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Financial Review of early learning and childcare in Scotland: the current landscape



CHILDREN, EDUCATION AND SKILLS



Contents

Summary	4
Headlines.....	4
Background and objectives	4
Provision of the funded entitlement	5
Local authority funding, expenditure and costs	5
Partner provider rates and costs	6
Introduction and context	8
History	9
Scotland.....	9
England and UK	10
Children	11
Registrations.....	11
Eligibility for funded ELC	13
Universal Credit (UC)	14
Looked After children (LAC), Kinship Care Order (KCO)/Guardianship	15
Children in need	15
Total number of children entitled to 600 hours funded ELC	15
Identification of eligible children	15
Uptake of funded early learning and childcare	16
Time spent in formal childcare	18
Looked after children (LAC)	18
ELC providers	20
Number and types of providers	20
Nurseries	23
Childminders.....	24
Funded entitlement.....	25
Partner providers	27
Support and quality improvement.....	27
Quality of childcare services.....	28
Provision of meals and snacks	30
Geography	31
Cost to parents	35
Workforce	37

Staff numbers	37
Skills and qualifications	38
Teachers.....	41
Work patterns	42
Wages	43
Finances: Funding, Expenditure and Cost	45
Scottish Government funding	45
Revenue expenditure	45
Funding difference.....	46
Explaining the gap between funding and expenditure	51
Accounting and reporting	51
Children and families daycare spend	51
Special education spend	52
Declining baseline expenditure	52
Vulnerable 2 year olds.....	52
ELC provision pre-CYP Act	53
More efficient delivery of ELC	53
Workforce and capital.....	53
Capital expenditure	53
Cost per hour Scotland.....	54
Unit cost in local authority settings	55
Cost to local authorities of procuring from partner providers	56
Total local authority expenditure on the funded entitlement to 600 hours.....	57
Partner provider rates and costs	57
Contribution of funded entitlement to provider income.....	61
Conclusions	63
Annex A: List of published information and statistics	64
Annex B: Eligibility criteria for qualifying benefits	67
Annex C: UK childcare policies	68

Summary

Headlines

- Around 125,000 children and their families benefit from the free entitlement to early learning and childcare each year. Around 75 per cent of children registered for free ELC receive their provision in local authority settings
- On average, local authorities spend £5.45 per hour per child to provide ELC to three and four year olds in their own nursery settings and £4.58 per hour if they procure the ELC from a partner provider setting, including direct payments to partner providers and additional expenditure on training and other in-kind support
- The cost to partner providers of providing ELC to 0-5 year olds are estimated at £3.70 per hour on average. Given different staff ratios by age, costs for three and four year olds could be up to 15 per cent lower than this and costs for 2 year olds up to 20 per cent higher
- The gap between local authority and partner provider costs is overwhelmingly explained by the relatively lower rates of pay in partner settings. We estimate that around 80 per cent of practitioners and 50 per cent of supervisors in partner settings are paid less than the Living Wage (£8.25 an hour)
- On average, partner providers receive £3.59 from local authorities for three and four year olds and £4.78 for two year olds
- Given current wage rates, local authority payments to partner providers appear to cover the costs of the great majority of partner providers

Background and objectives

The landscape of early learning and childcare in Scotland is undergoing transformative change. Through the 2014 Children & Young People (Scotland) Act the annual entitlement to free Early Learning and Childcare provision increased from 475 hours (12 hours a week over 38 weeks) to 600 hours (or 16 hours a week over 38 weeks) for all three and four year olds, and for those two year olds who stand to benefit most. This was accompanied by increased flexibility of provision to meet the needs of parents.

The sector is now starting to move rapidly towards almost doubling the level of entitlement to ELC provision to 1,140 hours per year by the end of the current parliamentary session.

A solid evidence base is required to support Scottish Government, local government and partner organisations in planning and preparing for the changes ahead. The Scottish Government announced in February 2016 that it would conduct a Financial Review of the provision of the free entitlement to

early learning and childcare as a major contribution to building that evidence base.

The key elements of the Financial Review are:

- Collation of existing information on ELC provision
- Collection of detailed financial data from partner providers
- Collection of detailed financial data from local authorities

This Report details the findings of the Financial Review and captures a snapshot of the whole ELC system as change is introduced and further change is being planned for. It contributes to the available evidence to inform the planning and development of delivery options for the expansion of the funded entitlement.

Provision of the funded entitlement

We estimate that around 136,000 children are eligible to receive the free entitlement to ELC each year. Around 7 per cent of the population of two year olds and close to 100 per cent for three and four year olds have been recorded to take up funded ELC at the start of the last academic year. Overall this means that around 125,000 children and their families benefit from free ELC each year.

The free entitlement to ELC is provided in around 2,500 settings in the local authority, private and not for profit sectors. Three quarters of those children registered for the free entitlement receive their provision in a local authority setting.

Local authority funding, expenditure and costs

In the first three years after implementation of the CYP Act, 2014/15 to 2016/17, the Scottish Government has provided local authorities with an additional £329 million to cover the additional revenue costs of the ELC elements of the CYP during those three years.

During the same period, final net expenditure figures from 2014/15, provisional outturn figures for 2015/16 and budget estimates for 2016/17 indicate that local authorities spent or plan to spend an additional £189 million on pre-primary education over the three years compared to continuing spend at 2013/14 levels.

Table 1¹ shows that for three and four year olds, it costs local authorities an average of £5.45 to provide ELC in their own settings and a total of £4.58 per hour if they procure the ELC from a partner provider. For two year olds the

¹ Based on detailed work with 10 local authorities.

figures are £7.74 per hour and £5.72 per hour respectively. The partner provider cost includes both the fee paid to partner providers plus the additional expenditure made by local authorities in support of partner providers, for example on training.

Table 1: Estimated hourly expenditure on funded ELC

	2 year olds	3&4 year olds
Unit cost local authority	£7.74	£5.45
Partner provider rate (payment per hour to PPs)	£4.78	£3.59
Additional LA spend in support of PPs	£0.94	£0.99
Overall unit cost for procuring from PPs	£5.72	£4.58

Source: Scottish Government 2016

Expenditure on provision of ELC in local authority settings is dominated by staff costs which account for over 80 per cent of the total.

The unit costs above, combined with the number of children registered and the average hours of the entitlement within financial year 2014/15 gives an expenditure estimate of around £249 million on funded ELC in local authority settings.

Given the number of places procured from partner providers and the average hours of the entitlement by age group, the amount spent by local authorities on procured ELC is estimated at around £78 million in financial year 2014/15. This gives an overall estimate of expenditure on the funded entitlement of £327 million.

Partner provider rates and costs

Ipsos MORI Scotland was commissioned by the Scottish Government to survey private and not-for-profit ELC providers of the funded entitlement across Scotland about their costs for delivering ELC.² An online survey of 965 partner providers collected detailed information about costs, income, capacity and occupancy. Responses were obtained for 222 settings (22 per cent of all partner providers) across the range of provider types, size, area of Scotland and level of deprivation.

The research showed that the average cost for one hour of ELC for 0-5 year olds at partner providers is estimated at £3.70. (£3.69 in private settings, £3.72 in voluntary settings). Given different staff ratios by age, we estimate that costs for three and four year olds could be up to 15 per cent lower than this and costs for 2 year olds up to 20 per cent higher.

² Ipsos MORI (Chris Martin, Rachel Ormston and Sanah Zubairi), *Costs of Early Learning and Childcare Provision - Technical Report*, September 2016

As in local authority settings, costs are dominated by the staff component which comprises 70 per cent of the total.

The large difference between costs in partner provider and local authority settings can be explained by the gap in staff costs. On average, for an early years practitioner, the public sector spends two thirds more than the voluntary and 80 per cent more than the private sector on staff-related costs (wages, pensions etc). If partner providers were to pay public sector wages, they would have to charge at least at the cost level of public provision.

Introduction and context

The Scottish Government is committed to improving and increasing high quality, flexible early learning and childcare (ELC) which is accessible and affordable for all children and families. Since 2014 three and four year olds and eligible two year olds have been entitled to 600 hours of free ELC a year and parents to an increasing range of choice and flexibility in how those hours are accessed. The Scottish Government has a commitment to increase this to 1,140 hours a year, flexibly provided, in order to:

- Improve outcomes for children, especially those who are more vulnerable or disadvantaged
- Support parents to work, train or study, especially those who need routes into sustainable employment and out of poverty

This commitment to substantially increase the provision of funded ELC over the course of the next Parliament has highlighted the need for an improved evidence base.

Scottish Government announced in February 2016 that it would conduct a Financial Review of the provision of the free entitlement to ELC. This report summarises the findings of that Financial Review of the current baseline situation in Scotland.

The key elements of the Financial Review are as follows:


- Baseline review – collation of existing information on ELC provision
- Collection of detailed financial data from Partner Providers – conducted by Ipsos MORI
- Collection of detailed financial data from ten local authorities
- Final report (this report) on the current provision of ELC including summary of data collected from partner providers and local authorities
- Development of a financial model, incorporating parallel analysis of workforce needs, to test funding implications of 1,140 hours scenarios

The purpose of the Review is to improve our understanding of current expenditure and costs associated with ELC provision in order to inform decisions about the delivery and funding of the expansion to 1,140 hours. This report collates and summarises the existing knowledge and evidence on ELC. It is based on published and unpublished data and on the specific data collections from local authorities and from partner providers that were conducted as part of the Financial review. The information summarised here will be used by Scottish Government in developing and analysing the options for delivering on our commitment to the expansion of funded ELC from 600 to 1,140 hours a year.

History

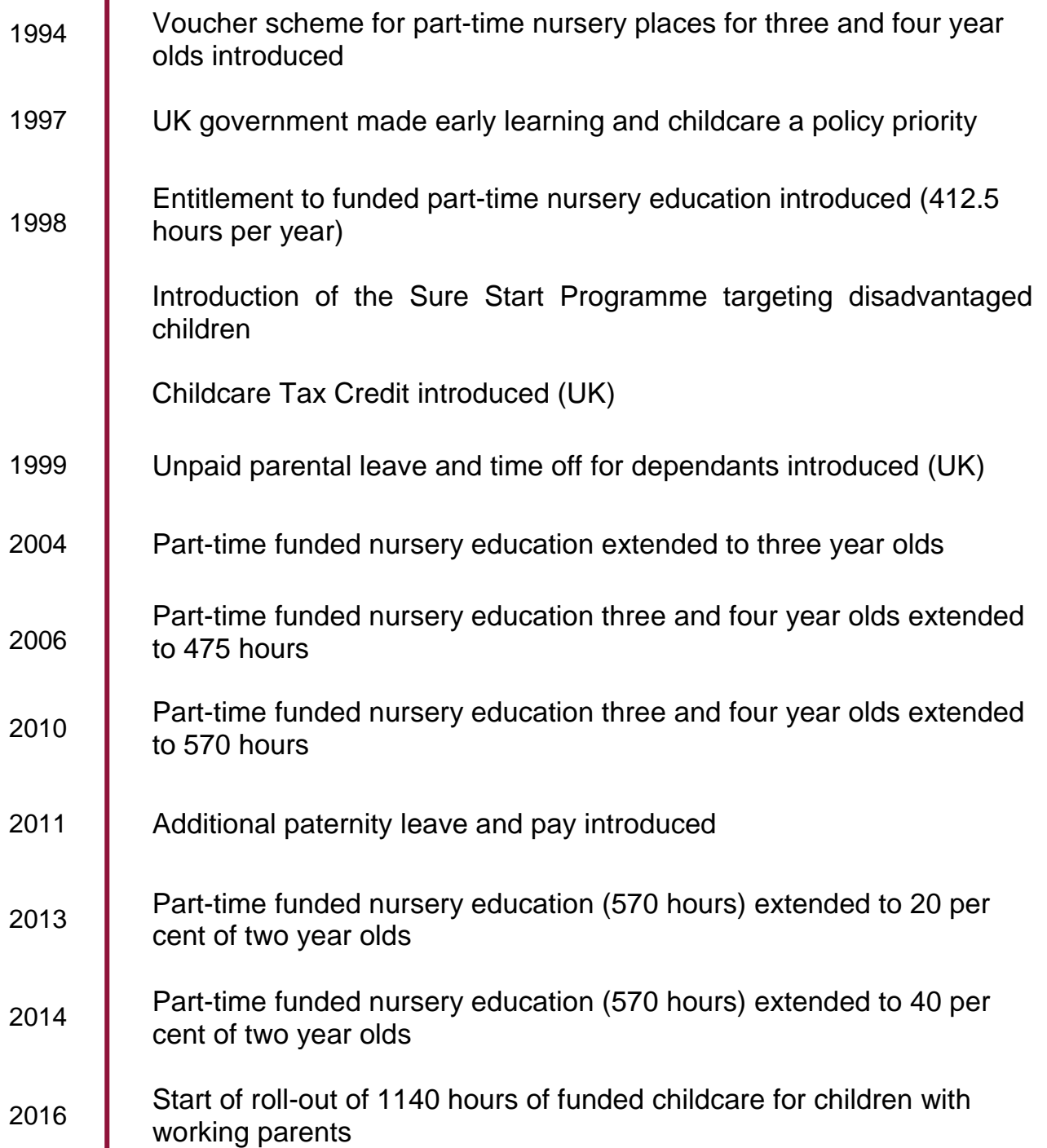
Over the past 15 years, public ELC provision in Scotland and across the rest of the UK has been expanding. The timeline below briefly sets out the development of ELC in the UK, specifically Scotland and England.

Scotland



1980	The Education (Scotland) Act gave local authorities a power to secure pre-school education for pre-school children in their areas
1996	UK Government childcare voucher scheme in Scotland
2000	Standards in Scottish Schools Act places a duty on local authorities to secure a pre-school education place for all three and four year olds
2002	Pre-school education introduced: 412.5 hours (2.5 hours per day over 33 weeks per year)
2007	Pre-school education increased to 475 hours (2.5 hours/ per day over 38 weeks)
2012	Pre-school education is offered to Looked After two year olds
2014	Children and Young People (Scotland) Act: Pre-school education re-defined as early learning and childcare and increased to 600 hours (flexible delivery) and extended to any two year olds with parents in receipt of out of work benefits
2015	Further extension to all two year olds who qualify for free school meals under the passported benefits eligibility criteria
2020	Roll-out of 1140 hours for all three and four year olds, and eligible two year olds

England and UK



1994	Voucher scheme for part-time nursery places for three and four year olds introduced
1997	UK government made early learning and childcare a policy priority
1998	Entitlement to funded part-time nursery education introduced (412.5 hours per year)
	Introduction of the Sure Start Programme targeting disadvantaged children
	Childcare Tax Credit introduced (UK)
1999	Unpaid parental leave and time off for dependants introduced (UK)
2004	Part-time funded nursery education extended to three year olds
2006	Part-time funded nursery education three and four year olds extended to 475 hours
2010	Part-time funded nursery education three and four year olds extended to 570 hours
2011	Additional paternity leave and pay introduced
2013	Part-time funded nursery education (570 hours) extended to 20 per cent of two year olds
2014	Part-time funded nursery education (570 hours) extended to 40 per cent of two year olds
2016	Start of roll-out of 1140 hours of funded childcare for children with working parents

Children

This chapter lays out the available information on child registrations in funded and unfunded ELC settings. The data underlying this chapter are published by the Care Inspectorate and the Scottish Government.

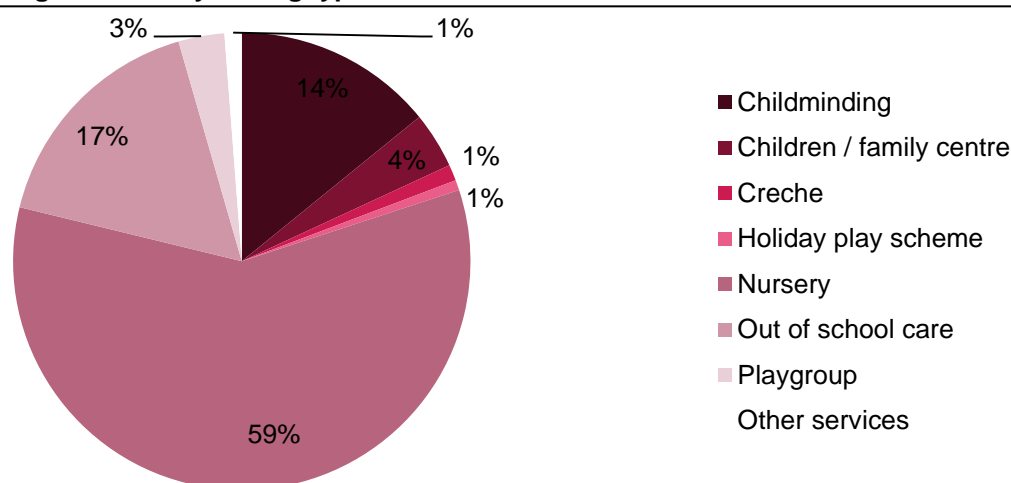
Some of the key points include:

- For both funded and unfunded ELC, there were around 28,000 registrations of two year olds, 116,000 registrations of three and four year olds across all ELC service providers (including childminders) in term 1 of academic year 2014/15.
- For funded ELC, there were registrations for around 4,300 two year olds and 87,300 three and four year olds at the beginning of academic year 2015/16.
- While almost all eligible three and four year olds are registered for the funded entitlement (97 per cent), a significantly smaller proportion of eligible two year olds are registered (around 7 per cent of the two year old population).

Registrations

As at December 2014, looking across both funded and non-funded provision, there were 28,330 (48 per cent of the population) registrations of two year olds, 54,350 (89 per cent) registrations of three year olds and 61,800 (around 100 per cent³) four year olds registrations across all ELC service providers (including childminders). Excluding childminders, there were 23,660 (40 per cent) two year old registrations, 50,160 (82 per cent) three year old registrations and 57,790 (99 per cent) four year old registrations.⁴

Figure 1: Share of registrations by setting type



Source: Care Inspectorate Childcare statistics 2014

³ Due to children being registered at multiple settings, the total percentage actually exceeds 100%.

