

Finance and Public Administration Committee

21st Meeting, 2022 (Session 6), Tuesday 28 June 2022

Post-legislative scrutiny of the Financial Memorandum for the Children and Young People (Scotland) Bill

Overview

1. The Committee previously agreed to undertake post-legislative scrutiny of the Financial Memorandum (FM) for the [Children and Young People \(Scotland\) Bill](#), specifically in relation to provisions on the expansion of early learning and childcare.
2. At its meeting on 21 June, the Committee took evidence from COSLA, the Scottish Borders Council, the National Day Nurseries Association, the Scottish Childminding Association and Early Years Scotland¹. Written submissions have been provided by Audit Scotland and the Scottish Childminding Association and these are available with the papers for the meeting on 21 June². Following this session, the Committee has received a further written submission from the Scottish Private Nursery Association, which is available at Annexe A.
3. The Committee is now invited to take evidence from Alison Cumming, Director of Early Learning & Childcare, Scottish Government.
4. This session will provide an opportunity to further explore the available data on the expansion of ELC and the accuracy of the Financial Memorandum, including:
 - how cost estimates are developed for FMs, the data gathered to inform FMs and the extent to which different delivery models are considered and reflected in the estimates;
 - what arrangements are put in place at the outset to monitor expenditure to ensure that new policy initiatives are being appropriately funded;
 - what methodologies are used to determine allocations to local authorities (or other public bodies) and the usefulness of formula distribution methodologies as opposed to basing allocations on cost estimates from the bodies themselves; and

¹ The Official Report will be available on the [Committee's web pages](#) on 27 June 2022.

² [3631 \(parliament.scot\)](#)

- how rates paid to partner providers are agreed and reviewed to ensure sustainable delivery of services.

5. This paper should be read alongside Paper 2, which is a SPICe briefing providing further background and analysis.

6. The Education, Children and Young People Committee recently held a one-off evidence session on the expansion of funded ELC, focusing specifically on the implementation of the policy³, and it also plans to examine this area as part of its pre-budget scrutiny.

Background

7. The Committee selected this FM for post-legislative scrutiny given significant concerns raised by the Session 4 Finance Committee regarding the financial estimates, which had led to a supplementary FM being published and recommendations that expenditure regarding the policy roll-out be monitored.

8. The Session 4 Finance Committee's report on the FM notes issues in relation to the robustness of the estimates and assumptions upon which the FM was predicated, as well as disparity between the estimates provided in the FM and the views of local authorities. That Committee's report concludes that "Government needs to develop a more robust methodology for forecasting potential savings from preventative policy initiatives. There is also a need to develop measures to ensure that the actual savings are effectively monitored and reported."⁴

9. This Committee agreed to focus its scrutiny on the specifics around the costs of the expansion of early learning and childcare, including initial financial estimates and monitoring of expenditure following policy implementation. It is hoped that this will help to inform and improve the Scottish Government's development of future Financial Memorandums.

Next steps

10. The Committee will consider and agree a report on its post-legislative scrutiny at a future meeting.

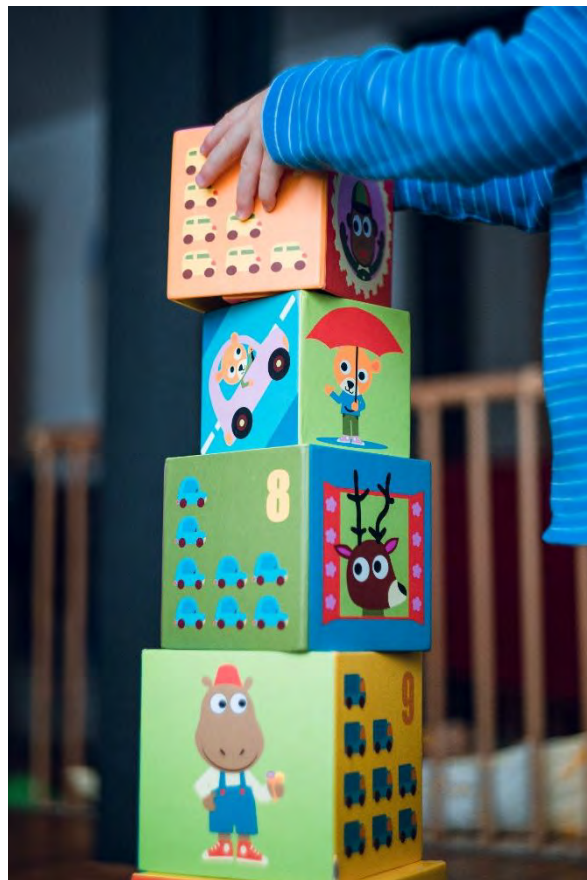
Committee Clerks
June 2022

³ [Education, Children and Young People Committee 15th Meeting, 2022 | Scottish Parliament Website](#)

⁴ [fir13-ChildrenandYoungPeopleBillw.pdf \(parliament.scot\)](#)



