned that delivering only a small number of funded hours per child is not enough to support their business sustainability.

The Scottish Government has worked with partners to put in place a range of measures to mitigate risks reported by funded providers

83. The Scottish Government is working with partners to support funded providers. As noted above, this includes providing financial support during the Covid-19 pandemic and actions to address concerns on rate setting ([paragraphs 72, 75 and 78](#)).

84. The Scottish Government is taking additional action to support funded providers. This includes plans to extend the Nursery Rates Relief Scheme, providing 100 per cent relief on non-domestic rates to eligible day nurseries, after the current scheme ends in June 2023. It is also developing business support to help providers adapt their service and increase sustainability and it has made specific commitments to childminders. This includes reviewing local tendering processes to find out how these affect childminders.

Overall quality of funded ELC settings is high, but risks remain

85. The Scottish Government emphasised the importance of quality in the expansion of funded ELC provision. The Scottish Government and COSLA jointly agreed the national standard which is intended to ensure that all children receive high-quality ELC regardless of where they get their funded place. All providers of funded ELC must have Care Inspectorate quality evaluations of good or better on key inspection questions that relate to quality of care and learning, staffing, management, leadership and environment. Where a setting fails to meet the required standards, this can ultimately result in a council removing their funded provider status.

86. In December 2021, 89 per cent of funded ELC providers had the grades required by the National Standard compared to 91 per cent of settings in December 2020. It continues a downward trend from 93 per cent of settings in 2014.⁴³ Fewer full inspections were carried out in 2020 and 2021 because routine inspections were suspended at times during the pandemic.

Blended model

A blended model is where children receive their funded hours from more than one provider. For example, they receive their funded hours at a council nursery on some days of the week and a childminder on other days.

87. Our previous audit highlighted that a high turnover of staff can impact on children’s experiences, which feed into a setting’s quality grades. This continues to be a risk, given the ongoing recruitment and retention challenges ([paragraphs 45 and 49](#)).

Gaps in data and lack of consistency make it harder for the Scottish Government and councils to plan and manage ELC services

88. Good-quality information is critical to planning and managing services. Our blog, [Radical action needed on data](#), sets out the importance of data in helping bodies to make decisions and plan and evaluate services.⁴⁴

89. We have identified many gaps in the data available on funded ELC. [Exhibit 4](#) sets out some examples of these and their potential impact.

Exhibit 4. Examples of data gaps identified and the potential impact of these

Data gap	Potential impact
Workforce movement between the private and third sectors and council settings at a national level.	It is hard for the Scottish Government to determine the extent of this issue and any impact on capacity across the whole ELC sector, as well as any actions needed and their impact.
The extent to which staff delivering funded ELC in funded providers are paid the living wage.	It is difficult for the Scottish Government to know what progress, if any, is being made towards this ambition. It also limits information on which to base decisions about what other support for funded providers, if any, is required.
Data on demand for both funded ELC and childcare paid for directly by parents.	It is harder for councils to plan services to meet demand. This information would also help both the Scottish Government and councils with decisions around managing services and ensuring sustainability.
Gaps in financial data include information on what has been spent specifically on the expansion and how much ELC funding councils have spent on Covid-19.	It is difficult for the Scottish Government to understand spending at a national level and use this information to plan future funding, or to inform planning for the newer commitments on younger and school-aged children.
The extent to which children with additional support needs are not accessing funded ELC and the extent of any unmet needs.	It is harder for the Scottish Government and councils to understand whether this is a problem and inform decisions on whether addressing this should be a priority.

Source: Audit Scotland

90. Some of these gaps relate to areas where data is likely to be available at a local level but is not gathered consistently to provide a national picture. Although councils may be able to use this information locally to inform service planning, these gaps make it harder for the Scottish Government to plan national policies for local implementation. This lack of consistency between councils is often a result of the delay to the new software for councils to record more detailed administrative data on funded ELC through a standard approach.

91. The new software is being developed by a limited liability partnership, funded by councils, that provides education management information systems. The Scottish Government grant funded the development in 2019 and the limited liability partnership contracted with a third party to develop the software. This was intended to be in place by August 2020. However, as we reported in March 2020, delays in signing a contract and technical issues meant the software was already delayed beyond August 2020. In February 2022, the limited liability partnership terminated the contract with the third-party developer.

92. Ministers have agreed to a second grant to allow the limited liability partnership to develop the software in-house, with support from external parties, with final details still to be confirmed. Current estimates are for the software to be completed by March 2024 with the go live date still to be determined by councils.