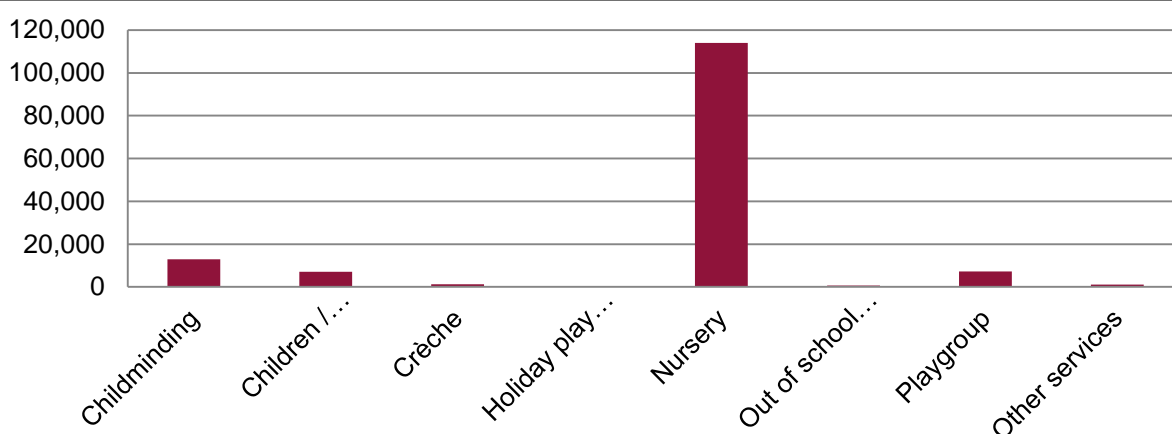
⁴ Care Inspectorate, *Childcare Statistics 2014 - The provision and use of registered daycare of children and childminding services in Scotland as at 31 December 2014*.

Table 2: Number of child registrations by age

	Total	Under 1 year old	1 year old	2 year old	3 year old	4 year old
Active services by type:						
Childminding	32,500	860	3,840	4,660	4,190	4,010
Children / family centre	9,110	260	940	1,950	2,630	2,540
Crèche	2,610	120	270	370	450	400
Holiday play scheme	1,650	30	30	40	70	80
Nursery	135,240	2,300	12,220	18,200	43,350	52,450
of which: providing add. services	29,390	570	2,900	4,860	7,670	8,090
of which: no add. services	105,850	1,740	9,320	13,340	35,680	44,360
Out of school care	38,460	0	20	30	60	640
of which: providing add. services	29,500	0	20	30	60	530
of which: providing no add. services	8,970	0	0	0	0	110
Playgroup	7,470	0	60	2,760	3,240	1,210
Other services	2,800	40	120	320	360	470
Total	229,840	3,610	17,500	28,330	54,350	61,800
Total excl. childminding	197,340	2,750	13,650	23,660	50,160	57,790

Source: Care Inspectorate Childcare statistics 2014

The vast majority of two, three and four year olds in ELC are registered with nurseries (around 80 per cent). There is likely to be some overlap of children who are registered with more than one provider (estimated at around 2 per cent).

Figure 2: Two, three and four year olds registered with an ELC provider (incl. those who do not provide funded ELC)

Source: Care Inspectorate Childcare statistics 2014

Eligibility for funded ELC

Currently, all three and four year olds are entitled to 600 hours of funded child care per annum (i.e. approx. 16 hours per week over 38 weeks). The offer commences the term after the child's third birthday.⁵ Therefore, fewer children will be in their ante-preschool year during census week in term 1 of the academic year⁶ and hence registrations for children in their ante-preschool year during census week will be around half the number expected to have registered by term 3 (April-June).

By the end of the last academic year, around 59,500 3 year olds and 61,200 4 year olds are eligible for funded ELC.

Two year olds are eligible to receive the funded entitlement if at least one parent receives either⁷

- Income Support
- Job Seeker's Allowance (income-based)
- Employment and Support Allowance (income-based)
- Child Tax Credit only (up to an income of £16,105)
- Working Tax Credit and Child Tax Credit (up to an income of £6,420)
- Incapacity Benefit/Severe Disablement Allowance
- State Pension Credit
- Support under Part VI of the Immigration and Asylum Act 1999
- Universal Credit

Annex B sets out the eligibility criteria for the above benefits.

Furthermore, two year olds are eligible if they are looked After or under Kinship Care Order/Guardianship.

To arrive at an estimate for the number of eligible two year olds, data from HMRC and DWP can be used. HMRC hold information on claimants of tax credits. DWP hold information on all other benefits.

Data from DWP and HMRC suggest that around 15,200 two year olds qualify for funded ELC via JSA, ESA, IS, CTC, WTC&CTC, and around a further 650 qualify as a result of being Looked After, under KCO or Guardianship or falling under the wider out of work benefits criteria. In addition, around 100 two year olds qualify under the Immigration and Asylum Act. In total, 16,000 two year olds qualify for

⁵ The Scottish Government, *Additional tables on Early Learning and Childcare to accompany Summary Statistics for Schools in Scotland*, No.6: 2015.

⁶ Historically, children were categorised to be in either their preschool or ante-preschool year. This was later relabeled to three and four year olds. In practice, some three year olds will already be in their preschool year and therefore get recorded as four year olds.

⁷ Eligibility for two year olds has gone through two stages: From August 2014 until August 2015, tax credits were excluded from the qualifying criteria.

funded ELC. At an estimated population of around 58,000 two year olds in 2015, this equates to around 27 per cent of the population.^{8,9}

Table 3: Estimated number of two year olds by benefit criterion

Benefit type	Number of two year olds
IS	8,000
JSA (adj. income-based)	900
ESA (adj. income-based)	1,100
PC/SD/IB	150
CTC only	2,400
WTC&CTC	2,800
LAC/KCO/Guardianship	500
Immigration & Asylum Act	100
Total	15,950

Source: DWP and HMRC benefit claimant data 2015

The following paragraphs set out how many two year olds are eligible under each individual qualifying criterion.

Most of the above benefits are mutually exclusive. Recipients on JSA are usually ineligible for ESA and vice versa, and to receive IS, one cannot be in receipt of JSA or ESA. To be eligible for WTC, one has to work more than 16 hours which implies ineligibility for JSA, ESA and IS. Recipients on PC have to be of State Pension age which means they are ineligible for JSA, ESA and IS. Parents who receive any of the out-of-work benefits are likely to be eligible for CTC as well.¹⁰ Hence, the number of children qualifying via the CTC only criterion excludes those children who are also eligible via any of the other criteria.

Universal Credit (UC)

With the introduction of Universal Credit, IS, JSA, ESA, WTC&CTC, and CTC are going to become obsolete as eligibility criteria since they will be replaced by Universal Credit. While the corresponding income threshold is not yet determined, the threshold is supposed to maintain the current volumes of eligibility.

⁸ Department for Work and Pensions Official Statistics, *Children in out-of-work benefit households: 31 May 2014*.

⁹ Since these figures are largely based on estimates for each of the underlying criteria the true figure of eligible two year olds may lie within an interval between 25% and 30%.

¹⁰ Only around 8% of families with children in receipt of IS/ESA/JSA are not receiving CTC.

Looked After children (LAC), Kinship Care Order (KCO)/Guardianship

The proportion of children who are subject to a LAC order or under KCO/Guardianship is estimated to lie at around 3 per cent of the population.¹¹ This means, as at 2015, there are around 1,700 two year olds who are LAC or under KCO/Guardianship. However, we expect around 70 per cent of these children to qualify under the criteria above already. Hence, only 500 additional two year olds are estimated to qualify as a result of being LAC/under KCO/Guardianship.

Children in need

As per the Children (Scotland) Act 1995 local authorities are under a statutory duty to provide appropriate services which may ELC to children in need. A child is defined to be 'in need' if

- he or she is unlikely to achieve or maintain, or to have the opportunity of achieving or maintaining, a reasonable standard of health or development unless the local authority provides services for him or her
- the child's health or development is likely significantly to be impaired, unless additional services are provided
- the child is disabled or he or she is affected adversely by the disability of any other person in his or her family.

It is mainly two year olds for whom eligibility to funded ELC via the in-need-status is relevant,¹² as the entitlement becomes universal when they turn three. However, children in need of all ages may get additional hours beyond the 600 hours if deemed appropriate.

While in-need status itself does not necessarily entitle children to the 600 hours of funded ELC, it is expected that the overwhelming majority of children in need would also qualify under the criteria outlined above.

Total number of children entitled to 600 hours funded ELC

Summing up, the number of two, three and four year olds eligible for ELC under the Children and Young People (Scotland) Act at the time of the 2015 census is estimated at around 100,000. By term 3 (April-June) we would expect this figure to rise to around 136,000.

Identification of eligible children

Education authorities are not under a duty to identify those children and families who are eligible for the 600 hours ELC entitlement. Parents or carers who wish to use the entitlement for their child need to apply for a place for their child. As the entitlement is not compulsory, and depends upon parents or carers taking up a place for their child, local authorities, health visitors and local job centres plus, aim to promote the entitlement at a local level, complemented by national information campaigns.

¹¹ The Scottish Government, *Children's Social Work Statistics Scotland*, 2013-14.

¹² There are some children under two who receive free childcare as a result of being 'in need'.

Local job centre plus can verify a parent or carer in receipt of: IS, JSA, ESA, IC or SDA, PC or UC (based on an award letter they receive; this changes when any circumstances change). Parents or carers receive an annual award letter from HMRC confirming level of income and receipt of CTC or WTC&CTC. Support under Part VI of the Immigration and Asylum Act 1999 can be confirmed through social work.

Uptake of funded early learning and childcare

As at December 2015, around 97,000 children were registered for funded ELC.¹³ Of those, 72,100 (74 per cent) took up their offer at early years settings run by the local authority. The number of registered two, three (ante-preschool year) and four year olds (preschool year) was 91,600 at the time of the census, with an additional 4,500 children deferring entry into primary school while remaining eligible for funded ELC and around 1,200 children under two who qualify via in-need criteria.^{14,15} Note that children registered to receive local authority funded ELC at more than one centre may be counted more than once, potentially leading to a small overestimate of the true uptake.

Table 4: 2, 3 and 4 year olds registered at services offering funded ELC

Centre type	Under 2 year olds	2 year olds	3 year olds (Ante-preschool year)	4 year olds (Preschool year)	Deferred	Total
Local Authority	938	3,494	20,489	43,711	3,502	72,134
Partnership - other	21	177	1,752	2,239	211	4,400
Partnership - private	264	650	7,692	11,377	745	20,728
Total	1,223	4,321	29,933	57,327	4,458	97,262

Source: Scottish Government Early learning and childcare statistics 2015

In December 2015, uptake of funded ELC was at 99 per cent and 95 per cent respectively for children in their ante-preschool (recorded as three year olds) and preschool year (recorded as four year olds). Uptake was considerably lower for two year olds at around 7 per cent of the total two year old population, although only a subset of two year olds are eligible.¹⁶ Overall uptake by two year olds was recorded

¹³ This includes children who defer entry into primary school.

¹⁴ For those children whose fifth birthdays fall between the start of term in August and the last day of February, parents/carers may choose to defer their child's entry to primary school until the following August.

¹⁵ The Scottish Government, *Additional tables on Early Learning and Childcare to accompany Summary Statistics for Schools in Scotland*, No.6: 2015.

¹⁶ The Scottish Government: *Additional tables on Early Learning and Childcare to accompany Summary Statistics for Schools in Scotland*, No.6: 2015.

to be lower in 2015 than in 2014, although this may be due to improvements to data collection.

Table 5: Uptake of early learning and childcare by local authority as at December 2015

	2 year olds	% of 2 year old population	3 + 4 year olds	% of 3&4s eligible	deferred entry	% of eligible for deferral	Total
Aberdeen City	36	1%	3,284	90%	163	14%	3,483
Aberdeenshire	69	2%	4,538	93%	304	18%	4,911
Angus	84	7%	1,667	92%	125	20%	1,876
Argyll & Bute	49	6%	1,285	103%	65	16%	1,399
Clackmannanshire	42	7%	880	103%	19	7%	941
Dumfries & Galloway	84	6%	2,234	98%	131	17%	2,449
Dundee City	217	12%	2,468	100%	144	19%	2,829
East Ayrshire	124	9%	2,071	101%	47	7%	2,242
East Dunbartonshire	59	6%	1,644	94%	90	17%	1,793
East Lothian	53	4%	1,802	95%	122	20%	1,977
East Renfrewshire	62	6%	1,596	92%	62	11%	1,720
City of Edinburgh	383	7%	7,830	95%	485	19%	8,698
Eilean Siar	15	6%	402	106%	25	19%	442
Falkirk	109	6%	2,768	100%	110	12%	2,987
Fife	456	11%	6,321	98%	227	11%	7,004
Glasgow City	393	5%	9,206	89%	404	13%	10,003
Highland	49	2%	3,900	105%	316	26%	4,265
Inverclyde	152	19%	1,098	88%	60	14%	1,310
Midlothian	65	6%	1,678	103%	96	18%	1,839
Moray	31	3%	1,529	100%	111	22%	1,671
North Ayrshire	218	15%	2,244	100%	50	7%	2,512
North Lanarkshire	315	8%	5,881	97%	160	8%	6,356
Orkney Islands	16	8%	320	96%	50	47%	386
Perth & Kinross	108	8%	2,168	95%	208	28%	2,484
Renfrewshire	361	19%	2,858	99%	167	18%	3,386
Scottish Borders	84	7%	1,773	102%	81	14%	1,938
Shetland Islands	-	0%	427	101%	44	31%	471
South Ayrshire	65	6%	1,693	98%	97	17%	1,855
South Lanarkshire	363	10%	5,398	101%	204	12%	5,965
Stirling	82	9%	1,535	114%	52	12%	1,669
West Dunbartonshire	134	13%	1,619	102%	64	13%	1,817
West Lothian	43	2%	3,143	92%	175	16%	3,361
SCOTLAND	4,321	7%	87,260	97%	4,458	15%	96,039

Source: Scottish Government Early learning and childcare statistics 2015

Time spent in formal childcare

Data from the Understanding Society survey,¹⁷ conducted by the University of Essex, suggest in 2015, two, three and four year olds in Scotland spent on average 17.09, 16.65 and 21.00 hours per week in childcare (funded and unfunded), respectively.¹⁸

These results are supported by Growing Up in Scotland data which shows the average number of hours spent in childcare for 3 year olds is estimated at 16.19 hours post CYP Act (14.56 hours pre-Act).

Table 6: Hours spent in formal childcare by age group

Age	2 years	3 years	4 years
Average hours per week spent in ELC	17.09	16.65	21
Annualised hours (38 weeks)	649.42	632.7	798

Source: Understanding Society Wave 4

Looked after children (LAC)

Under the provisions of the Children (Scotland) Act 1995, looked after children are defined as those in the care of their Local Authority. The majority will fall into the two categories of *looked after at home* and *looked after away from home*.

A child (or young person) is defined as 'looked after at home' if he or she has been through the Children's Hearings system and is subject to a Supervision Requirement (regular contact with social services) with no condition of residence. In this case the child continues to live in their regular place of residence (generally the family home).

A child is 'looked after away from home' if she or he has been through the Children's Hearings system and is either

- subject to a Supervision Requirement with a condition of residence
- subject to an order made or authorisation or warrant granted by virtue of Chapter 2, 3 or 4 of Part II of the Children (Scotland) Act 1995
- being provided with accommodation under Section 25 (a voluntary agreement)
- or is placed by a local authority which has made a permanence order under Section 80 of the Adoption and Children Act 2007. In these cases the child is cared for away from their normal place of residence, by foster or kinship

¹⁷ <https://www.understandingsociety.ac.uk/>

¹⁸ It is possible that there is some variation in these figures due to the staggered entry for two and three year olds. It is conceivable that two and three year olds, who are eligible to take up their early learning and childcare offer in term 1, spend more time in care on average than those who commence eligibility in term 2 or 3. This may explain to some extent why 2 and 3 year olds, when aggregated, spend fewer hours in childcare than 4 year olds to whom the staggered commencement does not apply.

carers, prospective adopters, in residential care homes, residential schools or secure units.

Table 7 shows the number of looked after children aged 1-4 over time.¹⁹

Table 7: Number of LAC over time by age

	2012	2013	2014	2015	% of 2015 total	LAC as % of population
Children	3,001	2,919	2,823	2,712	18%	1.1%

Source: Scottish Government Children's social work statistics 2014-15, additional tables

Most looked after children have become 'looked after' for care and protection reasons. Some will have experienced neglect or mental, physical or emotional abuse. Some parents are unable to look after their children because of their own substance misuse or poor parenting skills.

Children with complex disabilities sometimes need to be looked after in specialist residential schools. Similarly, vulnerable, unaccompanied minors seeking asylum and young people who have been illegally trafficked into the UK may also become looked after to ensure their wellbeing.

¹⁹ The Scottish Government, *Children's Social Work Statistics Scotland*, 2014-15.

ELC providers

This chapter brings together the evidence on providers currently offering funded (i.e. the free entitlement to 600 hours) and unfunded ELC services. The key sources drawn upon include the latest published data from Care Inspectorate (2014) and the Scottish Government Early Years and Social Work statistics (2015).

Some of the key findings are:

- There are around 3,700 childcare providers (for children of all ages), of whom 2,500 are offering the funded entitlement. In addition, there are 5,600 childminders.
- Excluding childminders, who are 100 per cent private, 46 per cent of all funded and non-funded services are run by local authorities, 29 per cent are run by the private sector and 25 per cent are run by the third sector.
- 1,500 of the settings that offer the funded provision are run by local authorities and the remaining 1,000 by private and third sector partner providers.
- The number of daycare services in a particular area does not notably vary by the local area level of deprivation. However, in poor areas childcare is provided mainly by local authority providers, whereas private providers tend to operate in relatively more affluent areas.

Number and types of providers

Funded and unfunded ELC is offered by childminders, children/family centres, crèches, holiday play schemes, nurseries, playgroups, out-of-school care providers and occasionally other services, such as women's aid centres.