Review of the implementation of the 1,140 funded hours of Early Learning and Childcare (ELC) policy



May 2022



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Executive Summary:

- The increase to 1,140 hours of funded Early Learning and Childcare is a flagship policy of the Scottish Government. Its rollout was delayed by the COVID-19 pandemic but is now mostly operational.
- More than 60% of childcare in Scotland is provided by the nursery sector, with a close to even split between the Local Authority nursery and the private, voluntary, and independent (PVI) nursery sectors.
- The PVI sector typically provides longer operating hours and more variability of availability of care, while Local Authority nurseries deliver a majority of the 1,140 funded hours.
- The Scottish Government funds the policy (approximately £1.02 billion in 2021/22), with funding flowing to Local Authorities.
- Local Authorities contract PVI nurseries to be partner providers and set an hourly funding rate for children who attend those partner provider nurseries. Across a majority of Local Authorities, this rate is under the rate provided to children who attend Local Authority nurseries.
- This results in Local Authorities providing over £100 million more to their own nurseries than they do to the PVI sector. In some cases, the additional money is being transferred to fund capital work programmes of Local Authority nurseries.
- £476 million was made available for capital works for new or refurbished Local Authority nurseries as part of the agreement between the Scottish Government and Local Authorities for the increase to 1,140 funded hours.
- There is an ongoing strain in staffing numbers across the whole nursery sector. While the required workforce was expected to have grown from around 9,500 staff in 2016/17 to around 18,500 staff in 2021/22, Government programmes to promote the sector have resulted in only a small upswing in training numbers. There is some evidence that growth in the Local Authority workforce has come mostly from staff leaving the PVI sector.
- This paper brings together for the first time the facts and figures of the various reports and reviews already completed into the 1,140 funded hours policy, and proposes 6 simple but essential recommendations to improve the sustainability of the whole nursery sector.



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Recommendations:

Recommendation 1: The Scottish Government should recognise other qualifications that are relevant for childcare and introduce fast-track ELC bridging courses for people who hold those qualifications.

Recommendation 2: The Scottish Government should institute a working group of relevant stakeholders, including Local Authorities, the PVI sector, the Care Inspectorate, SSSC, Skills Development Scotland, and the Scottish Qualifications Authority to develop a new range of qualifications and training pathways for Early Learning and Childcare staff.

Recommendation 3: The Scottish Government should either:

1. Provide funding for the provision of the 1,140 hours direct to parents through either a voucher scheme or through an online portal which allows nurseries to be funded directly; or,
2. Directly set the rate which all children will receive for their 1,140 hours.

Recommendation 4: The Scottish Government should request Audit Scotland and the Accounts Commission perform an independent and dedicated review of the state of the whole of the daycare of children sector, including private, voluntary, and independent nurseries, childminders, playgroups, creches, and Local Authority nurseries.

Recommendation 5: The Scottish Government should commit to implementing recommendations which such a report delivers.

Recommendation 6: The Scottish Government should make a capital works grant funding package available for private, voluntary, and independent nurseries.



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Introduction

The Scottish Government announced in 2016 the expansion of Early Learning and Childcare from 600 funded hours a year to 1,140 funded hours a year. Originally intended to be in operation by 2020, the challenges of COVID-19 pushed that date back to full implementation by August 2021.

During the design phase of the policy, it was decided that funding would flow from the Scottish Government to Local Authorities, which would offer contracts to non-local authority settings which met national standards. The arrangement was proposed by the Scottish Government to be provider neutral – i.e. that children would receive the same funding, no matter which nursery they attended, so long as that provider met the Government's standards and was willing to partner (enter a contract) with the relevant local authority.

Through the lockdown of COVID-19, some sectors of the nursery and childcare sectors closed, while others (predominantly in the private, voluntary, and independent sectors) continued to provide valuable and necessary care for the children of key workers: NHS doctors, nurses, and ancillary staff; the emergency services; staff in care homes; and, indeed, truck drivers and supermarket staff.

Given the relative recency of the introduction of the policy, there have been a significant number of reviews and reports into the early working of the scheme – by the Scottish Government, the Improvement Service (a non-Government entity owned predominantly by the 32 Scottish Local Authorities and the Convention of Scottish Local Authorities (COSLA)), Ipsos-MORI, Audit Scotland, the Scottish Social Services Council, and the Care Inspectorate. However, these reports have all been run independent of each other and only in rare instances do they refer to any findings in any of the other reports.

Therefore, this paper has been produced to tie together the findings of those various reviews and reports.



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Review of the implementation of the 1140 hour policy

Background

“The expansion of early learning and childcare (ELC) in Scotland is one of the most important and transformative changes we are making...

The provision of universally accessible and high quality ELC enriches children with skills and confidence to carry into their schooling, and is a cornerstone for closing the poverty-related attainment gap between our most and least advantaged children.”¹

This is how Mark McDonald, the then Minister for Childcare and Early Years, introduced the expansion to 1,140 of funded ELC hours in the Scottish Government’s 2017-18 Action Plan, ‘A Blueprint For 2020: The Expansion Of Early Learning And Childcare In Scotland’. The intentions of this policy are ones which the Scottish Government should rightly be proud.