2. Planning to assess the impact of the expansion

This part of the report looks at the progress that the Scottish Government has made with planning to assess the impact of the expansion. The Scottish Government has set out what it wants to achieve through the policy and has developed plans for how outcomes will be assessed, including how it will collect the required data. Some remaining data gaps and the impact of Covid-19 on children and families will both make fully evaluating the impact of the expansion challenging.

The Scottish Government has set out the outcomes to be achieved by the policy that it will assess through the evaluation

93. The evaluation strategy for the expansion sets out the plans against three high-level outcomes for the policy:

- children’s development improves and the poverty-related outcomes gap narrows
- parents’ opportunities to take up or sustain work, study or training increase
- family wellbeing improves.

94. In its strategic childcare plan, the Scottish Government makes it clear that its commitments in relation to one- and two-year-olds and school-aged children will also contribute to achieving these outcomes. It also maps these outcomes to the relevant outcomes in the **National Performance Framework**.⁴⁵

95. The Scottish Government acknowledges that the three outcomes are interlinked. Its evaluation strategy also makes clear that the primary aim of the expansion is to improve outcomes for children. The childcare strategy, however, states that the contribution of ELC and school-age childcare to delivering these outcomes will vary depending on the individual circumstances and preferences of each family (including the ages and stages of their children) and the wider economic and social

National Performance Framework

The National Performance Framework sets out the National Outcomes that the Scottish Government wants to achieve and the indicators that it uses to measure progress towards achieving these outcomes.

support available to them. This acknowledges the complexities of balancing different outcomes, which have the potential to conflict with, or complement each other, across a range of different services.

96. The strategic childcare plan also acknowledges the links between both the expansion and the newer childcare commitments and other related policies, which all aim to contribute to improving outcomes for children and families. For example, the strategy clearly sets out links with tackling child poverty, the economic transformation strategy and **the Promise**.⁴⁶

Plans are in place to evaluate the impact of the expansion on outcomes for children and families

97. The evaluation strategy acknowledges that it is difficult to identify the specific contribution of the expansion to changes in outcomes for children and their families, as a range of other ongoing policies will also contribute. A range of external factors, such as cost-of-living pressures, present further complexity.

98. Given this complexity, the Scottish Government has taken a reasonable approach to planning the evaluation. It has set out the intermediate outcomes that need to be achieved to make progress towards the higher-level outcomes. The evaluation has four aims:

- to understand changes in the ELC sector following the expansion, including any unintended consequences:
 - changes in the workforce and capacity to support high-quality ELC
 - changes in the composition and capacity of the ELC sector
- to evaluate the intermediate outcomes of the ELC expansion:
 - delivering high-quality, flexible, accessible and affordable ELC for all three- and four-year-olds and eligible two-year-olds
 - maximising take-up of expanded ELC amongst eligible two-year-olds and other groups less likely to access their entitlement
 - supporting parents' confidence and capacity
- to assess the contribution of the policy to outcomes for children, parents and families
- to assess the economic costs and benefits of the expansion.

The Promise

The Promise reflects a Scottish Government commitment that all children and young people will grow up being safe, loved and respected, including care experienced children and young people. This means that children and their family should get the support that a child needs, when they need it.

99. The Scottish Government intends to use this approach to assess if and how the expansion has contributed to changes in outcomes for children and their families. Plans are in place to address these aims. The Scottish Government has identified the measures and the data required to assess changes in the sector and evaluate the intermediate outcomes and outcomes for children and their families. These measures cover:

- workforce demographics, qualifications and turnover
- the number and composition of ELC providers across sectors
- accessibility, flexibility, affordability of, and satisfaction with, ELC
- funded ELC services open outwith term-time or for extended hours
- Care Inspectorate grades
- uptake of funded ELC
- child development, health, wellbeing and health inequalities
- parents' ability to work, train or study and their health and wellbeing
- family wellbeing.

100. The Scottish Government also plans to assess the economic impact of the expansion. It intends to compare the outcomes for children and parents and the costs of providing 600 hours of funded ELC in 2018/19 with the outcomes and costs of 1,140 hours in 2023/24, to examine the value for money of the expansion. It plans to consider value for money for particular groups of parents or families compared to others, for example groups who differ as a result of deprivation or income levels. Spending on the policy in the economic evaluation will be based on costs reported by councils through local financial returns and the Scottish Government acknowledges there are some limitations to this data.