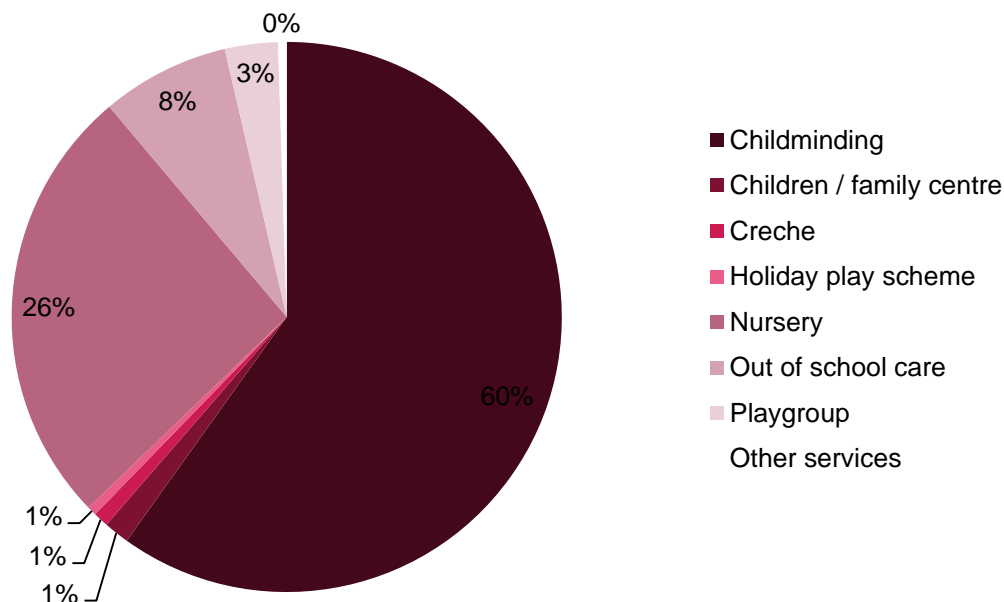
Table 8: Number of services offering services by age of children

Services by service type:	age groups provided for					
	under 1	1	2	3	4	5
Childminding	4,882	5,172	5,233	5,257	5,268	5,261
Children / family centre	114	118	130	127	109	96
Crèche	69	71	77	78	76	65
Holiday play scheme	2	2	2	7	13	44
Nursery	762	777	1,057	2,378	2,368	1,708
Out of school care	4	5	6	37	427	684
Playgroup	6	10	239	283	252	132
Other services	21	25	34	33	38	42
Total (excl. Childminding)	979	1,007	1,545	2,942	3,283	2,770

Source: Care Inspectorate Early learning and childcare statistics 2014

As at December 2014, around 3,733 active daycare services for children²⁰ are registered to offer services to children up to the age of fifteen. Of those, 2,400 are nurseries. Additionally, there are 5,600 registered childminding services.²¹ Not all of these services are delivering childcare to two to four year olds. This is particularly the case for holiday play schemes and out of school care, although some of these services also offer ELC to children who are not yet of school age (see table 8).

Figure 3: Share of settings by type



Source: Care Inspectorate Early learning and childcare statistics 2014

There has been a reduction of the number of services between 2012 and 2014, with the number of active services decreasing from 3,800 in 2012 and 3,764 in 2013. On the other hand, workforce numbers and the number of capacity places (maximum attendance at any one time, measured by number of registered places) have increased slightly, indicating a consolidation of the market.^{22, 23}

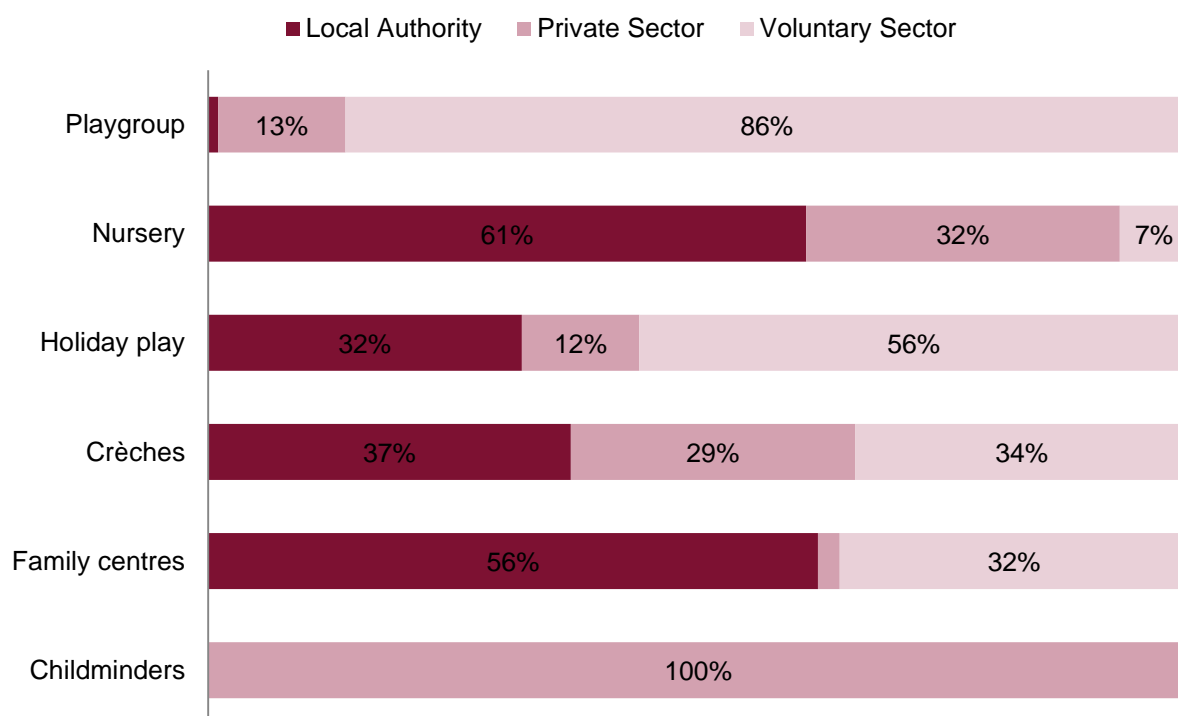
²⁰ Daycare of children is defined by the Public Services Reform (Scotland) Act 2010 as a service which provides care for children on non-domestic premises for a total of more than two hours per day and on at least six days per year. This includes nursery classes, crèches, after school care and playgroups. These services can be run on a public, private or voluntary basis. The definition does not include services which are part of school activities. Nor does it include activities where care is not provided such as sports clubs or uniformed activities such as Scouts or Guides.

²¹ Care Inspectorate, *Childcare Statistics 2014 - The provision and use of registered daycare of children and childminding services in Scotland as at 31 December 2014*.

²² Ibid.

²³ See section on the Workforce below.

Figure 4: Childcare providers by sector



Source: Care Inspectorate Early learning and childcare statistics 2014

Excluding childminders, who are 100 per cent private, 46 per cent of all services (funded and unfunded) are run by local authorities, 29 per cent are run by the private sector and 25 per cent are run by the voluntary sector.

Table 9: Number of registered childcare services

Services by main type:	Number of services			Percentages of services			Total
	LA	Private	Non-profit	LA	Private	Non-profit	
Childminding	0	5,572	0	0.0%	100.0%	0.0%	5,572
Children / family centre	90	3	46	64.7%	2.2%	33.1%	139
Crèche	31	24	28	37.3%	28.9%	33.7%	83
Holiday play scheme	16	6	28	32.0%	12.0%	56.0%	50
Nursery	1,475	767	181	60.9%	31.7%	7.5%	2,423
Out of school care	93	240	368	13.3%	34.2%	52.5%	701
Playgroup	4	38	248	1.4%	13.1%	85.5%	290
Other services	4	14	29	8.5%	29.8%	61.7%	47
Total	1,713	6,664	928	18.4%	71.6%	10.0%	9,305
Total (excl. Childm.)	1,713	1,092	928	45.9%	29.3%	24.9%	3,733

Source: Care Inspectorate Early learning and childcare statistics 2014

The number of settings is broken down by local authority and provider sector in table 10 below.

Table 10: Number of settings (funded and unfunded) by local authority and sector

Local Authority	Public	% public	Private	% private	Voluntary or not for profit	% voluntary	Total
Aberdeen City	69	43%	54	34%	38	24%	161
Aberdeenshire	102	47%	59	27%	57	26%	218
Angus	50	46%	26	24%	32	30%	108
Argyll & Bute	50	60%	15	18%	19	23%	84
Clackmannanshire	18	62%	6	21%	5	17%	29
Dumfries & Galloway	46	46%	29	29%	25	25%	100
Dundee City	29	33%	35	40%	23	26%	87
East Ayrshire	33	50%	12	18%	21	32%	66
East Dunbartonshire	21	28%	32	43%	22	29%	75
East Lothian	33	40%	18	22%	32	39%	83
East Renfrewshire	19	37%	26	50%	7	13%	52
Edinburgh, City of	102	28%	162	44%	102	28%	366
Eilean Siar	21	75%	1	4%	6	21%	28
Falkirk	54	57%	14	15%	27	28%	95
Fife	171	68%	39	15%	43	17%	253
Glasgow City	127	35%	134	37%	106	29%	367
Highland	149	58%	44	17%	65	25%	258
Inverclyde	21	49%	11	26%	11	26%	43
Midlothian	28	38%	17	23%	29	39%	74
Moray	23	36%	20	31%	21	33%	64
North Ayrshire	44	55%	21	26%	15	19%	80
North Lanarkshire	97	53%	55	30%	30	16%	182
Orkney Islands	20	87%	0	0%	3	13%	23
Perth & Kinross	61	49%	39	31%	25	20%	125
Renfrewshire	37	32%	62	53%	18	15%	117
Scottish Borders	46	46%	20	20%	33	33%	99
Shetland Islands	24	75%	5	16%	3	9%	32
South Ayrshire	42	63%	12	18%	13	19%	67
South Lanarkshire	78	44%	65	37%	33	19%	176
Stirling	32	49%	19	29%	14	22%	65
West Dunbartonshire	25	50%	14	28%	11	22%	50
West Lothian	61	47%	27	21%	42	32%	130
Scotland	1,733	46%	1,093	29%	931	25%	3,757

Source: Care Inspectorate Annual Return 2014.

Nurseries

Nurseries provide daycare facilities for children aged five years and under. The service is normally used by parents on a regular basis rather than a drop-in basis and the service is provided as a minimum during the school term.

Nurseries constitute the most common providers of ELC on non-domestic premises. Of all non-domestic settings offering childcare to three and four year olds, around 80 per cent are nurseries.

Table 11: Number of nurseries by local authority and provider sector

Local authority	Active nurseries	% LA	% private	% voluntary
Aberdeen City	96	51.0%	42.7%	6.3%
Aberdeenshire	132	65.9%	32.6%	1.5%
Angus	65	75.4%	24.6%	0.0%
Argyll & Bute	67	71.6%	19.4%	9.0%
Clackmannanshire	20	75.0%	25.0%	0.0%
Dumfries & Galloway	77	58.4%	28.6%	13.0%
Dundee City	62	46.8%	48.4%	4.8%
East Ayrshire	41	68.3%	22.0%	9.8%
East Dunbartonshire	44	43.2%	36.4%	20.5%
East Lothian	49	63.3%	30.6%	6.1%
East Renfrewshire	24	45.8%	41.7%	12.5%
Edinburgh, City of	216	40.7%	50.9%	8.3%
Eilean Siar	22	86.4%	4.5%	9.1%
Falkirk	66	80.3%	19.7%	0.0%
Fife	152	72.4%	23.7%	3.9%
Glasgow City	216	46.8%	43.1%	10.2%
Highland	184	75.0%	15.2%	9.8%
Inverclyde	22	50.0%	40.9%	9.1%
Midlothian	42	64.3%	26.2%	9.5%
Moray	46	47.8%	28.3%	23.9%
North Ayrshire	60	66.7%	25.0%	8.3%
North Lanarkshire	124	68.5%	28.2%	3.2%
Orkney Isles	21	90.5%	0.0%	9.5%
Perth & Kinross	83	56.6%	36.1%	7.2%
Renfrewshire	69	40.6%	49.3%	10.1%
Scottish Borders	66	66.7%	19.7%	13.6%
Shetland	23	82.6%	17.4%	0.0%
South Ayrshire	49	73.5%	18.4%	8.2%
South Lanarkshire	126	54.8%	38.1%	7.1%
Stirling	45	68.9%	31.1%	0.0%
West Dunbartonshire	30	63.3%	30.0%	6.7%
West Lothian	84	69.0%	26.2%	4.8%
Scotland	2,423	60.9%	31.7%	7.5%

Source: Care Inspectorate Early learning and childcare statistics 2014

Childminders

Childminders provide childcare to at least one child (up to the age of 16 years) for more than a total of two hours per day on domestic premises, but not in the home of the child's parents.

Childminding services outnumber non-domestic daycare services by around 50 per cent. However, they often take on far fewer children. The average capacity of a childminding service is around 6, compared with an average of 42 for non-domestic settings. This is a result of higher staff to child ratio requirements but also due to

the fact that childminding services are usually run by single individuals; although around 10 per cent of childminders have assistants.²⁴

Funded entitlement

Of all daycare services, around 3,000 offer services to young children between three and four years. Of those, 2,492 early years settings offer the funded 600 hours ELC entitlement.²⁵ There are fewer providers offering ELC for two year olds (around 1,500), which is possibly a result of lower demand for under threes. 1,526 of the settings offering the funded provision are run by local authorities (60 per cent) and the remaining 966 by private and not-for-profit partner providers (40 per cent). Among private nurseries, 78 per cent are offering the funded entitlement.

²⁴ Care Inspectorate, *Childcare Statistics 2014 - The provision and use of registered daycare of children and childminding services in Scotland as at 31 December 2014*.

²⁵ The Scottish Government, *Additional tables on Early Learning and Childcare to accompany Summary Statistics for Schools in Scotland*, No.6: 2015.

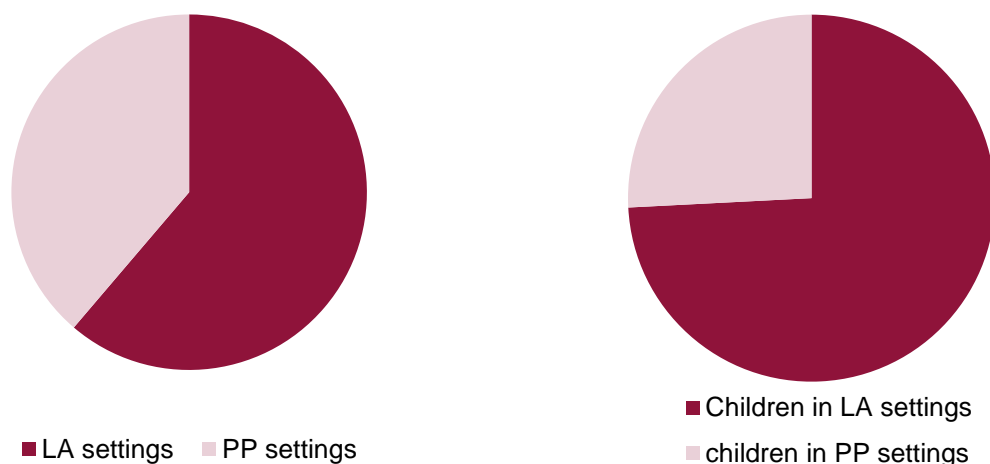
Table 12: Number of settings providing funded ELC and registered children in term 1

	Number of providers				Number of children (Age 2-4)			
	LA	PP	% LA	Total	LA	PP	% LA	Total
Aberdeen City	45	43	51%	88	2,253	1,230	65%	3,483
Aberdeenshire	87	77	53%	164	3,452	1,459	70%	4,911
Angus	48	34	59%	82	1,315	561	70%	1,876
Argyll & Bute	50	24	68%	74	777	622	56%	1,399
Clackmannanshire	14	5	74%	19	818	123	87%	941
Dumfries & G'way	45	43	51%	88	1,487	962	61%	2,449
Dundee City	28	23	55%	51	2,202	627	78%	2,829
East Ayrshire	33	9	79%	42	1,984	258	88%	2,242
E. Dunbartonshire	19	21	48%	40	1,077	716	60%	1,793
East Lothian	31	19	62%	50	1,584	393	80%	1,977
East Renfrewshire	19	9	68%	28	1,528	192	89%	1,720
Edinburgh, City of	93	118	44%	211	5,047	3,651	58%	8,698
Eilean Siar	20	5	80%	25	371	71	84%	442
Falkirk	53	9	85%	62	2,794	193	94%	2,987
Fife	110	47	70%	157	6,060	944	87%	7,004
Glasgow City	111	94	54%	205	7,571	2,432	76%	10,003
Highland	132	67	66%	199	2,896	1,369	68%	4,265
Inverclyde	19	5	79%	24	1,191	119	91%	1,310
Midlothian	27	15	64%	42	1,476	363	80%	1,839
Moray	22	36	38%	58	685	986	41%	1,671
North Ayrshire	44	21	68%	65	1,921	591	76%	2,512
North Lanarkshire	91	33	73%	124	5,243	1,113	82%	6,356
Orkney Islands	19	2	90%	21	346	40	90%	386
Perth & Kinross	48	37	56%	85	1,872	612	75%	2,484
Renfrewshire	32	37	46%	69	2,048	1,338	60%	3,386
Scottish Borders	44	30	59%	74	1,354	584	70%	1,938
Shetland Islands	20	4	83%	24	389	82	83%	471
South Ayrshire	37	11	77%	48	1,522	333	82%	1,855
South Lanarkshire	75	53	59%	128	4,191	1,774	70%	5,965
Stirling	31	17	65%	48	1,285	384	77%	1,669
W. Dunbartonshire	21	10	68%	31	1,425	392	78%	1,817
West Lothian	58	8	88%	66	3,081	280	92%	3,361
Scotland	1,526	966	61%	2,492	71,246	24,793	74%	96,039

Source: Scottish Government Early Learning and childcare statistics 2015

Across local authorities there are notable differences in how the funded entitlement is delivered. While small local authorities like the Shetland Islands, Orkney Islands or Eilean Siar, provide the funded hours mostly in their own nurseries, larger cities like Glasgow or Edinburgh rely on partner providers to a much greater extent. In Moray more children receive their funded hours from partner providers than local authority settings.