These intentions were mirrored when the Scottish Government released a second document in 2018, with the Minister at the time, Maree Todd, noting:

“We have ambitious aspirations to help ensure that our children can realise their full potential and we hope that, by prioritising high quality ELC and unlocking choice, we will ensure that all our children have opportunities to learn, play and flourish. In our children, we see the measure of our worth as a nation. We are dedicated to providing the essential conditions of love, respect and understanding through which our children can become the happy, fulfilled and successful adults they all have a right to be.”²

While the COVID-19 pandemic delayed the full roll out of the scheme, the goals of the policy are founded in the well-researched benefits of a formal pre-school programme which is funded by central government. It recognises that ELC can set foundations for a child as they move through to the formal school system, while offering valuable opportunities for parents to re-enter the workforce, to continue their careers, or to engage in their own further education opportunities.

The Scottish Government committed to an additional annual revenue increase of £567 million on 2016-17 levels by 2021-22 and aimed to include funding to enable the payment of sustainable rates to all providers delivering the funded entitlement. This included funding to enable payment of at least the real Living Wage to all childcare workers delivering the

¹ [Scottish Government - A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland](#) 2017 version

² [Scottish Government - A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland](#) 2018 version



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funded entitlement. The Scottish Government also provided councils with capital funding of £476 million to support associated building projects.

Provision of childcare services across Scotland

Daycare of children services are currently provided through a range of providers – Local Authority nurseries, private nurseries, nurseries run by the voluntary and independent groups (sometimes associated with religious institutions, or community groups), childminders, children and family centres, playgroups, and creches. Non-local authority nurseries are generally referred to as the PVI sector (private, voluntary and independent).

Around Scotland, nurseries provide the majority (61%) of childcare services³. There is a close to even split in all nursery places between the Local Authority and PVI sectors – 52% Local Authority and 48% in the non-Local Authority sector⁴.

The PVI sector provides an important opportunity for choice of services for many families in Scotland: a majority of the total number of daycare of children facilities are provided by the PVI sector in the large urban area, other urban area, accessible small towns, and remote small town categories across Scotland⁵.

For nurseries specifically, the PVI sector provides a majority of the settings in the Edinburgh, Glasgow, East Dunbartonshire, East Renfrewshire, Renfrewshire, Dundee, and Moray Local Authority areas – in total, more than 52% of all places in the Large Urban Area grouping⁶.

Private nurseries typically offer the widest range of services and choices for families. Most private nurseries (85.3%) offer a service for babies aged under 1, with around a third (32.3%) of voluntary or not for profit nurseries and 5.1% of local authority nurseries offering the same⁷.

In total, 55% of children under the age of 4 who attend a nursery do so at a PVI setting; this increases to 87% for children under the age of 3⁸.

The funded 1,140 hours policy includes funding for eligible 2-year olds. The majority of local authority nurseries (66.4%) that offer funded places do so exclusively for children aged 3 and 4 years. The majority of private and voluntary or not for profit nurseries that provide funded places offer funded places for 2-year-olds and most of these offer places for 2-year-olds in addition to 3 and 4-year-olds.

³ [Care Inspectorate supporting data tables Supporting table 1A, cell B12](#)

⁴ Ibid, Table 3, cells G62-65

⁵ Ibid, Table 15a

⁶ Ibid, Table 18

⁷ [Care Inspectorate - Early Learning and Childcare statistics 2020 page 26](#)

⁸ [Care Inspectorate Supporting Data Tables Table 1b](#)



Similarly, private nurseries offer greater choice around the time of opening. More than 84% of private nurseries offer an early morning service, while 39% of local authority nurseries offer the same⁹. 92% of private nurseries offer choice of full or part days, while 57% of LA nurseries do¹⁰.

	Breakfast or before school	During school hours	After school hours
Local Authority	39.4%	99.8%	42.0%
Private	84.3%	99.6%	91.6%
Voluntary/not for profit	55.4%	100%	62.1%

Table 1. Operating hours by nursery sector – term time¹¹

	Before 8am	During working hours	Does not operate during school holidays
Local Authority	1.4%	26.0%	73.7%
Private	58.2%	85.0%	5.5%
Voluntary/not for profit	13.8%	49.2%	48.7%

Table 2. Operating hours by nursery sector – school holidays¹²

At September 2020¹³, in most local authorities it was council settings that provided a plurality of funded hour places – ranging from 100% of all places in the Orkney’s (noting that there were 343 children registered, the lowest of any region) to less than 35% in Moray. On average, slightly more than a quarter of children (26%) received funded hours at partner providers¹⁴.

⁹ [Care Inspectorate - Early Learning and Childcare statistics 2020 page 27](#)

¹⁰ Ibid, page 29

¹¹ [Care Inspectorate Supporting Data Tables Table 30b](#)

¹² Ibid

¹³ It needs to be noted that in September 2020, local authorities offered a mix of 600 funded and 1,140 funded hours and Scotland was under various forms of lockdown.

