

# **Funding Follows the Child and the National Standard for Early Learning and Childcare Providers**

**Interim Guidance - Update**

**Requirements on Early Learning and  
Childcare Settings and Local Authorities  
from August 2022**

May 2022



## 1. Overview

1. The previous version of the Interim Guidance on Funding Follows the Child and the National Standard, published in March 2021, maintained a degree of flexibility for certain aspects of the National Standard for the period August 2021 to July 2022. This was to reflect where the impact of the pandemic may have prevented services or authorities from being able to demonstrate delivery against aspects of the National Standard.
2. The Interim Guidance also committed the Joint Delivery Board to undertake a review of the timetable for moving to full implementation of Funding Follows the Child following the national roll-out of 1,140 hours.
3. To inform their review, the Joint Delivery Board considered a range of evidence regarding the current implementation of Funding Follows the Child and the National Standard. This included evidence from local authorities and from funded services across the private, third and childminding sector.
4. In light of the evidence presented, **the Joint Delivery Board agreed that there will be a gradual move towards full implementation of Funding Follows the Child and the National Standard in August 2023.**
5. As a result updated Interim Guidance, as set out in this document, will remain in place for 2022-23. There will be a further review point on implementation in late 2022, ahead of updated guidance documents being made available in Spring 2023, to support full implementation from August 2023.
6. The key changes in this updated Interim Guidance are:
  - National Standard Criteria 1.2 (benchmark qualification) will take effect for practitioners and managers working in settings from August 2022. However, local authorities will continue to have flexibility over National Standard Criteria 1.2 (benchmark qualification) for childminders.
  - National Standard Criteria 8 (Fair Work) will take effect from August 2022;
  - Clarification is provided regarding the process for introducing and extending Service Improvement Periods for services for whom one or more of their Care Inspectorate evaluations have fallen, or remained, below 'good';
  - Clarification of how the new Quality Framework from the Care Inspectorate, which will come into effect for services from 1 June 2022, will be reflected in the National Standard; and
  - Supporting interim guidance on setting sustainable rates for August 2022 (provided in Annex A) to reflect the programme of actions, set out in the [Financial Sustainability Health Check](#), to strengthen the process for setting sustainable rates and the current economy wide cost pressures.

## 1.1 Background

7. Quality is at the heart of the delivery of funded Early Learning and Childcare (ELC) entitlement.
8. The universal funded entitlement to high quality, nurturing early learning and childcare for all 3 to 5 year old and eligible 2 year old children in Scotland increased to 1,140 hours across Scotland in August 2021. High quality funded ELC helps every child to develop socially, emotionally, physically and cognitively, supporting them to have the best start in life.
9. Funding Follows the Child ensures the delivery of high quality funded ELC. The approach is 'provider neutral' and is underpinned by a National Standard that all settings – regardless of whether they are in the public, private or third sector, or childminders – will have to meet in order to be able to deliver funded ELC.
10. For families this means that they will be able to access high quality funded ELC with the provider of their choice – in the public, private, or third sector or a childminder – if that provider meets the criteria set out in the National Standard, wishes to deliver the funded entitlement, has a space available, is able to offer the funded hours in-line with their local authority's ELC delivery plan (subject to the capacity of the setting), and is in contract with their local authority to deliver the funded hours.
11. The criteria of the National Standard focus on what children and their families should expect from their ELC experience, regardless of where they access their funded entitlement.
12. We will continue to ensure that the funded ELC entitlement is delivered in high quality settings across Scotland. The ELC sector remains committed to working towards delivering in full the Funding Follows the Child principles and the National Standard.
13. This document provides an update to the Interim Guidance published in March 2021. It is recognised that as the impact of the pandemic continues to be felt that some of the flexibility that the Interim Guidance previously afforded will need to remain in place for delivery from August 2022.

## 1.2 Impact of COVID-19

14. The impact of the pandemic on all our lives led to a delay in the statutory roll out of 1,140 hours, which was intended to be introduced in August 2020. That duty came into effect from August 2021.
15. In line with public health guidance all ELC providers have, to date, experienced two periods of significant restrictions in 2020 and early 2021. Additional COVID-19 mitigations were introduced across the sector in December 2021 in response to the emergence of the Omicron variant of COVID-19, reflecting the scientific and public health advice in place at that time. In line with the [Scottish](#)