Figure 5: Partner provider and local authority share of settings and children



Source: Care Inspectorate Early learning and childcare statistics 2014

Partner providers

The provision of childcare to children under two and additional hours of childcare out-with the funded part-time entitlement is largely left to parents to arrange as they see fit with the private and third sector providers.

Local authorities hold powers to sub-contract private and third sector providers to deliver the funded entitlement in their area and to decide the rates paid to these partner providers. Up to 2007, the Scottish Government set a minimum advisory floor level of funding for local authorities to pay to partner providers. Following this it was left to local authorities to set their own rates.²⁶ Often this advisory floor is still used as a baseline to arrive at the current partner provider rates. This means that in many cases the (discontinued) advisory floor of £1,550 set in 2007 is uprated for inflation and the increase in funded hours. For reference, the hourly unit cost under the advisory floor in 2007 was £3.76. An uprating for inflation suggests an hourly rate of £4.36.

Partner providers are paid based on the number of children attending (i.e. participation-based funding) at a pre-agreed rate per child usually set by the local authority. In some cases, partner providers submit bids in a tendering process in which they indicate at what rate they are willing to offer a funded place. The chapter on finance, expenditure and cost covers partner provider rates and estimated partner provider costs in more detail.

Support and quality improvement

Most local authorities offer additional free in-kind support to their partnership settings, in the form of staff training, staff development and continuing professional development and the resource directed to this also varies across different parts of Scotland. This can also include providing access to centrally employed teachers .

²⁶ In June 2007 Scottish Ministers set out an agreed increase in the free entitlement from 412.5 hours to 475 hours per annum and set a revised advisory floor concurrent with this new entitlement. This Advisory floor of £1,550 represented a minimum floor level for the academic year 2007/08.

The financial implications of this are discussed in the chapter on finance, costs and expenditure below.

Quality of childcare services

The Care Inspectorate and Education Scotland both have roles in assessing and improving quality of ELC providers. There is a range of activity on-going on the part of both inspectorates to facilitate streamlined and complementary inspection programmes.

The Care Inspectorate has a legal duty to regulate and inspect all registered care services (including childminders) providing both funded and non-funded ELC under the Public Services Reform (Scotland) Act 2010. Education Scotland has powers to inspect services providing funded ELC under the Education (Scotland) Act 1980. These inspections provide an independent evaluation of the quality of care and educational provision and promote improvement and innovation to enhance children's experiences and lead to better outcomes.

The Care Inspectorate assesses care against four quality themes each of which comprises a number of quality statements. The four themes are

- Quality of care and support
- Quality of environment
- Quality of staffing
- Quality of management and leadership

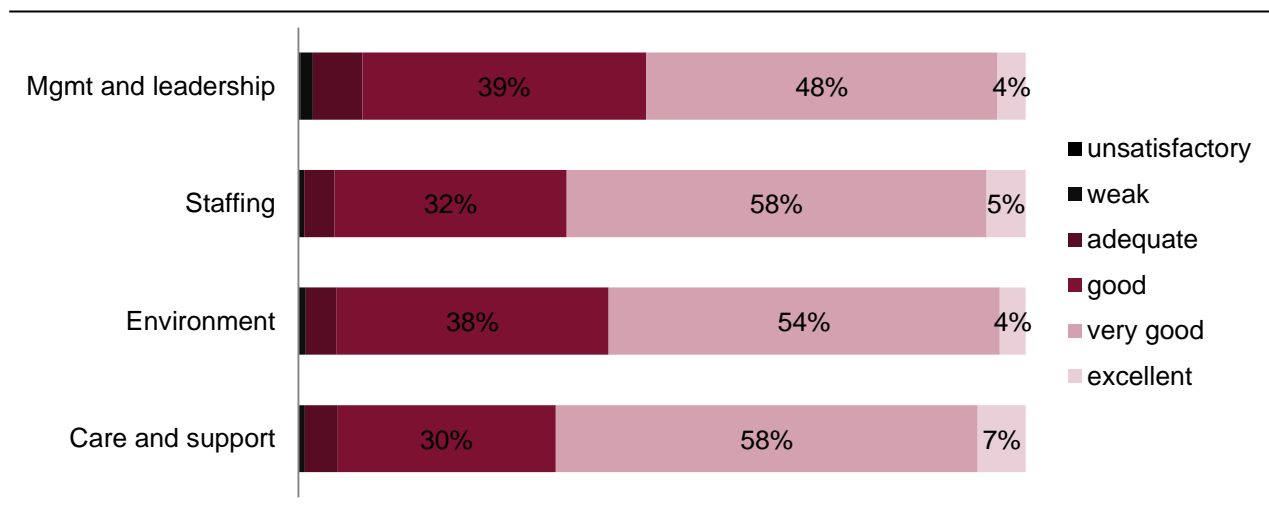
Education Scotland evaluates quality according to five Quality Indicators (QIs), defined as

- Improvement in performance
- Children's experiences
- Meeting learning needs
- The curriculum
- Improvement through self-evaluation

For each indicator or theme, the setting is graded by both the Care Inspectorate and Education Scotland from 1 to 6, with six being the most positive grading. On average in any CI quality theme and in all but one Education Scotland QI, ELC settings are graded between good and very good. Overall quality in Scotland is consistently high and analysis of Growing Up in Scotland (GUS) data found that very few children were attending settings that scored unsatisfactory grades over any of the indicators.²⁷

²⁷ Bradshaw, P., Lewis, G., and Hughes, T. (2014) *Growing Up in Scotland: Characteristics of pre-school provision and their association with child outcomes* Edinburgh: Scottish Government

Figure 6: Care Inspectorate's quality ratings of daycare services



Source: Care Inspectorate Early learning and childcare statistics 2014

Specifically, the Care Inspectorate's assessment of the quality of childcare services presents positive results. Less than 1 per cent of all daycare services for children (funded and unfunded) were graded unsatisfactory or weak in the categories quality of care, quality of environment and quality of staffing, while around 95 per cent of all day care services were graded good, very good or excellent in these categories. Grades for childminders show a similar picture.

Table 13: Quality of childcare services

	unsatisfactory	weak	adequate	good	very good	excellent
Daycare of Children						
Care and support	0.1%	0.8%	4.5%	30.0%	58.1%	6.6%
Environment	0.1%	0.9%	4.2%	37.5%	53.8%	3.6%
Staffing	0.1%	0.7%	4.2%	31.9%	57.8%	5.4%
Mgmt and leadership	0.3%	1.7%	6.8%	39.0%	48.3%	3.9%
Childminding services						
Care and Support	0.1%	0.3%	3.3%	31.5%	57.3%	7.5%
Environment	0.1%	0.4%	3.3%	34.4%	56.6%	5.3%
Staffing	2.4%	1.8%	10.1%	40.8%	40.2%	4.7%
Mgmt and leadership	1.6%	0.8%	5.7%	35.4%	51.3%	5.2%

Source: Care Inspectorate Early learning and childcare statistics 2014

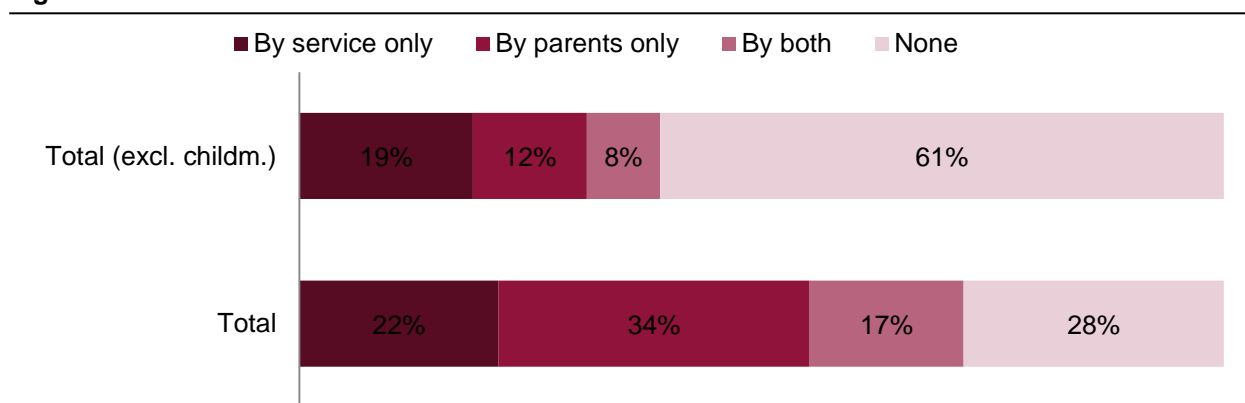
Provision of meals and snacks

In addition to the entitlement to funded ELC, children who meet the qualifying free school lunch criteria are also entitled to a free school lunch where they attend at lunch time.

The eligibility criteria for free school lunches for young children are equivalent to the funded ELC eligibility criteria for two year olds (see section on eligibility to early learning and childcare), although as a result of young children attending a morning or an afternoon session per day only a small proportion of children actually receive a free lunch.

Going forward, as a result of local authorities starting to offer greater flexibility and increases in the number of funded hours, it is to be expected that a larger number of children are going to attend over lunch time. Hence, where settings do not provide lunches as a result of a lack of cooking facilities, amendments to their infrastructure will have to be made.

Figure 7: Provision of lunches



Source: Care Inspectorate Early learning and childcare statistics 2014

As can be seen from table 14, many childcare services do not provide any meals. However, most offer snacks. While eligible children are entitled to a lunch, many do not attend over lunch time as this falls outside the hours during which the funded entitlement is offered in local authority settings. Local authorities have been provided with additional capital funding to adapt accommodation for the provision of meals (e.g. kitchen and dining areas) and additional revenue to meet the costs of additional meals arising from more eligible children and more attending over lunch time.

Table 14: Provision of meal by provider type (funded and unfunded)

	Meals provided:				Snacks provided:			
	By service only	By parents only	By both	None	By service only	By parents only	By both	None
Main service type:								
Childminding	23%	48%	23%	6%	42%	22%	36%	1%
Children / family centre	40%	15%	15%	29%	82%	2%	15%	0%
Crèche	0%	16%	5%	74%	41%	26%	18%	10%
Holiday play scheme	0%	60%	7%	34%	21%	34%	37%	9%
Nursery	25%	11%	10%	54%	89%	1%	9%	0%
of which: providing add. serv.	32%	22%	21%	25%	83%	1%	16%	0%
of which: no add. services	24%	9%	8%	59%	91%	1%	8%	0%
Out of school care	3%	10%	3%	83%	69%	3%	27%	1%
of which: providing add. serv.	4%	13%	4%	79%	69%	3%	28%	0%
of which: no add. services	1%	3%	1%	92%	67%	2%	25%	3%
Playgroup	3%	11%	0%	86%	88%	4%	8%	0%
Other services	11%	28%	7%	54%	52%	11%	26%	11%
Total	22%	34%	17%	28%	58%	14%	27%	1%
Total (excl. childminders)	19%	12%	8%	61%	83%	3%	13%	1%

Source: Care Inspectorate Early learning and childcare statistics 2014

Geography

72 per cent of all childcare services (74 per cent excl. childminders), including those not providing the funded entitlement, are located in urban areas (approximately 62 per cent of the Scottish population lives in urban areas).

In large urban areas, the market is split evenly between private and public providers (46 per cent each). In other urban areas, accessible small towns and accessible rural areas, nurseries run by local authorities become more prevalent (60 per cent to 70 per cent of nurseries run by local authorities). In remote rural areas, 85 per cent of nurseries are run by local authorities. Across all geographical areas, between 7 per cent and 10 per cent of nurseries are run by third sector providers.²⁸

²⁸ Care Inspectorate, *Childcare Statistics 2014 - The provision and use of registered daycare of children and childminding services in Scotland as at 31 December 2014*.

If childminders are excluded, daycare services are distributed relatively equally across all areas as categorised by the Scottish Index of Multiple Deprivation (SIMD).²⁹ There does not appear to be a higher density of daycare services in more affluent areas. However, in more deprived areas childcare is provided to a slightly larger extent by local authorities, whereas private providers tend to operate in less deprived areas.

Table 15: Share of settings by sector and index level of deprivation

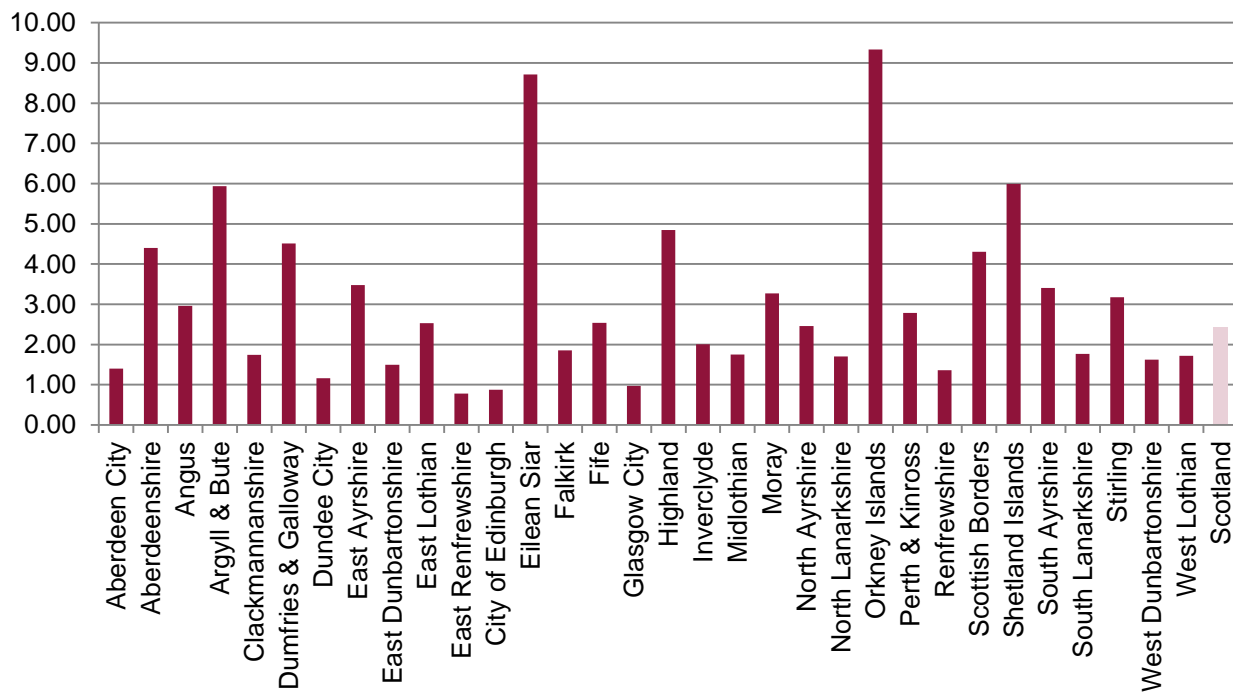
SIMD category	Local authority settings	Private and third sector settings
1 - most deprived	55%	45%
2	57%	43%
3	57%	43%
4	62%	38%
5	54%	46%
6	54%	46%
7	47%	53%
8	39%	61%
9	41%	59%
10 - least deprived	29%	71%

Source: Care Inspectorate Annual Returns, Improvement Service SIMD data

The average distance between the two nearest daycare services (as defined by postcode area) for children under five across Scotland is 2.42 kilometres. As expected, there is large variation, depending on the specific region, with rural areas exhibiting much greater average distances between the two nearest childcare providers. For example, the distance between two childcare providers in Edinburgh and Glasgow is less than 1 kilometre, whereas on the Orkney Islands childcare settings are on average more than 9 kilometres apart.

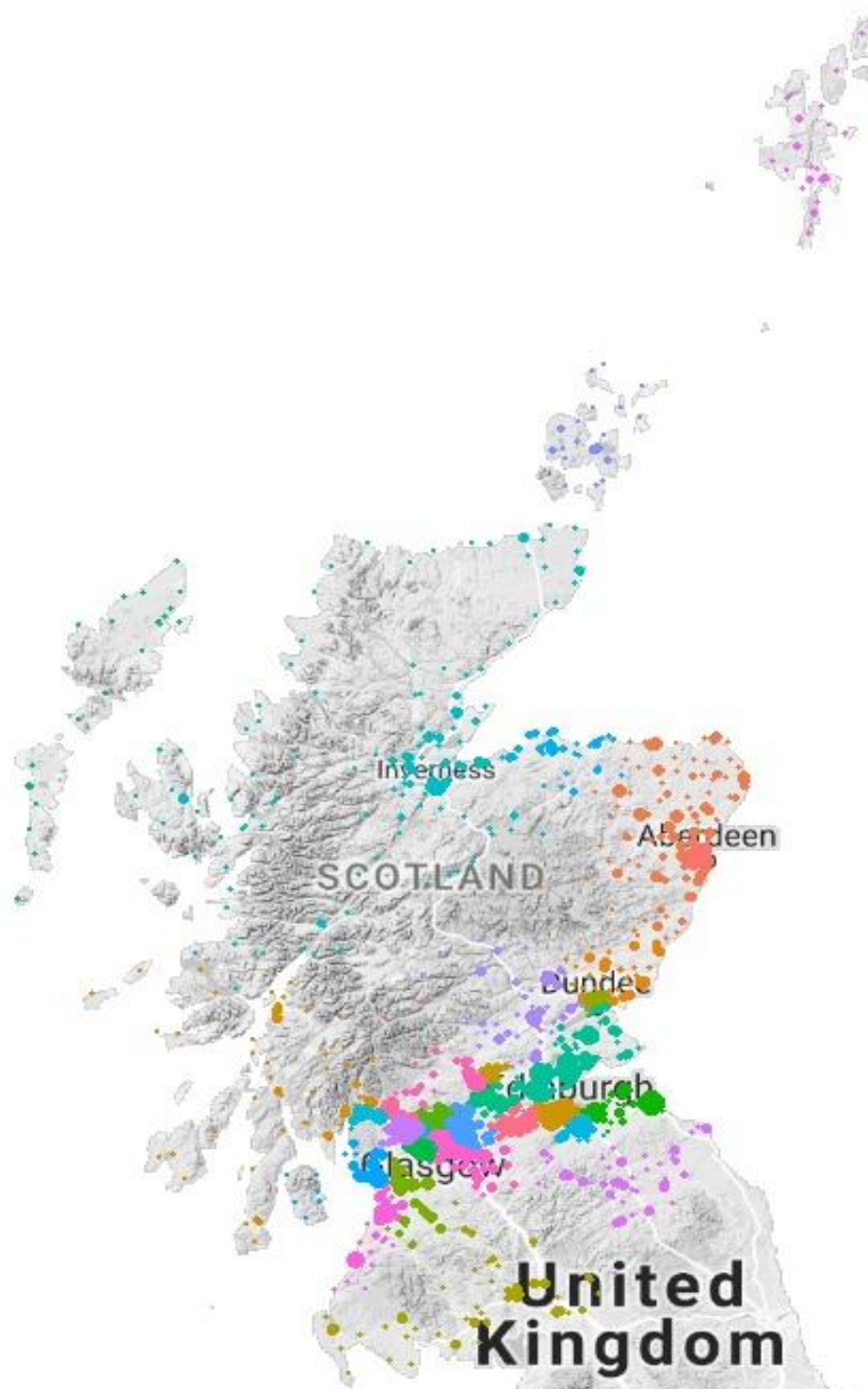
²⁹ SIMD breaks geographical areas down into 6,505 small areas covering the whole of Scotland and ranks these small areas according to a range of indicator related to income, employment, health, education, skills and training, housing, geographic access and crime.