¹⁴ [Scottish Government - Additional Early Learning Childcare tables 2020](#)



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Implementation of the 1140 hours policy – capital works and capacity

It was envisaged that Local Authority nurseries would provide the majority of funded 1,140 hours¹⁵. This led to a £476 million capital works grants available to local authorities, allowing them to build new or refurbish existing nurseries¹⁶.

As of August 2021, there were 912 projects in the capital works programme¹⁷, expected to deliver around 22,000 additional spaces. Not all of these projects were required to meet the expected increase in demand for spaces – more than a third (35%) were linked to increased flexibility, growth over future years, and longer-term learning estate development projects.

Between 2014 and 2020 (the last year for which figures are available) the total number of places available in nursery services in Scotland increased by 19.5%, from 108,440 to 129,620 places. 75% of the growth (15,900 places) was in local authority nursery services. In the year from 31 December 2019 to 31 December 2020, there was a net reduction in the number of PVI sector nurseries by 12, while 35 new Local Authority nurseries opened. In 2019, 95.4% of all capacity increase (5,570 places) was in local authority operated nurseries¹⁸.

The split between the number of children attending Local Authority or PVI nurseries has remained steady (local authority numbers have increased by 0.8%) since 2014¹⁹.

Despite the forecast of a quarter of funded places being delivered by the PVI sector, there was generally no funding provided to that sector for capital works.

Implementation of the 1140 hours policy – workforce

There was recognition that the expanded funded hours policy would put pressure on an already stressed system. More than 7% of childcare workers are from EU countries²⁰, and the impact of the UK leaving the EU is yet to be measured. A national recruitment campaign has been developed in an attempt to attract people into the ELC workforce. While this campaign has raised awareness of the sector and has helped change attitudes among some older workers considering a career change, the campaign has not increased the number of people applying for ELC-related courses or job opportunities²¹.

The ELC workforce for local authorities is predicted to have grown from 9,576 in the 2016/17 academic year to 18,356 at the end of the 2021/22 academic year – a 91%

¹⁵ [Audit Scotland - Early Learning and Childcare Follow Up](#) page 15

¹⁶ [Scottish Government - Early learning and childcare expansion - Early education and care](#)

¹⁷ [The Improvement Service - Early Learning and Childcare Expansion Delivery Progress Report, September 2021 page 12](#)

¹⁸ [Care Inspectorate - Early Learning and Childcare statistics 2020 page 12](#)

¹⁹ [Care Inspectorate Supporting Data Tables](#), table 12a

²⁰ [Audit Scotland - Early learning and childcare follow-up page 16](#)

²¹ Ibid



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increase²². While local authorities believe they have sufficient staff to deliver their services, most anticipate a continued growth in their ELC workforce. The City of Edinburgh, for example, has noted that their initial ELC workforce estimation was for 1496 FTE positions and that by December 2021 980 FTE staff were employed; in the opinion of the Council this did not constitute a shortage of staff, and it was noted that all settings were able to meet the required adult to child ratios²³. By the 2022/23 teaching year, the Council expected to have 1200 FTE staff.

Reports from the PVI sector indicate that much of the growth in the local authority workforce has come from the PVI workforce; a NDNA workforce survey found that the most common reason for staff leaving a PVI setting was to move to a council ELC setting²⁴. However, there is no all-of-Scotland monitoring of the movement of staff between PVI nurseries and childminders to council nurseries.

The intention of the 1,140 hours policy was that staff would be paid at least the Real Living Wage. While some local authorities have included the requirement for this within the contracts they provide for PVI nurseries, there remain questions over whether this is enforceable as employment law is reserved to the UK Parliament²⁵.

Implementation of the 1140 hours policy – council and partner provider funding

During the design of the expansion policy, the Scottish Government agreed with COSLA to provide funding which would:

“...support the payment of sustainable rates to providers delivering the funded entitlement; to enable payment of at least the real Living Wage to all childcare workers delivering the funded hours; and to provide a free meal to every child attending a funded ELC session.”²⁶

The intention of the funding model was to be ‘provider neutral’ which would offer parents their choice of setting, while children would receive a standard rate of funding, regardless of the type of setting or childminding they were in²⁷. As noted by the Scottish Government in its 2017 release document, when discussing the previous funding model:

²² [The Improvement Service - Early Learning and Childcare Expansion Delivery Progress Report, September 2021](#) page 11

²³ [City of Edinburgh - Early Years Update 7 December 2021](#) Items 4.5 and 4.6, page 3

²⁴ *Ibid*, page 17

²⁵ [Audit Scotland - Early learning and childcare follow-up](#), page 20

²⁶ [Scottish Government - A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland](#) 2018 report, page 4

²⁷ [Scottish Government - Expansion of Early Learning and Childcare - Reinstatement of 1140 statutory duty](#)



“...the hourly rate offered by local authorities doesn’t meet the costs of provision. The new service model will be underpinned by a more open, proportionate and consistent approach, which makes it more attractive for high quality providers to deliver funded ELC.”²⁸

The Scottish Government recommended several processes by which Councils could determine the rate which would be passed on to provider partners²⁹:

- Survey (Costs) – Review detailed cost information provided by private and third sector providers;
- Working Group - Agree, for each cost, a percentage (%) figure and indicative cost through a working group;
- Survey (Prices) - Review current rates charged by private and third sector providers in the local area; and
- Cost Modelling – Develop costs based on modelling of an 'average' local ELC setting.
- Alternatively, Councils could use a process that met certain principles set by the Government, but which was different from any of the four processes set out above.