The Scottish Government has gathered baseline data on outcomes

101. The main measures of outcomes for children and their families will come through the **Scottish Study of Early Learning and Childcare (SSELC)**.

Scottish Study of Early Learning and Childcare (SSELC)

The SSELC gathers data on children's social, emotional, behavioural and cognitive development when they leave funded ELC to start school. This includes their self-confidence, interactions with peers, problem-solving skills and vocabulary. It also measures children's physical and mental health and wellbeing, for example their general health and motor skills. For parents, the SSELC measures their health and wellbeing, their belief in their parenting ability, their engagement with their child's learning and development and their uptake of work, training or study. Data on family wellbeing is also gathered in the SSELC. This is based on a combination of measures covering parent wellbeing, home environment and parent-child relationships.

102. This study gathered data from families eligible for 600 hours of funded ELC before the children left ELC to start school in 2019. It gathered data on eligible two-year-olds starting funded ELC and their parents in 2018 and again one year later. The SSELc also collected information on three-year-olds starting funded ELC in 2019 and their parents. The SSELc will compare this baseline information with data gathered from children eligible for 1,140 hours and their parents in 2023 and 2024.

103. Our 2020 follow-up report recommended that the Scottish Government considers how to include children's views in the evaluation of the policy. The Scottish Government is working with stakeholders on whether and how to do this in a meaningful way, given other research priorities and capacity to undertake the work, but has yet to finalise plans. Considering the views of children is an important part of the United Nations Convention on the Rights of the Child. Article 12 sets out that children have the right to express their views on matters affecting them and have these taken seriously.

The impact of the Covid-19 pandemic will make the evaluation more challenging

104. The Scottish Government originally planned to publish the evaluation strategy in March 2020. This was paused as a result of the Covid-19 pandemic and the strategy was finally published in October 2022. The draft strategy continued to be developed over this period to take account of changes needed as a result of the Covid-19 pandemic and the associated public health restrictions that affected children, their families and ELC settings and staff.

105. The evaluation strategy lists some of these impacts. For example, reviews of children aged 13–15 months and 27–30 months carried out by health visitors found that the percentage of children with one or more development concern had increased. Similarly, the proportion of primary school pupils achieving the expected Curriculum for Excellence early level in primary one in 2020/21 was lower than in 2018/19.

106. The Scottish Government recognises the challenges in identifying the specific impact of the ELC expansion on outcomes for children and families given the impact of Covid-19. It plans to continue monitoring relevant information and put the evaluation findings in the context of any ongoing impacts of Covid-19. This includes indicators covering developmental concerns, child poverty and deprivation, and labour market outcomes for households with children (such as unemployment and average hours worked).

Some gaps in the available data for the evaluation remain due to delays in implementing new software

107. Our previous audit highlighted challenges in fully assessing the impact of the expansion for some children and families due to delays in changing the software used to record administrative information for funded ELC. The changes to the software are necessary both to help administer the service and gather more detailed information on the characteristics of children using the service. This delay meant a lack of baseline information on the equalities characteristics of children using the service. For example, information on ethnicity, sex or the Scottish Index of Multiple Deprivation area in which children using funded ELC live. This absence of baseline information makes it difficult to assess whether there have been any differences in these groups accessing funded ELC following the expansion.

108. The Scottish Government plans to use other sources of information to fill these baseline gaps. This will not be as comprehensive and will limit the conclusions that can be drawn on the impact of the expansion on groups with differing equalities characteristics. The continued absence of this information also makes it difficult to monitor the characteristics of children using the service on an ongoing basis, to help ensure accessibility and understand which groups should be targeted by efforts to improve uptake.

Endnotes

- 1 Tackling Child Poverty Delivery Plan 2022–26, Scottish Government, 2022.
- 2 Scotland’s National Strategy for Economic Transformation, Scottish Government, 2022.
- 3 A blueprint for 2020: The expansion of early learning and childcare in Scotland, 2017/18 Action Plan, Scottish Government, 2017.
- 4 Early learning and childcare expansion programme: evaluation strategy, Scottish Government, 2022.
- 5 Where a child becomes eligible part way through the year, the number of hours that they are eligible for will be adjusted to take account of this.
- 6 A blueprint for 2020: The expansion of early learning and childcare in Scotland, Scottish Government and COSLA, December 2018.
- 7 ELC Census figures, Scottish Government, December 2022.
- 8 Improvement Service, 2022.
- 9 Scottish Government, paper reported to Finance Working Group, October 2022.
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Early learning and childcare

Progress on delivery of the 1,140 hours expansion

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