Figure 8: Average distance between daycare centres in kilometres by local authority



Source: Ordnance Survey data, Royal Mail data and National Statistics data

Figure 9: Map of settings providing the funded entitlement



Source: Care Inspectorate Annual returns, Ordnance Survey data, Royal Mail data and National Statistics data; Map data ©2016 Google

If only settings that provide the funded entitlement are considered, the average distance between two settings slightly increases to 3.07 kilometres. Figure 9 shows a map of these settings, where the colour of the dots indicate the different local authorities and the size of the dots the size of the respective establishment.

Table 16: Average distances between daycare settings across Scotland³⁰

Local authority	Avg. distance between settings in km - all settings	Avg. distance between settings in km - funded settings only
Aberdeen City	1.40	1.66
Aberdeenshire	4.40	4.74
Angus	2.96	3.61
Argyll & Bute	5.94	6.57
Clackmannanshire	1.74	2.05
Dumfries & Galloway	4.51	4.94
Dundee City	1.16	1.56
East Ayrshire	3.48	4.64
East Dunbartonshire	1.50	2.18
East Lothian	2.53	3.12
East Renfrewshire	0.78	1.56
City of Edinburgh	0.88	1.15
Eilean Siar	8.71	9.39
Falkirk	1.85	2.59
Fife	2.53	2.86
Glasgow City	0.97	1.27
Highland	4.85	5.65
Inverclyde	2.01	2.05
Midlothian	1.75	2.29
Moray	3.27	3.71
North Ayrshire	2.46	2.99
North Lanarkshire	1.70	2.23
Orkney Islands	9.34	10.33
Perth & Kinross	2.79	3.86
Renfrewshire	1.36	1.33
Scottish Borders	4.31	5.02
Shetland Islands	6.00	7.64
South Ayrshire	3.41	5.07
South Lanarkshire	1.77	2.05
Stirling	3.17	3.56
West Dunbartonshire	1.62	2.04
West Lothian	1.72	2.56
Scotland	2.42	3.07

Source: Scottish Government

Cost to parents

The Family and Childcare Trust undertake an annual survey of local authorities across the UK asking them about childcare prices in their area.³¹ In practice, local authorities then conduct a review of childcare prices within their region themselves.

³⁰ These distances were calculated on the basis of childcare providers' address information provided by Care Inspectorate and geographical information from Ordnance Survey Open Point Data.

³¹ Jill Rutter, Childcare Costs Survey 2015, *Family and Childcare Trust*.

table 17 below lists the result of the 2016 survey. At £4.16 per hour for twos and over, the funded provision of childcare is potentially worth as much as £2,496 per eligible child per year.

Note that these prices are an average of prices at private/third sector settings and largely subsidised prices in local authority settings and therefore might not be reflective of the actual costs of provision or prices parents typically face for extra hours out-with the funded entitlement as local authority provision of wrap-around hours can be patchy. Also note that the study groups prices for two year olds together with those for children over two, who will have different costs and prices practice.

Table 17: Average prices for one hour of ELC as estimated by FACT

Region	Nursery per hour (under 2)	Nursery per hour (2 and over)	Childminder per hour (under 2)	Childminder per hour (2 and over)
Eastern Scotland	£4.56	£4.27	£3.60	£4.52
Highland and Islands and NE Scotland	£4.54	£4.47	£3.49	£4.28
South Western Scotland	£4.29	£4.08	£3.54	£4.36
Overall Scotland average	£4.45	£4.16	£3.55	£4.40
<i>Britain average of regions and nations</i>	£4.67	£4.48	£3.26	£4.24

Source: FACT childcare survey 2015

Workforce

This chapter presents available data and information on the current ELC workforce. The Scottish Social Services Council (SSSC) provide key data on the whole Scottish social service sector workforce. Numbers of teachers are available from the Scottish Government Early learning and childcare statistics.

Key information on the workforce includes:

- The daycare of children workforce comprises 39,450 staff (non-teachers), of whom 33,460 are in the daycare sector, 5,570 are childminders and 440 work in childcare agencies. There are an additional 1,600 teachers. Of the overall workforce, around 23,000 deliver the funded entitlement.
- Of the daycare of children workforce, 40 per cent work in local authority settings, 40 per cent in private settings and 20 per cent in the non-profit sector.
- It is estimated that 15 per cent of the daycare workforce holds or is working towards a qualification at SVQ level 2, 67 per cent holds or is working towards a qualification at SVQ level 3 and 19 per cent holds or is working towards a relevant university degree.
- Just about half of the childcare workforce works part-time. The total childcare workforce works an average of 26.6 hours per week.

Staff numbers

SSSC registers indicate that in 2015 the total workforce in the childcare sector comprised 39,450 staff (excl. teachers),³² of whom an estimated 27,000 are associated with the delivery of ELC to two, three and four year olds (funded and unfunded). Around 23,000 of the daycare workforce are employed at services that offer the funded entitlement in 2016. Just under 6,000 of those have started employment in funded ELC settings during or after 2014.

Of the 39,450 staff, 33,460 are in the sector of daycare for children³³, 5,570 are childminders and 420 work in childcare agencies. Of the daycare staff, 13,140 were working in local authority settings (40 per cent), 13,780 in private settings (40 per cent) and 6,540 in the third sector (20 per cent). The overall headcount of staff in daycare of children has increased by 3 per cent, from 32,370 in 2014. Compared to 2011, the daycare of children's workforce has increased by around 8 per cent from 30,800. The number of childminders has remained approximately stable compared to 2014, although it is around 3 per cent smaller than in 2011.

³² Scottish Social Services Council, *Scottish Social Service Sector: Report on 2015 Workforce Data*.

³³ Daycare for children is defined as a service which provides care for children on non-domestic premises for a total of more than two hours per day and on at least six days per year.

Table 18: Staff providing funded ELC

Active employment with funded entitlement ELC Service	Active employment with funded entitlement ELC Service and working within funded ELC for less than 2 years
23,048	5,961

Source: SSSC registers 2015

Most workers are female (96 per cent in daycare services, 93 per cent in childcare agencies). Apart from around 20 male childminders, all childminders are female. Median age across the childcare workforce is 36 years but differs by employer type. While the median age in public daycare settings is 43 years, it is 28 years in private and 36 years in the voluntary sector. This suggests that there is a tendency of childcare workers to move towards the public sector as they gather more experience.

Table 19: Profile of the childcare workforce³⁴

		Daycare	Childminders
Number	LA	13,140	-
	Private	13,780	5,570
	Non-profit	6,450	-
	Overall	33,460	5,570
Gender		96% female	100% female
Median age	LA	43	-
	Private	28	45
	Non-profit	36	-
	Overall	36	45

Source: SSSC Report on 2015 workforce data

Skills and qualifications

Depending on the specific post or job function, there are several routes to working in the childcare sector. For example, the role of a nursery teacher requires Qualified Teacher Status which can be obtained by completing Initial Teacher Training by holders of a postgraduate degree in Education (or equivalent qualifications). There are also academic degrees (BEd or BA/BSc with Qualified Teacher Status) which directly award Qualified Teacher Status.

³⁴ SSSC also have data on Childcare Agencies which are generally not providing the funded childcare and are therefore disregarded in this context.

Other posts and job functions require certain vocational qualifications, depending on the level of responsibility and contact with children.

SSSC categorises workers into 8 different job functions.³⁵

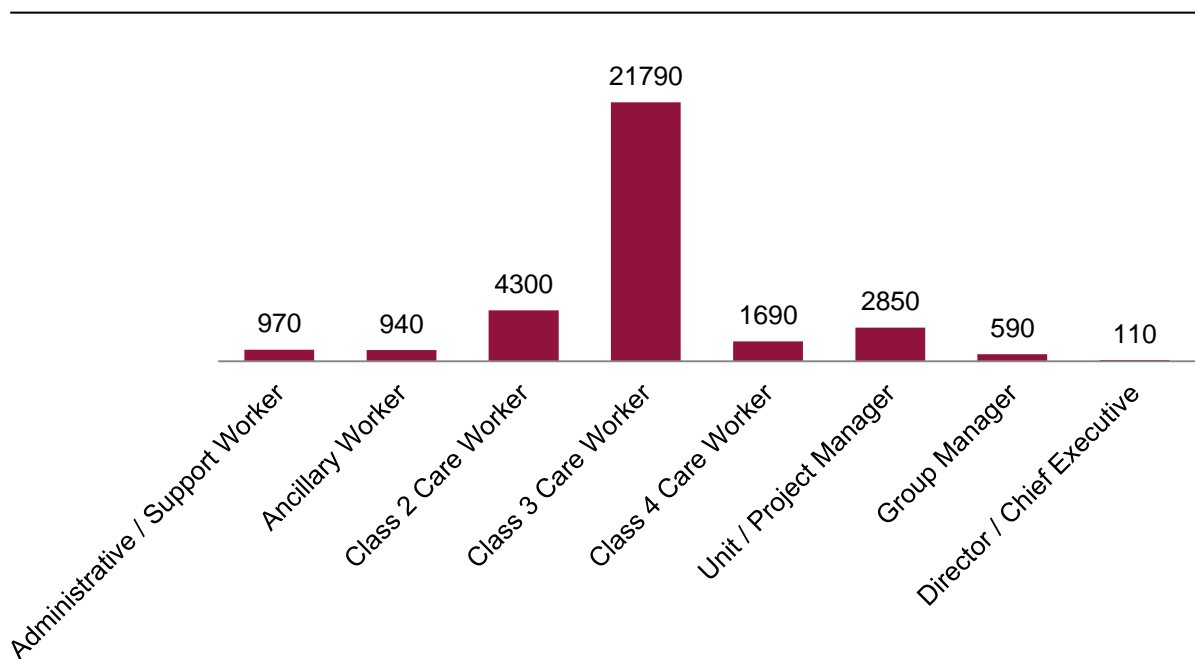
- C0 - Administrative staff whose main remit is to provide administrative, clerical and business support or direction and who normally have little direct, and no unsupervised contact with service users. They may be involved in a strategic role such as finance or policy planning. This can contain secretaries, accountants, human resources staff.
- C1 - Ancillary staff whose main remit is not providing care but who normally have direct, often unsupervised contact with service users. This category includes cooks, janitors, gardeners, maintainers or builders.
- C2 - Class 2 workers: Staff who provide direct personal physical, emotional, social or health care and support to service users and are accountable for dealing with routine aspects of a care plan or service. These staff usually have no supervisory responsibility. *This category will contain mostly childcare support workers, usually qualified at SVQ 2 or equivalent.*
- C3 - Class 3 workers: Staff who supervise the delivery of particular aspects of care and services in a particular setting which usually involves supervising other staff on a day-to-day basis (e.g. Meals Supervisor, Chargehand, Day Care Instructor, Senior Care Assistant). Staff may also contribute to the assessment of care needs, the development/implementation of care plans and the monitoring/evaluation of the delivery of care and services, as required. *This category comprises childcare practitioners. In daycare settings, they will usually have a qualification of SVQ 3 or equivalent.*
- C4 - Class 4 workers: Staff responsible for the assessment of care needs, the development/implementation of care plans, the delivery of care and services and the monitoring/evaluation of the delivery of care and services within a specific setting. Staff work with minimal supervision, are likely to but don't necessarily supervise other staff and may be designated to take charge of a discrete service delivery area in the absence of the person with continuing responsibility. *This category contains practitioners, as well.*
- C5 - Unit/project managers: Staff with continuing responsibility for the management of care and service provision in a discrete service delivery area (e.g. a single service care home, a service delivery unit in a care home with multiple services, a specific project involving a number of professional staff, a social work team). Staff are responsible for monitoring and maintaining standards of care and the management/deployment of staff and other resources in that service delivery area. This category may refer to lead practitioners or senior staff.
- C6 - Group managers: Staff with continuing overall responsibility for the management of care and service provision in two or more discrete service

³⁵ Scottish Social Services Council, *Scottish Social Service Sector: Report on 2014 Workforce Data*.

delivery areas (e.g. a group of care homes, a care home comprising a number of service delivery units, a number of projects, a number of social work teams). Staff are responsible for monitoring and maintaining standards of care, setting aims and objectives and the management/deployment of staff and other resources across those service delivery areas. Workers comparable to head teachers and deputies fall within this category.

- C7 - Directors: Staff with the highest level of continuing overall responsibility for the management of care and service provision in the organisation. Staff at this level have a given place on the organisation's governing body (e.g. the management board) with a major say in overall strategic direction, organisational policy and the deployment of financial, human and physical resources. This will usually be the head/manager.

Figure 10: Job functions in day care of children



Source: SSSC registers 2015

All staff working in daycare of children services (except childminders) need to be registered with SSSC and hold (or to be working) towards achievement of certain qualifications. In particular, this means that care workers in supporting roles are required by the terms of registration to hold or be working towards a relevant practice degree at SCQF level 6/SVQ level 2 (e.g. National Certificate) or above. Care workers in roles with more responsibility are required by regulation to hold or work towards at least a relevant degree at SCQF level 7/SVQ level 3 (or comparable). Managers of daycare services need to hold or be working towards a relevant university degree and practice qualification.

Regulations require workers in particular job functions to hold or be working towards certain qualifications and we can use this to infer current qualification levels as shown in table 20 below.

Table 20: Daycare staff numbers estimated to be holding/ working towards qualification

	SCQF 6/SVQ 2	SCQF 7/SVQ 3	University degree
Number	4,300	21,790	5,240
Proportion	15%	67%	19%

Source: SSSC workforce data

Childminders do not have to register with the SSSC and therefore are not subject to the above qualification requirements. Instead, they need to register as a childminding service with the Care Inspectorate. In order to apply successfully, they have to demonstrate relevant experience. In addition, the premises where the service is provided needs to be fit for purpose and the service needs to make appropriate health and safety provisions.

Teachers

Until 2003, nursery classes in local authorities were required to employ a teacher.³⁶ Since this was repealed in 2003, the number of teachers employed in nurseries has fallen. In 2006/07 there were 1,686 full-time equivalent GTCS-registered teachers in pre-school centres, compared to 1,032 FTE in 2015.³⁷ The headcount of teachers is currently at 1,577.

In 2015, around three quarters of children at eligible ELC centres had access to a GTCS registered teacher during census week (73 per cent, down from 74 per cent in 2014). This includes children whose access was provided by external teachers on an ad hoc or occasional basis. Some local authorities only ensure access to teachers for 3 and 4 year olds. The number of children with access to a teacher as a proportion of just 3 and 4 year olds (rather than all children) is 82 per cent (85 per cent in 2014).

³⁶ Regulation 5(2) Schools (Scotland) Code 1956.

³⁷ The Scottish Government: *Additional tables on Early Learning and Childcare to accompany Summary Statistics for Schools in Scotland*, No.6: 2015.

Table 21: Number of teachers in ELC settings

	Total number				Full Time Equivalent (FTE)			
	LA	PP	Centrally employed	All	LA	PP	Centrally employed	All
Aberdeen City	63	6	0	69	49	4	0	53
Aberdeenshire	83	2	7	92	54	1	7	62
Angus	50	2	3	55	3	2	3	8
Argyll & Bute	1	2	2	5	0	1	2	4
Clackmannanshire	12	1	1	14	10	1	1	12
Dumfries & Galloway	49	0	2	51	24	0	1	25
Dundee City	40	1	0	41	28	1	0	28
East Ayrshire	5	1	9	15	5	1	6	11
East Dunbartonshire	46	12	4	62	19	5	3	27
East Lothian	54	3	2	59	41	3	2	46
East Renfrewshire	41	3	2	46	25	2	1	28
City of Edinburgh	101	54	4	159	84	43	3	130
Eilean Siar	17	1	0	18	2	0	0	2
Falkirk	52	0	3	55	19	0	3	22
Fife	88	3	11	102	56	2	11	69
Glasgow City	56	22	7	85	40	14	6	60
Highland	0	0	27	27	0	0	23	23
Inverclyde	19	2	0	21	7	0	0	8
Midlothian	21	0	5	26	18	0	4	23
Moray	7	4	0	11	4	3	0	7
North Ayrshire	6	0	44	50	2	0	26	28
North Lanarkshire	68	0	0	68	59	0	0	59
Orkney Islands	32	0	2	34	9	0	2	11
Perth & Kinross	22	10	17	49	18	8	14	41
Renfrewshire	2	1	26	29	1	1	24	25
Scottish Borders	38	0	12	50	13	0	10	23
Shetland Islands	18	2	0	20	6	1	0	8
South Ayrshire	46	6	3	55	34	5	2	41
South Lanarkshire	87	6	0	93	64	7	0	70
Stirling	0	5	5	10	0	2	5	7
West Dunbartonshire	0	0	15	15	0	0	10	10
West Lothian	85	6	0	91	60	4	0	63
Scotland	1,209	155	213	1,577	754	111	167	1,032

Source: Scottish Government Early learning and childcare statistics 2015

Work patterns

Just about half of the childcare workforce works part-time (52 per cent).³⁸ The overall average hours worked per week for staff associated with day care of

³⁸ Scottish Social Services Council, *Scottish Social Service Sector: Report on 2014 Workforce Data*.

children are estimated at 26.9. The figure is higher in the private sector, where staff are estimated to work an average of 30.8 hours per week, and lower in the public and voluntary sector where average hours worked per week are estimated at 26.5 and 20.6 respectively.³⁹ Data from ONS Annual Survey of Hours and Earnings indicate Childminders work on average 24.4 hours per week.