Councils most commonly undertook a survey (costs) approach. Some undertook all 4 formal approaches, then applied the final informal process to determine the rate³⁰:

Method	Number of councils
Survey (costs)	14
Working group	0
Survey (prices)	5
Cost modelling	3
Alternative method	5
Costs and prices	1
Combination of all 4, then alternative method to arrive at a final figure	3

Table 3: method undertaken by Local Authorities

*One council noted that there are no partner providers in its area

²⁸ [Scottish Government - A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland](#) 2017 version, page 11

²⁹ [Scottish Government - Overview of local authority funding and support for early learning and childcare providers](#) page 20.

³⁰ Ibid, Table C1



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Rates paid to partner providers vary across Scotland, as does the meal allowance rate:

	Rate/hour for 2-year olds	Rate/hour for 3-year olds and above	Meal allowance
Aberdeen City	£6.05	£5.45	£2.75
Aberdeenshire	£6.34	£5.59	£2.50
Angus	£6.68	£5.21	£3 + 10p/hour for snacks
Argyll & Bute	£6.18	£5.47	£3.11
Clackmannanshire	£5.42	£5.42	£3.50
Dumfries & Galloway	£6.20	£5.26	£1.77
Dundee City	£5.60	£5.31	£2.10
East Ayrshire	£5.50	£5.50	£3.00
East Dunbartonshire	£6.40	£5.31	£3.00
East Lothian	£5.31	£5.31	£3.00
East Renfrewshire	£8.50	£5.31	£3.00
Edinburgh City	£5.42	£5.42	£3.00
Eilean Siar	£5.31	£5.31	£2.00
Falkirk	£5.55	£5.31	£3.00
Fife	£5.31	£5.31	£0.38/hour
Glasgow City	£6.40	£5.40	£3.00
Highland	£6.00	£5.31	£2.30
Inverclyde	£5.31	£5.31	£3.00
Midlothian	£6.50	£5.31	£0.40/hour
Moray	£7.57	£6.30	£2.35
North Ayrshire	£5.31	£5.31	£3.00
North Lanarkshire	£5.80	£5.55	£3.00
Orkney Islands	£5.00	£5.00	TBC
Perth & Kinross	£5.50	£5.31	£2.80
Renfrewshire	£8.50	£5.31	£3.00
Scottish Borders	£5.65	£5.31	£2.40
Shetland Islands	£6.70	£5.48	£1.83
South Ayrshire	£5.31	£5.31	£2.87
South Lanarkshire	£5.90	£5.31	£0.50/hour
Stirling	£5.05	£5.55	£0.35/hour
West Dunbartonshire	£5.31	£5.31	£3.00
West Lothian	£6.40	£6.40	£0.40/hour

Table 4. Rates for 2021/22, as available at August 2021³¹

³¹ Ibid, tables A1 and B1



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It should be noted that staff ratios for 2-year-olds are higher than those for 3 and above – i.e., more staff a needed per child. This should lead to a higher funding rate for children in this age group.

These rates, if extended through the total number of children eligible for 1,140 hours funding, indicate that 29 of the 32 Local Authorities underfund those children who attend PVI settings³².

However, figures are difficult to ascertain fully. Scottish Government figures indicate that in 2020 around 95,000 children were eligible for ELC funding³³, while figures provided by Local Authorities indicate that in April 2021 around 118,000 children were accessing funded ELC³⁴. Either way, the Scottish Government is providing around £1.02 billion for 1,140 hours in 2021/22³⁵. Taking the figure provided by the Local Authorities, £7.58/child/hour should be available to every child; if the Scottish Government figure is used, this figure rises to £9.41³⁶.

On average, Local Authorities paid partner providers £6.08/child/hour (including the meal allowance)³⁷. Again, using the Local Authority figure for the number of children accessing funded ELC, £6.08/child/hour paid equally to all children accessing 1,140 hours of funded ELC would suggest that the policy should cost the Scottish Government £817,881,600 – around £200 million under the amount that the Government is providing to Local Authorities. Recent research, which takes population rates into account, indicate that Local Authorities are underspending around £150 million from the Scottish Government funding.