The SSSC workforce report shows, however, that median weekly hours are considerably higher.⁴⁰ For example, half of the staff associated with day care of children work more than 30 hours per week (35 hours/week in the private sector, 20 hours/week in the voluntary sector, 33.5 hours/week in the public sector). This implies that some fraction of the workforce works disproportionately short hours.

Table 22: Work patterns of the ELC workforce

Average weekly hours	Childminding	Day Care of Children	Total
Public	-	26.5	26.5
Private	24.4	30.8	28.9
Voluntary	-	20.6	20.6
Total	24.4	26.9	26.6

Source: Care Inspectorate annual returns 2014, ONS ASHE 2014

Wages

During the collection of financial data from partner providers and local authorities, information on staff costs and salaries has been collected.

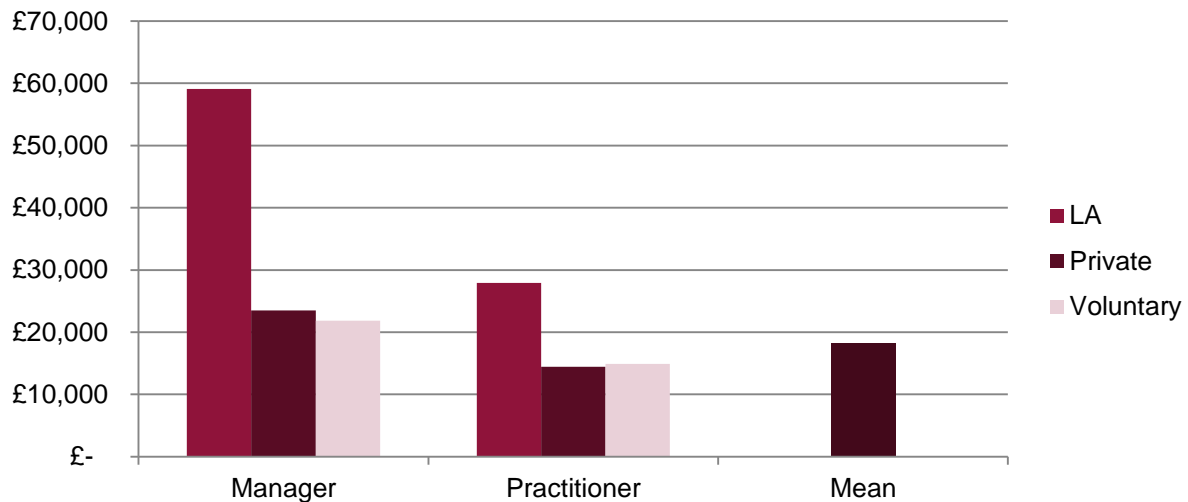
The average annual full-time salary cost of managers is estimated at around £58,000 for managers in a local authority setting and £23,000 in a partner provider setting. Average salary costs for practitioners in local authority settings is estimated at £28,000 and £15,000 (£17,000 for senior practitioners) in partner provider settings.

This suggests there is a substantial wedge in staff costs (salaries and other non-wage staff costs such as employer's pension contributions) across public and non-public provision of ELC (see the chapter on Finance for further detail).

³⁹ Care Inspectorate, *Annual Returns 2014*.

⁴⁰ Scottish Social Services Council, *Scottish Social Service Sector: Report on 2014 Workforce Data*.

Figure 11: Wages by function and sector



Source: Ipsos MORI, Scottish Government

The difference between public and private/third sector wages may be a result of different levels of qualifications and experience. For example, SSSC registers indicate that practitioners in partner provider settings are over 4 times as likely to have a qualification condition (i.e. are still working towards their qualification) than practitioners in local authority settings (around 20 per cent of practitioners in partner provider settings work towards their qualification, around 5 per cent in local authority settings work towards their qualification). In other words, staff in private and third sector settings are more often still in training which is consistent with the significantly lower median age figures.

Finances: Funding, Expenditure and Cost

This chapter sets out the available evidence on funding, expenditure and costs associated with the delivery of ELC and with a particular focus on the free entitlement and public sector funding. It draws on existing local authority financial information and on two specific data collections conducted during 2016. The first of these was a data collection from a sample of local authorities carried out by questionnaire and interview. The second data collection was conducted by Ipsos MORI on behalf of Scottish Government and involved a detailed financial survey of partner providers. The data from all of these sources has been brought together to derive estimated unit costs – the cost per hour of ELC delivered.

Scottish Government funding

Funding for ELC is provided to local authorities as part of the block grant. Local authorities allocate funding on the basis of local need, having first fulfilled statutory obligations and the jointly agreed set of national and local priorities.

Following the Children and Young People (Scotland) Act 2014, the Scottish Government has provided local authorities with additional funding to cover the costs arising from the Act. As with the rest of the block grant, the additional funding is not ring-fenced and actual expenditure is determined by each local authority on the basis of its own circumstances and priorities. Table 23 lists the ELC related funding elements of the CYP Act. The additional funding is allocated to local authorities on the basis of Grant Aided Expenditure shares and the estimated number of two-year olds in workless households.

Table 23: Funding for ELC elements of CYP Act, £millions

	3&4 yr old revenue	2 yr old revenue	Workforce Dev'tment	Total revenue	3&4 yr old capital	2 yr old capital	Total capital	Total ELC funding
2014/15	£51m	£15m	£4m	£69m	£30m	£41m	£71m	£140m
2015/16	£75m	£44m		£119m	£30m	£39m	£69m	£188m
2016/17	£82m	£58m		£141m	£30m		£30m	£171m
2017/18	£90m	£59m		£149m				£149m
2018/19	£101m	£60m		£160m				£160m
2019/20	£101m	£60m		£161m				£161m

Source: Children and Young People (Scotland) 2014 Act - Explanatory notes and financial memorandum

Revenue expenditure

Key information on local authority expenditure is provided annually through three financial reports which local authorities submit to Scottish Government. Between them these reports summarise actual, estimated and planned expenditure for the current and two preceding financial years as follows:

1. Local Financial Return (LFR) – final audited figures of local authority net and gross expenditure; most recent LFR was published in February 2016 with data for FY 2014/15
2. Provisional Outturn (PO) – unaudited net expenditure on recently concluded financial year; most recent PO was published in June 2016 with data for FY 2015/16. Note that due to the provisional nature of the PO it is subject to change. Hence it does not offer the same robustness as figures taken from the LFR.
3. Budget Estimates (BE) – planned net expenditure for the current financial year; the most recent BE was published in June 2016 with data for FY 2016/17. Similarly to the PO, the BE is an estimate and actual expenditure may differ.

The various financial returns are subject to some limitations (discussed below) but do provide a high level overview of patterns of local authority expenditure on 'pre-primary education' which we take as a reasonable proxy for expenditure on ELC.

While the largest part of pre-primary education comprises staff costs, around a quarter of expenditure is not detailed. This undetailed remainder mostly consists of additional cost for premises, payments to partner providers, supplies and services. The Financial Review has been conducted in part to explore this expenditure in more detail and to identify areas of additional expenditure which are not currently captured by the 'pre-primary expenditure' category.

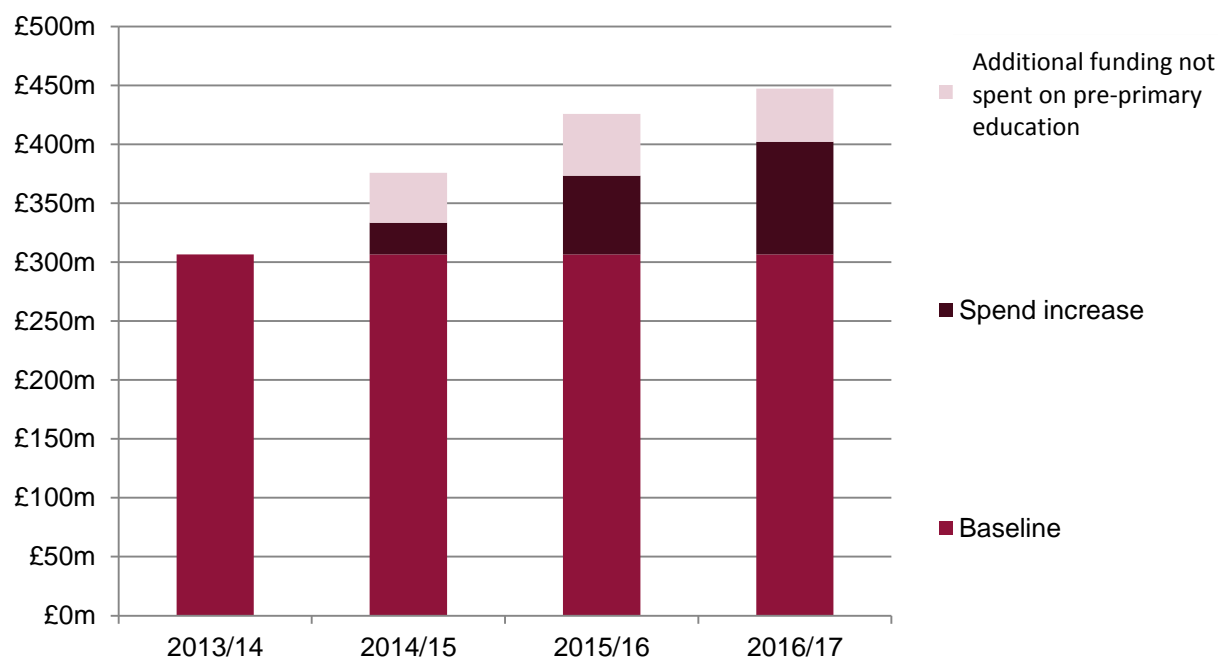
Funding difference

In the first three years after implementation of the CYP Act, 2014/15 to 2016/17, the Scottish Government has provided local authorities with an additional £329 million to cover the additional revenue costs of the ELC elements of the CYP during those three years.

During the same period, final net expenditure figures from 2014/15, provisional outturn figures for 2015/16 and budget estimates for 2016/17 indicate that local authorities spent or plan to spend an additional £189 million on pre-primary education over the three years compared to continuing spend at 2013/14 levels.

While 2013/14 spend figures are used as a baseline for comparison in this analysis, it should be noted that it is not certain how pre-primary education expenditure would have developed in the absence of the additional funding that has been supplied. Local authorities have been subject to significant budgetary pressures and have sought to constrain expenditure on many areas of activity and it is possible that, in the absence of the CYP Act, that expenditure would have declined and that 2013/14 expenditure is higher than the true (unknown) baseline. To the extent that this is the case, the gap between additional funding and additional expenditure reported here will be an overestimate.

Figure 12: Baseline spend, funding and spending increases



Source: LFR 2013/14, LFR 2014/15, POBE 2015/16

Looking at each of the three years in turn, there is a similar picture of increases in pre-primary education expenditure relative to the 2013/14 baseline but which fail to match the steadily increasing additional CYP-related funding:

- **In 2014/15** (Table 24) local authorities provided around 19 per cent more hours of ELC compared to 2013/14 (taking account of lower-than-expected two-year old uptake), received additional funding equivalent to 23 per cent of 2013/14 net expenditure and actually spent around 9 per cent more than 2013/14. In total, local authorities received additional funding of £69 million, but increased spend on pre-primary education relative to 2013/14 by £27 million.
- **In 2015/16** (Table 25) local authorities provided around 35 per cent more hours of ELC compared to 2013/14, received additional funding equivalent to 39 per cent of 2013/14 net expenditure and actually spent around 22 per cent more on pre-primary education than in 2013/14, based on the provisional outturn. In total local authorities received additional funding of £119 million, but increased pre-primary education spend relative to 2013/14 by £67 million.
- **In 2016/17** (Table 25) local authorities are expected to provide around 36 per cent more hours of ELC compared to 2013/14, received additional funding equivalent to 46 per cent of 2013/14 net expenditure and actually plan to spend around 31 per cent more than 2013/14, based on the budget estimate. In total local authorities received additional funding of £141 million, but plan to increase pre-primary education spend relative to 2013/14 by £96 million.
- **Over all three years** (figure 15 and tables 24 and 25), compared to a baseline scenario in which the 2013/14 situation continues, local authorities will provide around 30 per cent more hours of ELC, receive additional funding

equivalent to 36 per cent of baseline spend and actually spend and plan to spend an additional 21 per cent on pre-primary education. In sum, compared to a rollover of 2013/14 for the three years in question, local authorities increase spending on pre-primary education by £189 million but receive £329 million in additional funding.

Table 24: ELC revenue funding and expenditure

Local Authority	Net Expenditure 2013/14 (LFR)	Net Expenditure 2014/15 (LFR)	Expenditure change, 13/14 to 14/15	CYP revenue funding 2014/15
Aberdeen City	£10.9m	£13.8m	£2.9m	£2.4m
Aberdeenshire	£16.2m	£17.2m	£1.0m	£3.2m
Angus	£4.0m	£4.6m	£0.6m	£1.4m
Argyll & Bute	£5.6m	£6.5m	£0.9m	£1.0m
Clackmannanshire	£3.2m	£3.7m	£0.4m	£0.9m
Dumfries & Galloway	£9.9m	£9.3m	£0.6m	£2.0m
Dundee City	£7.7m	£8.8m	£1.0m	£2.1m
East Ayrshire	£8.9m	£9.0m	£0.1m	£1.6m
East Dunbartonshire	£4.8m	£5.3m	£0.6m	£1.1m
East Lothian	£5.6m	£6.0m	£0.4m	£1.3m
East Renfrewshire	£7.2m	£7.3m	£0.1m	£1.0m
Edinburgh, City of	£21.4m	£23.7m	£2.3m	£5.6m
Eilean Siar	£2.2m	£2.1m	£0.1m	£0.3m
Falkirk	£7.5m	£9.0m	£1.5m	£2.1m
Fife	£21.3m	£22.0m	£0.7m	£5.0m
Glasgow City	£44.9m	£47.2m	£2.3m	£8.6m
Highland	£9.6m	£11.9m	£2.2m	£3.1m
Inverclyde	£6.2m	£6.8m	£0.7m	£1.0m
Midlothian	£5.2m	£5.6m	£0.4m	£1.1m
Moray	£3.4m	£3.7m	£0.3m	£1.1m
North Ayrshire	£8.6m	£10.5m	£1.9m	£1.9m
North Lanarkshire	£23.6m	£24.0m	£0.3m	£4.8m
Orkney Islands	£0.9m	£1.0m	£0.1m	£0.2m
Perth & Kinross	£7.2m	£8.1m	£0.9m	£1.8m
Renfrewshire	£10.2m	£11.6m	£1.4m	£2.3m
Scottish Borders	£5.2m	£6.5m	£1.3m	£1.5m
Shetland Islands	£2.3m	£2.2m	£0.1m	£0.3m
South Ayrshire	£6.0m	£6.4m	£0.3m	£1.3m
South Lanarkshire	£15.4m	£16.6m	£1.2m	£4.0m
Stirling	£6.3m	£7.0m	£0.7m	£1.0m
West Dunbartonshire	£7.4m	£8.0m	£0.6m	£1.4m
West Lothian	£7.8m	£8.1m	£0.3m	£2.5m
Scotland	£306.6m	£333.5m	£26.9m	£69.3m

Source: LFR 2013/14, LFR 2014/15, POBE 2015/16

Table 25: ELC revenue funding and expenditure continued

Local Authority	Net Expenditure 2015/16 (PO)	Expenditure change, 13/14 to 15/16	CYP revenue funding 2015/16	Net Expenditure 2016/17 (BE)	Expenditure change, 13/14 to 16/17	CYP revenue funding 2016/17
Aberdeen City	£15.2m	£4.3m	£4.0m	£16.6m	£5.8m	£4.6m
Aberdeenshire	£18.0m	£1.8m	£5.4m	£19.7m	£3.5m	£6.1m
Angus	£6.4m	£2.4m	£2.4m	£7.0m	£3.0m	£2.6m
Argyll & Bute	£7.5m	£1.8m	£1.7m	£7.5m	£1.9m	£2.1m
Clackm'nshire	£4.3m	£1.1m	£1.5m	£4.5m	£1.2m	£1.6m
Dumfries&G'way	£10.8m	£0.9m	£3.3m	£9.2m	£0.6m	£3.9m
Dundee City	£10.2m	£2.5m	£3.6m	£11.0m	£3.2m	£4.4m
East Ayrshire	£11.7m	£2.8m	£3.0m	£13.0m	£4.1m	£3.5m
E. D'bartonshire	£6.8m	£2.0m	£1.9m	£7.1m	£2.4m	£2.1m
East Lothian	£6.0m	£0.4m	£2.2m	£6.4m	£0.8m	£2.6m
E. Renfrewshire	£8.7m	£1.6m	£1.6m	£8.9m	£1.7m	£1.9m
Edinburgh, City of	£24.4m	£3.0m	£9.4m	£27.3m	£5.9m	£11.1m
Eilean Siar	£2.6m	£0.4m	£0.6m	£2.9m	£0.6m	£0.6m
Falkirk	£8.9m	£1.4m	£3.7m	£9.4m	£1.9m	£4.4m
Fife	£26.0m	£4.7m	£8.8m	£30.7m	£9.4m	£10.6m
Glasgow City	£50.9m	£6.0m	£15.0m	£52.6m	£7.7m	£18.2m
Highland	£13.0m	£3.4m	£5.3m	£12.5m	£2.9m	£5.9m
Inverclyde	£7.5m	£1.3m	£1.9m	£7.7m	£1.5m	£2.2m
Midlothian	£6.2m	£1.0m	£2.1m	£7.4m	£2.2m	£2.6m
Moray	£4.0m	£0.7m	£2.0m	£4.3m	£1.0m	£2.3m
North Ayrshire	£12.2m	£3.6m	£3.5m	£13.3m	£4.7m	£4.1m
North Lanarkshire	£26.4m	£2.7m	£8.5m	£29.1m	£5.5m	£10.0m
Orkney Islands	£1.3m	£0.4m	£0.4m	£1.5m	£0.5m	£0.5m
Perth & Kinross	£9.4m	£2.2m	£2.9m	£10.6m	£3.4m	£3.3m
Renfrewshire	£12.3m	£2.1m	£3.9m	£13.8m	£3.6m	£4.6m
Scottish Borders	£6.9m	£1.7m	£2.3m	£7.4m	£2.2m	£2.8m
Shetland Islands	£2.4m	£0.1m	£0.5m	£2.3m	£0.0m	£0.6m
South Ayrshire	£8.0m	£1.9m	£2.3m	£8.3m	£2.3m	£2.8m
S. Lanarkshire	£19.3m	£3.9m	£7.0m	£20.4m	£5.0m	£8.5m
Stirling	£7.9m	£1.6m	£1.7m	£8.2m	£2.0m	£2.1m
W.D'bartonshire	£10.7m	£3.3m	£2.5m	£13.8m	£6.4m	£3.0m
West Lothian	£7.6m	£0.2m	£4.5m	£7.8m	£0.0m	£5.1m
Scotland	£373.4m	£66.8m	£119.2m	£402.1m	£95.5m	£140.7m

Source: LFR 2013/14, LFR 2014/15, POBE 2015/16

Explaining the gap between funding and expenditure

Local authority expenditure figures referred to above are based on local authority-reported final, provisional and expected expenditure on 'pre-primary education'. Pre-primary education expenditure is a proxy for ELC expenditure. The majority of this expenditure is used by local authorities to provide the statutory entitlement to 600 hours, but some local authorities provide additional ELC at their own discretion which will also be included in these expenditure figures.