At least one Local Authority is using the underspend in funding to cover increased costs in their capital works expansion programme: City of Edinburgh has reported that £16.245m for the 2020/21 financial year and £7.600m for the 2021/22 financial year has been moved from the Scottish Government revenue grant to the capital works programme, increasing their available budget for capital works from £39.484m to £63.329m³⁸.

³² See Appendix A

³³ [Scottish Government - Summary statistics for schools in Scotland 2020](#) page 20

³⁴ [Scottish Government - Increasing free early learning and childcare](#)

³⁵ Ibid

³⁶ These figures are based on: (£1.02 billion)/(1140*number of children)

³⁷ This figure is based purely on the average rate paid by each Local Authority and doesn't take population into account. For full calculations, please see Appendix A.

³⁸ [City of Edinburgh - Early Years 1140 Capital Programme Update](#) March 2022, Item 6.1, page 6



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Conclusion and recommendations

The 1,140 hours of funded ELC is an important policy for the Scottish Government, both politically and for the social outcomes it is endeavouring to achieve. While COVID-19 delayed the full implementation, the roll out is now almost complete.

The public and PVI sectors each play an incredibly important role in the provision of daycare for children. While a majority (74%) of the 1,140 funded hours are provided through Local Authority settings, a large majority of other childcare (86%), and a not insignificant amount of 1,140 funded hours (26%) are provided through the PVI sectors. The PVI sector provides a greater level of availability (before- and after-school, and non-term time) and range of choices (through the number of nurseries in operation) than is typically available through Local Authority nurseries.

The availability of workforce is an ongoing issue for all providers. Government programmes aimed at increasing students undertaking ELC qualifications have produced only a small return. Local Authorities have in a large part relied on attracting staff from the PVI sectors, with higher rates of pay and, in many cases, shorter term times. However, COVID-19 has shown that there is not the spare capacity in the workforce – both Local Authority and PVI nurseries had to close settings when staff either had a positive result to COVID-19 or had to self-isolate. The Scottish Government recognised this and lowered self-isolation requirements for ELC staff in December 2021.

Recommendation 1: The Scottish Government should recognise other qualifications that are relevant for childcare and introduce fast-track ELC bridging courses for people who hold those qualifications.

Recommendation 2: The Scottish Government should institute a working group of relevant stakeholders, including Local Authorities, the PVI sector, the Care Inspectorate, SSSC, Skills Development Scotland, and the Scottish Qualifications Authority to develop a new range of relevant qualifications and training pathways for Early Learning and Childcare.

There are many qualifications which are relevant for the well-being of young children – sports, music, and psychology are just a few. However, qualifications in these areas are not recognised for specialist childcare staff. A person with, for example, a sports degree would need to completely retrain to become a childcare specialist. Instead, the Scottish Government should introduce a fast-track bridging course which allows someone to attain a childcare qualification, similar to the Professional Graduate Diploma in Education (PGDE) course for those training to be a teacher.



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The working group should also consider the manner in which additional training courses are provided for ELC staff. Currently, courses are typically provided by or through Local Authorities, and are frequently scheduled at times when Local Authority settings are closed – during school holidays, or on Fridays when many operate a reduced hours service. For staff in PVI settings to attend these courses, replacement staff need to be sourced. As discussed elsewhere, there is already minimal capacity in the workforce to provide cover for absences; this is exacerbated with training courses.

Recommendation 3: The Scottish Government should either:

- 1. Provide funding for the provision of the 1,140 hours direct to parents through either a voucher scheme or through an online portal which allows nurseries to be funded directly; or,**
- 2. Directly set the rate which all children will receive for their 1,140 hours.**

The Scottish Government has invested heavily in the 1,140 hour programme, both through revenue grants and the capital works grants. However, it is concerning that Local Authorities a) are allowed to decide on the rate funded to partner providers and b) have been the only recipients of the capital works funding.

Local Authorities are put in the unenviable position of having to provide and fund their own settings, as well as fund what might be considered the competition – i.e. partner providers. It is unquestionable that Councils are providing a lower level of funding for children who attend partner provider nurseries than they fund children who attend Council nurseries. Part of this could be that Government guidance is couched in terms of funding required to maintain sustainable partner providers; that is, the focus is on the commercial operations of a business, rather than consideration of the children who attend and receive the same standard of care and the same syllabus as those children who attend a Council setting. Certainly, it is the case for one of the largest Councils that they have diverted funds from the provision of the actual service to the building of new facilities.

Local Authorities have shown that they will not set a sustainable rate for children who attend non-Council nurseries. Typically, one could expect variations between urban and regional locations due to varying factors (larger cities are more expensive which leads to higher wages, or it being more difficult to attract staff in more remote areas which equally leads to higher wages being offered). However, 17 out of 32 Local Authorities have set an identical funding rate to each other (£5.31) with an additional 11 setting a rate within 20 pence either side of this. The 17 Local Authorities utilising the £5.31 rate range from predominantly urban to largely rural Councils.

The manner in which Local Authorities have set their rate, no matter which method they used, are questionable. For the majority which used the survey (costs) method, Councils



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typically contacted PVI settings via email to gather financial information. PVI settings have reported that they were unaware of why Local Authorities were requesting sensitive commercial information, and that the forms used were overly complicated and typically asked basic, high-level questions which would not provide an accurate representation of the cost base. Alternatively, at least one Council used a commercial advertising website from which they gathered general advertised prices, without considering whether the information was up-to-date, complete, or indicative only. Councils have also unilaterally amended funding rates, without completing any of the processes. Typically speaking, they reserve the power to do so in the contracts which partner providers sign.

Recommendation 4: The Scottish Government should request Audit Scotland and the Accounts Commission to perform an independent and dedicated review of the state of the whole of the daycare of children sector, including private, voluntary, and independent nurseries, childminders, playgroups, creches, and Local Authority nurseries.

Recommendation 5: The Scottish Government should commit to implementing recommendations which such a report delivers.

The Accounts Commission and Audit Scotland report on Local Authorities and central Government respectively. Given that the 1,140 funded hours policy sits with an unbreakable link between these two levels of Government, and the interplay between a central Government set syllabus and standards, the Care Inspectorate, Scottish Social Services Council, COSLA, the Improvement Service, and the individual Local Authorities, there is a need for the entire daycare of children ecosystem to be reviewed.

This report has considered the state of nurseries, and the provision of the 1,140 hour programme. There is the intention to consider the childminding sector at a future date, however that particular sector is undergoing a rapid reshaping, partly through the challenges which COVID-19 delivered, and partly through policy settings for 1,140 hours.

There are already signs that the PVI sector is under pressure; there is a general reduction in the number of settings in this sector. This places increased strain on other PVI nurseries, as well as Local Authority ones.

Staff in all types of nurseries have reported a marked increase in the amount of administrative paperwork, especially associated with a more structured syllabus and changing care standards. This is acutely felt in the PVI sector, given the nature of wrap-around care outwith the 1,140 hours. Staff need to either spend time after a 10-hour shift completing paperwork, or additional staff are needed to balance the time spent with the children and administrative duties. As discussed elsewhere, there is limited capacity in the



workforce to allow this. This is leading to additional health and wellbeing pressures and concerns for staff.

Ultimately, it is children and their parents who suffer – children who are unable to attend any form of daycare, parents who are unable to access flexible and affordable childcare which allows them to continue or re-enter the workforce or undertake further education themselves.

It is accepted that PVI nurseries have higher direct costs than Local Authority settings – from rent, insurance, and Council tax, through to administrative, HR, and legal work which might be otherwise absorbed by general Council staff in Council nurseries. If PVI settings are being placed under increased financial strain by an unbalanced funding model, there is a risk of an increase in the rate of closures of nurseries over the short- to medium-term.

Finally, any review should directly engage with the PVI sector as well as childminders to ensure the real experiences of these sectors are taken into account frankly and clearly.

Recommendation 6: The Scottish Government should make a capital works grant funding package available for private, voluntary, and independent nurseries.

Local Authorities have been provided £476 million in capital works grants, while no funding has been made available to the PVI sector. Given that there are a range of reasons why a child might attend a PVI setting rather than a Local Authority setting (including the operating hours of the setting, and the availability of wrap-around care), it seems unfair for children who attend PVI settings for those settings not to have the opportunity to refurbish themselves at least in a somewhat similar manner to Local Authority settings.



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About the Scottish Private Nursery Association

The Scottish Private Nursery Association is the only Scottish-based industry body run, funded, and managed by nursery owners and managers. Formed during 2021 as a Company Limited by Guarantee, SPNA opened membership in early 2022. Since then, membership has grown to around 50 members who collectively own and operate more than 100 individual nurseries around Scotland.

SPNA aims to advocate and educate on behalf of the whole nursery sector in Scotland, by listening and engaging directly with its members as well as the wider sector. The messages which are gathered form the topics for discussion with elected officials, civil servants, media, other industry bodies, and NGOs.

As stated in the Articles of Association, SPNA's objectives are:

- 1) To build recognition and understanding of the stages of and factors contributing to a child's development, and to provide support to all those who contribute to a child's development.
- 2) To support and promote private nurseries as locations where all children receive high standards of care, support, and education, and to ensure that parents of children in these facilities recognise the standard of care their children are receiving.
- 3) To provide mental health and wellbeing support to children and parents of children in our care, as well as educating more generally on the importance of mental health and wellbeing to parents, especially those whose children do not or cannot access childcare.
- 4) To enable private nurseries to deliver the high standards of care, support, and education by representing the views of the sector and providing instruction, advice, and messaging regarding official policies and procedures.
- 5) To ensure that all nursery settings have access to a well-qualified workforce, where staff feel valued and supported, and their talents and skills are recognised through an appropriate pay structure.

There are several pre-existing formal and informal groups within the early learning and childcare sector. Some of these are UK wide bodies which, while they may have regional offices in Scotland, predominantly focus on English policies. Other groups include informal gatherings of local nursery owners on various social media and messaging platforms. Discussions within these groups have, for some years, considered the creation of a formal body to represent the sector, which led to the formation of the Scottish Private Nursery Association.