Because of variations in local authority accounting, there may also be ELC expenditure which is not captured in the pre-primary education figures. For example, where a nursery is co-located with a primary school, some of the nursery costs (e.g. utilities, rents) may be attributed to primary school expenditure. In summary, the local authority expenditure figures provide a guide to expenditure on funded ELC, but actual expenditure may be somewhat higher or lower.

Discussions with a number of local authorities have identified a variety of explanations for the relatively restrained increases in expenditure which are outlined below.

Accounting and reporting

Part of the explanation may simply be in how ELC expenditure is accounted for and reported in the Local Financial Return, Provisional Outturn and Budget Estimates. While the accounting classifications are well defined and it is clearly set out which elements should be included in each of the subservices, shared items may be accounted for in different ways. For example, where staff work in more than one service area, the corresponding costs that fall into each of these areas have to be estimated. There is wide variation among local authorities in how this is estimated and how shared costs are attributed (e.g. where nurseries are within primary schools). Some authorities may assign all costs to the service area that gets the majority of their attention, others may pro-rata costs based on client numbers or some other data. Some other specific factors raised by local authorities and identified during the fieldwork around how expenditure is reported are summarised below. Overall, it appears that the available financial reports (LFR, POBE) provide an indicative view of ELC expenditure by local authorities but are likely to involve a certain amount of imprecision as a result of the inconsistency of the estimation procedures for shared items.

Children and families daycare spend

Some ELC-related expenditure by some local authorities is reported within local government financial returns as social work expenditure. This is particularly the case for expenditure on ELC for vulnerable children. Between financial years 2013/14 and 2014/15, revenue expenditure on daycare for children reported within the social work return has increased by over £3 million which may in part be due to ELC-related increases. At least one local authority has reported the opposite case, where expenditure on other children's services has been recorded against pre-school expenditure in the various financial returns.

Special education spend

Similar to the above, ELC-related expenditure on children with additional support needs (ASN) may in some cases be reported within the ASN section of the education expenditure return rather than the 'pre-primary' section. Around 3.3 per cent of all children with ASN are estimated to be in ELC. Between financial years 2013/14 and 2014/15 overall spend on ASN increased which, if pro-rated, translates to around an increase of £0.5 million in the ELC element.

Operational changes

Local authorities have also offered explanations in terms of their delivery of ELC before and after the expansion to 600 hours. For example, some local authorities were able to accommodate the expansion to 600 hours by extending contracts from 35 to 37 hours and where local authorities were already providing ELC to 2 year olds, the additional statutory obligations have been achieved at minimal additional cost. More detail on the operational factors put forward by local authorities is provided below:

Declining baseline expenditure

As noted above, the analysis of the gap between additional funding and increased expenditure is based on an assumed baseline of expenditure continuing at 2013/14 levels ie an assumption that, in the absence of the CYP Act, that expenditure on pre-primary education as reported in the LFR and other financial reports would have continued at the same level as reported in 2013/14. During this period, local authorities have been subject to significant financial pressures and have sought to constrain expenditure across a range of activities and it is possible, in the absence of the CYP Act, that expenditure would have declined and that 2013/14 expenditure is higher than the true (unknown) baseline. Table 26 illustrates the overall budgets allocated to local authorities which shows that total revenue increased slightly between 2013-15 and then decreased in 2016 for the current financial year.

Table 26: Total revenue paid to local authorities as part of the finance settlement 2013-17

Source (Finance Circular)	Year	Amount
2/2013	2013/14	£9.728 bn
2/2014	2014/15	£9.848 bn
2/2015	2015/16	£9.994 bn
1/2016	2016/17	£9.693 bn

Source: Local government finance settlement

Vulnerable 2 year olds

The uptake of the ELC offer among vulnerable 2 year olds has turned out to be only around a third of what was anticipated. This could imply, if spend is proportionate to uptake, that as little as £6 million of the additional £15 million allocated may have been required in 2014/15.

ELC provision pre-CYP Act

A number of councils already offered, at their own discretion, additional hours of ELC over and above the statutory 475 hours. In those cases, expenditure needed to increase relatively less than in authorities which were only providing the statutory minimum.

More efficient delivery of ELC

A number of local authorities have described how the expansion of ELC to 600 hours was delivered by using existing resources differently or more efficiently. This has involved, for example, change of shift and session patterns, reductions in non-contact time (e.g. preparation time) and extended hours. One local authority described how they have made savings by making greater use of partner providers while another explained that they have reduced costs by using partner providers less.

Workforce and capital

Some local authorities have reported that recruitment of new workforce has been more challenging than expected and hence staff costs have risen more slowly than expected. Similarly, it has been suggested that completion of infrastructure-related projects is likely to be lower during the initial years following implementation of the CYP Act (see below on Capital expenditure) and that related revenue spend will be delayed as a result.

Capital expenditure

Over the financial years 2014/15 – 2016/17 Scottish Government have committed £170 million in capital expenditure to support delivery of all provisions in the Children and Young People Act (2014). This includes £90 million for investments to support local authorities in adapting to the new statutory requirements for more flexible provision of ELC. In addition, £41 million was provided to local authorities in 2014/15 and a further £39 million in 2015/16 to cover the costs of accommodating the cohort of two year olds newly eligible for funded ELC since 2014.

The total capital expenditure on pre-primary education pre-CYP Act has ranged from £3.9 million to £9.8 million with additional annual revenue contributions of around £1 million. In 2014/15, there was a significant increase to £17 million as local authorities have responded to the expansion to 600 hours. This is expected to ramp up significantly in the coming years as local authorities invest the additional £170 million provided by the Scottish Government to meet the infrastructure needs of the CYP Act.

Table 27: Capital expenditure on pre-primary education

Financial year	Nominal capital expenditure	% change	Capital expenditure in 2014/15 prices
2007/08	£ 9,788,000		£ 11,374,121
2008/09	£ 5,778,000	-41%	£ 6,524,906
2009/10	£ 4,970,000	-14%	£ 5,503,510
2010/11	£ 4,280,000	-14%	£ 4,593,704
2011/12	£ 5,707,000	33%	£ 5,997,772
2012/13	£ 4,926,000	-14%	£ 5,092,473
2013/14	£ 3,873,000	-21%	£ 3,933,457
2014/15	£ 16,927,000	337%	£ 16,927,000

Source: Local government capital returns

Cost per hour Scotland

For the purpose of the expansion to 600 hours of funded childcare, the additional funding to local governments was based on an average expected marginal unit cost (i.e. the cost of providing an additional hour of ELC) of £4.66 per delivered childcare hour to three and four year olds (£7.34 for two year olds) in 2014/15 which was estimated to increase to £6.91 by 2018/19 to accommodate the flexibility increase (with no increase for two year olds)⁴¹.

As part of the Financial Review of ELC, the Scottish Government has collected data from 10 local authorities on their ELC related expenditure. This has involved local authorities completing a detailed questionnaire with a follow-up interview. The local authorities were chosen to provide representation across combinations of higher or lower population density and higher or lower levels of deprivation as measured by the Scottish Index of Multiple Deprivation (SIMD).

The purpose of this exercise was to build on our current understanding of the financial implications of the existing free ELC provision and from that to develop a better understanding of how much it will cost to meet the commitment to 1140 hours of funded ELC.

The information gathered from local authorities covered activity (hours of ELC delivered), expenditure, workforce, their experience of the expansion to 600 hours and expectations for the expansion to 1,140 hours. The data gathered has enabled us to derive estimates of unit costs incurred by local authorities for ELC provision delivered either directly in local authority settings or procured from partner providers.

⁴¹ See Children and Young People (Scotland) Act Financial Memorandum and Supplementary Financial Memorandum <http://www.parliament.scot/parliamentarybusiness/Bills/62233.aspx>

Unit cost in local authority settings

To derive unit costs for provision of ELC in local authority settings, all expenditure positions specifically relevant to the delivery of ELC in local authority settings (i.e. excluding partner provider payments, free school lunches etc.) have been aggregated and related to the estimated number of hours delivered in those settings.

The cost aggregate is largely made up of staff-related expenditure (wage and non-wage expenditure i.e. pensions), which were taken from local authorities' answers to questions around staffing and staffing expenditure for managers, teachers, practitioners, support, ancillary and auxiliary workers and central and administrative staff and any other staff. Staff expenditure in support of partner providers has been deducted so that only local authority staff expenditure was reflected.

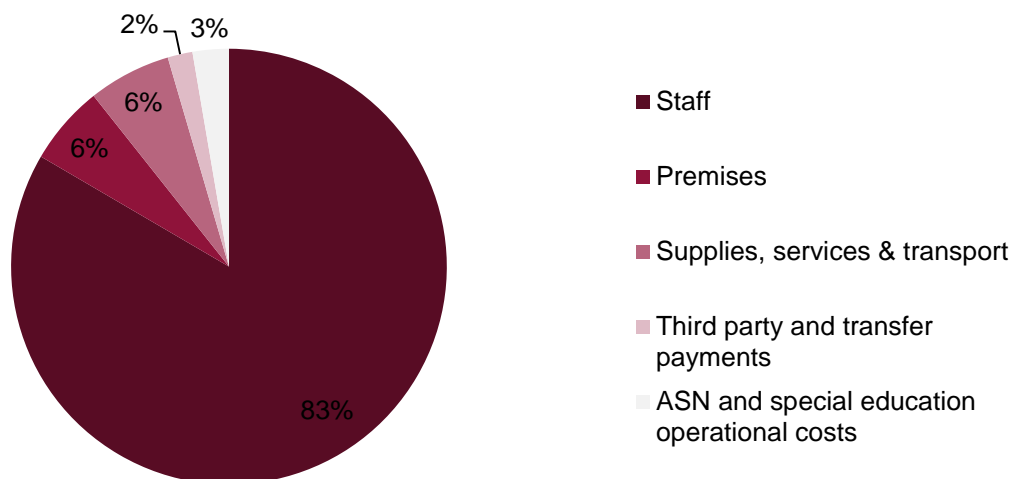
The remainder of the cost aggregate consists of costs for premises, supplies and services, transport, third party and transfer payments and non-staff elements from social work and special education relevant to ELC. The corresponding cost figures were obtained by asking the participating local authorities about costs that were not detailed in the Education LFR or were accounted for elsewhere. Across the 10 local authorities interviewed, the elements that were not attributed to pre-primary education amounted to around £17 million. Extrapolated to all 32 local authorities, this amounts to around £40 million, i.e. actual gross spend on ELC including all provisions made at local authorities' discretion is estimated to be around 10 per cent higher in reality than is reported under 'pre-primary expenditure' in the LFR.

To arrive at a unit cost, the total cost in each local authority is put in relation to the hours that were delivered during the period to which the above costs refer.

The number of hours delivered in local authority settings was estimated by multiplying the average hours per child per year, taking account of staggered start dates according to the child's birthday, with the implied or stated (staffed) capacity in local authority settings in financial year 2014/15.

Following this approach yields a unit cost estimate for provision of ELC in local authority settings of £5.45 per hour for three and four year olds and £7.74 for two year olds. In both cases, the non-staff element of these costs is estimated at around 17 per cent, although variation across local authorities is large, mainly due to differences in accounting costs for premises where settings are located in primary schools.

Figure 13: Cost components of unit cost in local authority settings



Source: Local authority data collection

The second largest component of the hourly cost of ELC is premises although many settings do not incur any substantial costs as they are located within primary schools or the building the service is delivered in is owned by the local authority.

The remainder of the cost is made up of supplies, services, third party and transfer payments and additional operational costs mainly related to service delivery for children with additional support needs. The relative weight of each of these components varies by local authority.

There is a large variation in unit costs between local authorities but without any obvious correlation with rurality/population density or with levels of deprivation. This result may be driven by the particular choice of local authorities in our sample and needs further exploration.

The unit costs above, combined with the number of children registered and the average hours of the entitlement within financial year 2014/15 gives an estimate for expenditure on funded ELC provided by local authority settings of around £249 million. In other words, of the total expenditure on ELC and related activities, £249 million or around three quarters is spent on local authority provision of the funded entitlement.

Cost to local authorities of procuring from partner providers

Where the entitlement is not provided by a public setting, local authorities can procure ELC from partner providers at a rate which the local authority either sets independently or agrees upon jointly with partner providers. Based on the data collected for the Financial Review, the average rate at which partner providers are compensated is estimated at £4.78 for two year olds and at £3.59 for three and four year olds. Local authorities also provide additional support for partner providers, for example for training and staff support. This additional support costs local authorities an estimated £0.94 per hour of ELC procured from partner providers for two year olds and £0.99 per hour for three and four year olds.

Given the number of places procured from partner providers and the average hours of the entitlement by age group, the amount spent by local authorities on procured ELC is estimated at around £79 million in financial year 2014/15.

Total local authority expenditure on the funded entitlement to 600 hours

Based on unit costs of provision in LA settings and the unit costs of LA procured PP provision, the overall expenditure on funded ELC in financial year 2014/15 is estimated at £327 million or around 98 per cent of the net expenditure on pre-primary education figure detailed in the LFR.

Table 28: Estimated total expenditure on funded ELC

	2 year olds		3& 4 year olds	
Unit cost local authority	£	7.74	£	5.45
Total cost local authority	£	14,300,000	£	234,300,000
Partner provider rate	£	4.78	£	3.59
Additional spend in support of PPs	£	0.94	£	0.99
Overall unit cost for procuring from PPs	£	5.72	£	4.58
Total spend on partner providers	£	1,200,000	£	77,300,000

Source: Scottish Government

Partner provider rates and costs

Ipsos MORI Scotland was commissioned by the Scottish Government to survey private and not-for-profit childcare providers of the funded entitlement across Scotland about their hourly unit costs for delivering ELC.⁴² An online survey of 965 partner providers collected detailed information about costs, income, capacity and occupancy. Responses were obtained for 222 settings (22 per cent of all partner providers).

⁴² Ipsos MORI (Chris Martin, Rachel Ormston and Sanah Zubairi), *Costs of Early Learning and Childcare Provision - Technical Report*, July 2016

Table 29: Partner provider average unit costs for 0-5 year olds by various breakdowns

Category	Type	Average cost
Provider type	Not-for-profit provider	£3.73
	Private provider	£3.69
	Total	£3.70
Provider size	Small	£3.68
	Medium	£3.73
	Large	£3.73
	Varies (chain)	£3.50
	Total	£3.70
Area of Scotland	Eastern Scotland	£3.80
	Highlands and Islands	£3.79
	North Eastern Scotland	£3.63
	South Western Scotland	£3.59
	Varies (chain)	£3.03
	Total	£3.70
Urban rural indicator	Large urban	£3.65
	Other urban	£3.69
	Accessible small town	£3.86
	Remote small town	£3.67
	Accessible rural	£3.60
	Remote rural	£3.95
	Varies (chain)	£3.52
	Total	£3.70

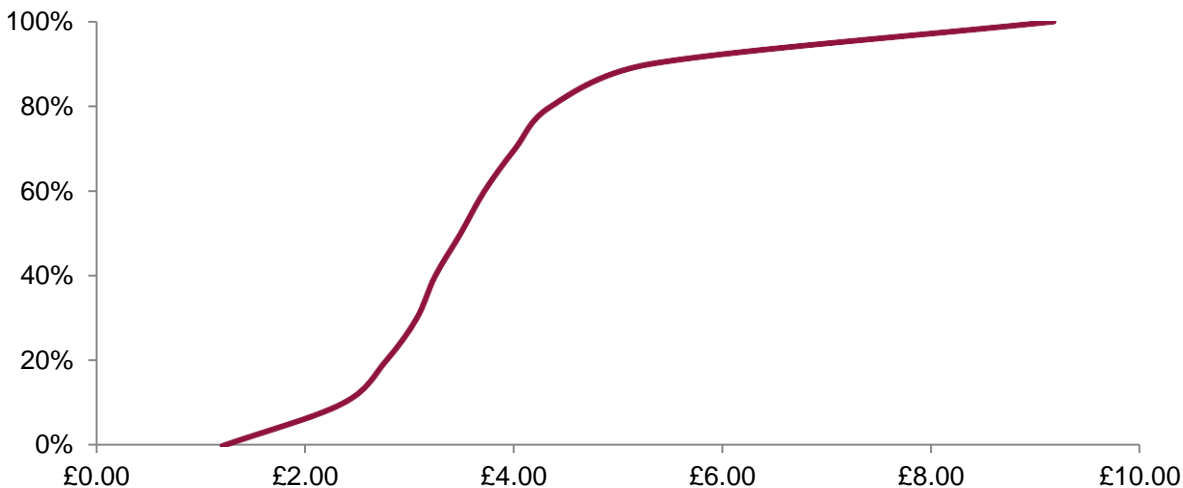
Source: Ipsos MORI: Costs of Early Learning and Childcare Provision

The average cost for one hour of ELC for 0-5 year olds at partner providers is estimated at £3.70 (£3.69 in private settings, £3.72 in voluntary settings, table 29). There is only small variation across areas, urban-rural indicators and size of the setting, with only nursery chains exhibiting notably lower average costs.