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Appendix 1 – total Local Authority spend on ELC if all children funded at PVI rates

	Total spend if all children funded at PVI rate	2021/22 Scottish Government funding	Difference	% difference	Number of 2 year olds	Rate/hour for 2 year olds	Number of 3 year olds and above	Rate/hour for 3 year olds and above
Total of all Scotland	£871,586,243	£1,020,584,000	£148,997,756.51	17.94				
Aberdeen City	£32,868,373	£42,698,000	£9,829,627	23.02	440	£6.05	4,550	£5.45
Aberdeenshire	£46,730,098	£54,812,000	£8,081,902	14.74	170	£6.34	6,652	£5.59
Angus	£16,871,529	£20,340,000	£3,468,471	17.05	125	£6.68	2,480	£5.21
Argyll & Bute	£11,251,707	£16,302,000	£5,050,293	30.98	58	£6.18	1,642	£5.47
Clackmannanshire	£7,199,351	£9,590,000	£2,390,649	24.93	91	£5.42	976	£5.42
Dumfries & Galloway	£20,646,077	£24,932,000	£4,285,923	17.19	199	£6.20	3,098	£5.26
Dundee City	£23,732,947	£29,243,000	£5,510,053	18.84	455	£5.60	3,293	£5.31
East Ayrshire	£19,667,394	£24,400,000	£4,732,606	19.40	240	£5.50	2,735	£5.50
East Dunbartonshire	£16,110,750	£19,250,000	£3,139,250	16.31	259	£6.40	2,210	£5.31
East Lothian	£18,790,349	£21,776,000	£2,985,651	13.71	115	£5.31	2,823	£5.31
East Renfrewshire	£17,888,066	£14,626,000	£-3,262,066	-22.30	115	£8.50	2,617	£5.31
Edinburgh City	£74,594,985	£82,948,000	£8,353,015	10.07	1,153	£5.42	10,286	£5.42
Eilean Siar	£3,143,103	£5,666,000	£2,522,897	44.53	25	£5.31	476	£5.31
Falkirk	£26,898,984	£32,204,000	£5,305,016	16.47	285	£5.55	3,857	£5.31
Fife	£59,694,130	£67,869,000	£8,174,870	12.05	874	£5.31	8,328	£5.31
Glasgow City	£108,458,503	£114,211,000	£5,752,497	5.04	1,508	£6.40	14,919	£5.40
Highland	£32,852,900	£47,849,000	£14,996,100	31.34	215	£6.00	4,960	£5.31
Inverclyde	£10,645,118	£15,266,000	£4,620,882	30.27	152	£5.31	1,512	£5.31
Midlothian	£23,204,925	£22,668,000	£-536,925	-2.37	266	£6.50	3,244	£5.31
Moray	£15,097,752	£18,946,000	£3,848,248	20.31	97	£7.57	1,911	£6.30
North Ayrshire	£19,269,643	£25,536,000	£6,266,357	24.54	274	£5.31	2,739	£5.31
North Lanarkshire	£56,269,760	£68,091,000	£11,821,240	17.36	589	£5.80	7,823	£5.55
Orkney Islands	£2,648,078	£4,471,000	£1,822,923	40.77	17	£5.00	448	£5.00
Perth & Kinross	£20,021,746	£26,405,000	£6,383,254	24.17	164	£5.50	2,972	£5.31
Renfrewshire	£28,347,408	£36,757,000	£8,409,592	22.88	384	£8.50	3,830	£5.31
Scottish Borders	£20,673,128	£22,961,000	£2,287,872	9.96	89	£5.65	2,290	£5.31
Shetland Islands	£3,685,269	£5,646,000	£1,960,731	34.73	15	£6.70	553	£5.48
South Ayrshire	£15,392,703	£18,299,000	£2,906,297	15.88	207	£5.31	2,206	£5.31
South Lanarkshire	£57,154,630	£58,106,000	£951,370	1.64	967	£5.90	7,564	£5.31
Stirling	£13,493,905	£19,253,000	£5,759,095	29.91	206	£5.05	1,818	£5.55
West Dunbartonshire	£14,807,101	£17,526,000	£2,718,899	15.51	217	£5.31	2,058	£5.31
West Lothian	£33,475,832	£31,937,000	£-1,538,832	-4.82	59	£6.40	4,259	£6.40
Notes:	(1)	(2)			(3)	(4)	(3)	(4)
(1)	(Number of 2 year olds * 2 year old rate per hour * 1140 hours) + (Number of 3 year olds and above * 3 year old and above rate per hour * 1140 hours) + (Total number of children * Meal allowance per hour * 1140 hours) = PVI funding							
(2)	Figures received from FOI request to Scottish Government, response dated 02 December 2021							
(3)	Figures received from FOI request to Scottish Government, response dated 24 November 2021							
(4)	Published by Scottish Government, "Overview of local authority funding and support", August 2021							