Given different staff ratios by age, we estimate that costs for three and four year olds could be up to 15 per cent lower than this and costs for 2 year olds up to 20 per cent higher although this will depend on the extent to which providers are able to and chose to segregate children by age.

There is a reasonably broad variation in unit costs around the average as shown in figure 17 below; at the median, half of providers have a unit cost greater than £3.59 per hour and half have a lower unit cost. Ten per cent of providers have a unit cost at or greater than £5.31 and 10 per cent have a unit cost at or below £2.36.. Again, this does not account for any profit margin and may be missing some elements of owners' remuneration where this is taken from profits.

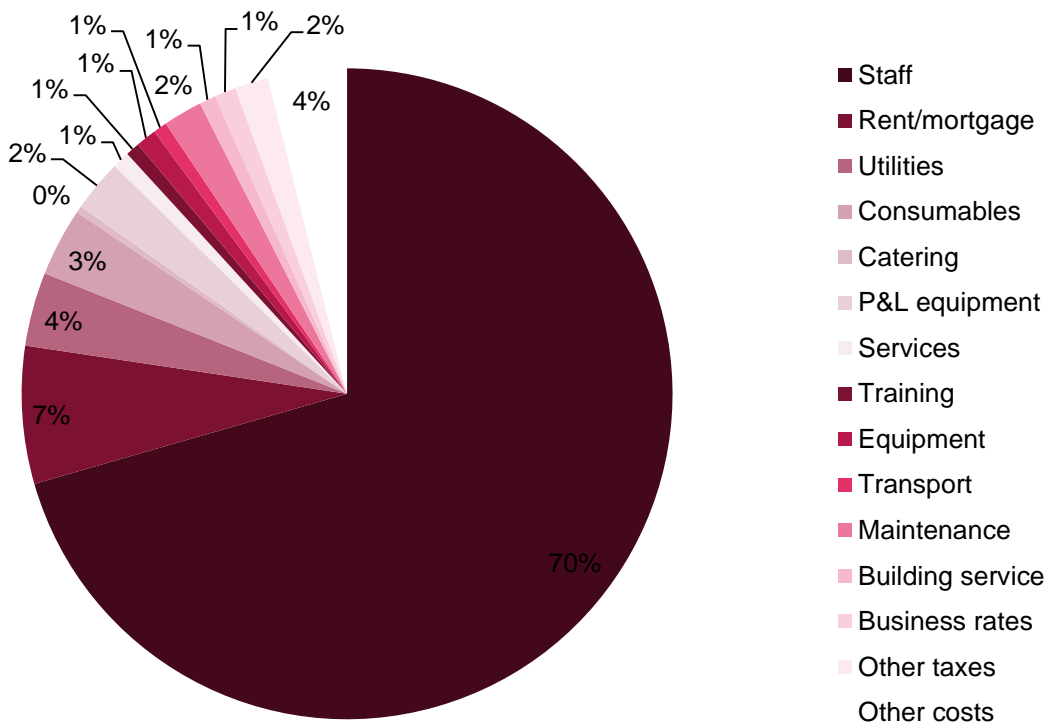
Figure 14: Cumulative distribution of partner provider unit costs, 0-5 year olds



Source: Ipsos MORI: Costs of Early Learning and Childcare Provision

A detailed breakdown of the average partner provider unit cost is shown in figure 15.

Figure 15: Cost breakdown for partner provider settings for one hour of ELC



Source: Ipsos MORI: Costs of Early Learning and Childcare Provision

The larger relative share in overheads reflects that private settings have higher cost for premises, maintenance and taxes which public settings either do not face at all or to a limited extent. Third sector settings, on the other hand, are eligible for tax relief and/or subsidised or free usage of public premises.

Table 30 provides a breakdown of the average amount of each cost component. Most notably, staff costs per hour are only around half as high per hour as in public settings (see page 57).

Table 30: Results of partner provider cost survey; unit costs 0-5 year olds

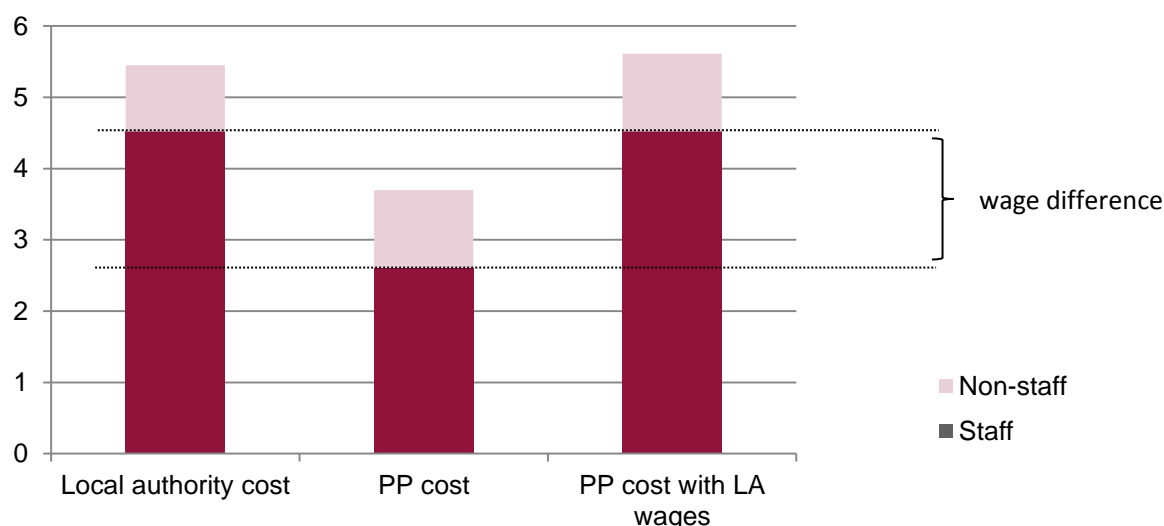
Total unit cost⁴³	£	3.70
Staff	£	2.61
Rent/mortgage	£	0.25
Utilities	£	0.14
Consumables	£	0.13
Catering	£	0.01
Play & Learning equipment	£	0.10
Services	£	0.03
Training	£	0.03
Equipment	£	0.04
Transport	£	0.03
Maintenance	£	0.07
Building service	£	0.03
Business rates	£	0.04
Other taxes	£	0.06
Other costs	£	0.15

Source: Ipsos MORI: Costs of Early Learning and Childcare Provision

The large difference between costs in partner provider and local authority settings can be explained by the gap in staff costs. On average, for an early years practitioner, the public sector spends two thirds more than the voluntary and 80 per cent more than the private sector on staff-related costs (wages, pensions etc). If partner providers were to pay public sector wages, their costs would be at a similar level to those found in local authority settings.

⁴³ The costs do not include any owner remuneration taken from profits.

Figure 16: Cost difference PP and LA provision



Source: Ipsos MORI: Costs of Early Learning and Childcare Provision and local authority data collection

Contribution of funded entitlement to provider income

The majority of partner provider income comes from fees paid directly by parents, with payments from local authorities making up 23 per cent of total income on average. The share of local authority payments in total income tends to be greater in smaller providers and in providers operating in more remote and rural areas (see table 31).

Table 31: Partner provider average annual income by source

	Average annual income from local authorities	Average annual income from parents	Local authority share of total income
large urban	£68,276	£223,712	23%
other urban	£60,498	£251,852	19%
accessible small town	£67,240	£164,285	29%
remote small town	£71,829	£95,617	43%
accessible rural	£47,459	£129,088	27%
remote rural	£35,985	£18,150	66%

Source: Ipsos MORI

On an hourly basis, the fees parents pay for unfunded hours are lower in the not for profit sector than in the private sector and fees for 3&4 year olds are less than for 2 year olds (table 32). However, the variation by age is greater in the not for profit sector (£3.22 for 4 year olds and £3.64 for 2 year olds) than in private sector where similar fees tend to be paid (£4.25 to £4.34). The research also reveals that, on average, for two year olds, providers receive a higher partner provider rate from local authorities than they do from fees. For three and four year olds, private

providers receive on average £0.66 more per hour in fees for unfunded hours than they do from local authorities for the funded entitlement. Conversely, not-for-profit providers receive slightly more per hour from local authorities than they charge to parents.

Table 32: Partner provider hourly fees and charges

	Average hourly fees from parents		Average hourly rate paid by LAs
	Not for profit	Private	
2 year olds	£3.64	£4.34	£4.78
3 year olds	£3.36	£4.25	£3.59
4 year olds	£3.22	£4.25	£3.59

Source: Ipsos MORI

Conclusions

The landscape of ELC in Scotland is undergoing transformative change. The sector is moving rapidly toward provision of 1,140 hours of funded ELC by the end of the current parliamentary session even while the system is still adjusting to meet the requirements of the Children and Young People (Scotland) Act 2014 of 600 hours of ELC, provided with increasing flexibility to meet the needs of parents.

This report summarises the findings of the Financial Review and captures a snapshot of the ELC system as change is introduced and further change is planned for. It provides a solid evidence base to inform the planning and development of delivery options for the expansion of the funded entitlement. In particular, the new evidence gathered for the Financial Review on the costs and expenditure involved in delivering the current entitlement provides the necessary basis for modelling the financial implications of delivering 1,140 hours.

The research has shown that, on average, delivery of ELC is significantly more costly per hour when delivered in local authority settings than in partner provider settings, a cost differential which is evident across all age groups although quality also tends to be higher in local authority settings. The research also identifies the overwhelming role of staff pay in explaining the unit-cost gap. By any standard, pay in private and not for profit partner providers is low, even at senior and management grades.

The research has also identified wide variation in both local authority unit costs and in the evolution of ELC-related expenditure following the implementation of the Children and Young People (Scotland) Act 2014 and there may be benefit in exploring further the drivers of this variation.

Annex A: List of published information and statistics

SG statistics

SG ELC statistics pulls together statistics on publicly funded early learning and childcare in Scotland (excluding childminder provision). They refer to a 'census week' (September each year) and contain the following information:

Early Years Centres

1. Number of local authority funded early learning and childcare providers, by type of provision and local authority
2. Number of Gaelic-medium providers, by type of provision and local authority
3. Number of local authority funded registrations, by type of provision and local authority
4. Arrangements for access to a GTCS registered teacher

Children

5. Number of local authority funded registrations, by age and local authority
6. Number of local authority funded registrations whose home language is not English, with Additional Support Needs or with a Coordinated Support Plan, by local authority
7. Percentage of children with access to a GTCS registered teacher during census week, by arrangement, type of provision and local authority

Staff

8. Number and Full Time Equivalent (FTE) staff, by job type, type of provider and local authority
9. Number and Full Time Equivalent (FTE) GTCS registered teachers, by job type, type of provider and local authority
10. Gender and age of GTCS registered early learning and childcare teachers
11. Functions fulfilled by GTCS registered teachers
12. Qualifications of manager

Miscellaneous

13. Imputation rates by local authority
14. Estimated population of children eligible for early learning and childcare by local authority
15. Three year old eligibility by local authority

Care Inspectorate statistics

In addition, the Care Inspectorate publish statistics on the provision and use of all registered daycare of children and childminding services in Scotland. This is gathered from an annual return of providers and includes the following:

Daycare of children settings

16. Number of registered services, by type of provision, sector, urban/rural classification and deprivation category
17. Main and additional services provided
18. Average capacity, by type of provision, sector, urban/rural classification and deprivation category
19. Services providing funded early learning and childcare
20. Age groups provided for by type of provider
21. Service Provision Languages and service philosophies
22. School term/holiday availability
23. Sessions available and whether drop-in or planned
24. Meals and snacks

Children

25. Number of children registered in early learning and childcare services in Scotland, by age, provider type, urban rural location
26. Number of children attending early learning and childcare services in Scotland in a named week, by age, provider type, urban rural location
27. Average number of children attending per week, by provider type, urban rural location and deprivation category

Staff

28. Characteristics of childminder workforce

Service quality

29. Quality of early learning and childcare services
30. Early learning and childcare services and grades
31. Early learning and childcare services and complaints

SSSC statistics

The report combines data gathered from the Care Inspectorate's Annual Return with data collected by the SSSC directly from local authorities to form a comprehensive picture of the paid workforce employed in the social service sector in Scotland.

32. Headcount of the Scottish social service workforce
33. Number of active services registered with the Care Inspectorate
34. Scottish social service workforce - estimated split by employer type
35. Estimates for excluded groups
36. Headcount by local authority and employer type
37. Proportion of employment within each local authority area by employer type
38. Staff densities by local authority
39. Headcount by sub-sector and employer type
40. Median staffing complement of registered services by employer type and sub-sector
41. Median age of the workforce by sub-sector and employer type
42. Percentage of staff by gender and sub-sector
43. Percentage of staff by ethnic classification and employer type
44. Percentage of staff by ethnic classification and sub-sector

45. Percentage of staff by disability and sub-sector
46. Percentage of staff by job function and sub-sector
47. Percentage of staff by contract type and sub-sector
48. Median weekly hours by employer type and sub-sector
49. Percentage of part time and full time workers by sub-sector

Annex B: Eligibility criteria for qualifying benefits

JSA	ESA	IS	WTC	CTC	PC	SDA/IB
<ul style="list-style-type: none"> - Over 18 - Work less than 16 hours/week - Partner must work fewer than 24 hours/week - have less than £16,000 in savings 	<ul style="list-style-type: none"> - Having illness or disability that affects ability to work - Under state pension age - not getting sick pay or maternity pay - not getting JSA 	<ul style="list-style-type: none"> - be pregnant, carer or lone parent with child under 5 - between 16 and Pension Credit age - have no or low income and savings of less than £16,000 - work fewer than 16 hours a week partner also works fewer than 24 hours a week - not getting JSA or ESA 	<ul style="list-style-type: none"> - Work more than 30 hours if 25-59, otherwise 16 - Work more than 24 hours/week between couple with child with one working at least 16 hours - No set income limit, but £18,000 for couple w/o children - (ipso facto not in receipt of JSA/ESA/IS) 	<ul style="list-style-type: none"> - Child must be under 16 or under 20 if in f/t education - no set income limit; for one-child household income <£26,100 	<ul style="list-style-type: none"> - have reached pension qualifying age - savings taper: for each £500 of savings £1 is deducted from PC; max. allowance depends on circumstances - can overlap with JSA, WTC, CTC, SDA/IB 	<ul style="list-style-type: none"> -SDA/IB has been replaced by ESA

Most benefits are mutually exclusive. However, there may be large overlap of CTC and other benefits.

Annex C: UK childcare policies

Working Tax Credit (WTC)

- Public funding for ELC (in Scotland) is made available by UK Government to families through the childcare costs element of WTC.
- Support is offered on up to 70 per cent of childcare costs up to a maximum spend of £175 per week for one child and £300 for two or more children. In practice this support is tightly targeted. As at April 2015, there were 34,800 families benefiting in Scotland.
- With the introduction of Universal Credit (UC), which will replace WTC, support is extended to cover 85 per cent of childcare costs up to a monthly cap of £646 for one child and £1,108 for two or more children. Support will be available to all working families on UC, regardless of how many hours they work or whether they pay income tax. Around an estimated 40,000 families in Scotland could benefit from this scheme.

Employer-supported childcare and tax free childcare

- Employers who offer childcare vouchers, directly contracted childcare or workplace nurseries to their employees can save through exemption from National Insurance Contributions (NIC) on the value of the childcare offer purchased by employees.
- Employees taking up employer-supported childcare are exempt from Income Tax and NIC on the amount spent on childcare from their gross pay.
- However, it is estimated that over half of all working families in the UK are unable to access employer supported childcare as only a minority of employers participate in this programme. This implies around 43,000 working families in Scotland benefit.
- In 2017, the UK Government will introduce tax-free childcare. This scheme will replace existing employer vouchers and will contribute 20 per cent toward the costs of approved registered childcare up to a maximum spend of £10,000 per annum to all families where both parents need to earn at least £115/week but less than £100,000/year.

Early learning and childcare provision in the rest of the UK

- The UK Government offers 570 hours of ELC to all 3 and 4 year olds and to 40 per cent of 2 year olds, usually taken as 15 hours per week over 38 weeks in England. By September 2017, the funded provision is planned to be expanded to 1140 hours for parents working more than 16 hours per week and earning less than £100,000 (the roll-out is scheduled to start in September 2016). The UK Government revised their cost estimate for the expansion several times, from £350 million in April 2015 to “over £1bn” in

November 2015 although independent analysis suggests this is likely to be an underestimate of the true costs.

- The UK Government uses the same set of criteria as Scotland to determine eligibility for 2 year olds. However, if parents want to claim the entitlement as recipients of WTC and Child Tax Credits, their income has to be under a certain thresholds. This threshold is higher in England, resulting in greater eligibility rates of around 40 per cent (instead of around 27 per cent in Scotland).



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