[Government's Strategic Framework for managing COVID-19](#), which was published on 22 February 2022, the COVID-19 guidance for the ELC sector was updated on 17 March 2022 to move to “routine protective measures” in settings from 18 April 2022. [This guidance was further updated at the end of April 2022 to reflect the new 'stay at home' guidance replacing self-isolation.](#)

16. This interim guidance on implementation of Funding Follows the Child serves to identify the areas in which the impact of the pandemic may have been such that it has prevented settings or authorities from being able to demonstrate delivery against aspects of the National Standard. Where this is the case then some flexibility may be required.
17. For example, the Care Inspectorate suspended routine quality theme inspections as a result of the pandemic between March and September 2020 and again between December 2021 and March 2022. During those periods, inspection that did take place was based on intelligence and risk and focused primarily on Key Question 5: “*Operating an early learning and childcare setting (including out of school care and childminders) during the pandemic*”. This means that some settings will not have received an evaluated inspection based on the quality themes. We also recognise the impact of the pandemic will mean that some settings who were working towards improving their Care Inspectorate quality evaluations will not have an opportunity to complete this work ahead of August 2022.
18. The impact of COVID-19 has also resulted in sustainability challenges for some parts of the sector, as highlighted in the [Financial Sustainability Health Check](#) published in August 2021,
19. That is why the Scottish Government has made up to £35 million of targeted financial support available to the childcare sector since the onset of the pandemic. This includes up to £9.8 million that was made available through the Childcare Sector Omicron Impacts Fund in March 2022.
20. For childcare services delivering funded ELC the Scottish Government recognises that the payment of sustainable rates by local authorities to services in the private, third and childminding sectors will be vital to supporting the financial sustainability of these services, and to enabling the delivery of ELC. Updated guidance on setting sustainable rates for August 2022 is included at [Annex A](#).

### **1.3 Implementation of Funding Follows the Child and the National Standard for ELC providers**

21. Funding Follows the Child remains the long-term policy framework that will support the delivery of funded ELC, and has been agreed by both the Scottish Government and COSLA.
22. Important progress has already been made and the principles of Funding Follows the Child have been embedded in many local authorities' approaches to funded

ELC delivery. In particular, the need to ensure high quality funded ELC experiences for children; the principle of provider neutrality; the need for effective partnership working; and embedding fair work practices in ELC delivery.

23. The National Standard will ensure that families can be reassured that, regardless of where they access their child's funded ELC entitlement, a high quality service will be delivered.
24. Many local authorities are already using the National Standard criteria in their funded ELC contracts with providers. It is expected that the National Standard, will continue to form the basis of contracting arrangements with providers.
25. However, for August 2022 there will continue to be some flexibility (as set out in section 3 of this guidance) around when providers are expected to meet certain aspects of the National Standard. The remaining flexibilities are in recognition of:
  - The return to routine Care Inspectorate inspections as a result of the pandemic, which impact on sub-criteria 1.1, 2.1 and 3.1;
  - Concerns regarding continued challenges for some childminders if the flexibility for the benchmark qualification (sub-criteria 1.2) is removed for childminding services; and
  - The impact on financial sustainability as a result of the pandemic may continue to present challenges for some services in providing the required evidence on criteria 7 (Business Sustainability) as they continue to recover from the impacts of the pandemic.

### **1.4 Setting sustainable rates for August 2022**

26. The payment of sustainable rates to funded providers in the private, third and childminding sectors is vital to supporting financial sustainability, and is a key aspect of Funding Follows the Child. The rate paid to funded providers should be sustainable and should meet the following:
  - the rate will support delivery of a high quality ELC experience for all children
  - it will be a rate that reflects the cost of delivery, including the delivery of national policy objectives
  - the rate will allow for investment in the setting – staff, resources and physical environment
  - it will enable payment of the real Living Wage for those childcare workers delivering the funded entitlement.
27. It is recognised that ensuring a sustainable rate in the current economic climate is challenging. This reflects the ongoing cost of living pressures and continuing high levels of inflation across the economy, as well as the ongoing impacts of the COVID-19 pandemic.

28. In August 2021 the Scottish Government published the [Financial Sustainability Health Check](#), and [Early learning and childcare providers - local authority funding and support: overview](#) which set out updated information on the sustainable rates that services in the private, third and childminding sectors currently receive from their local authorities to deliver funded ELC. In light of the evidence from these reports, and given the importance of sustainable rates to the financial sustainability of these providers, a series of actions have been taken forward to strengthen the process for setting sustainable rates for August 2022.
29. A key area where local authorities identified a need for more support is in gathering robust evidence on the costs of delivery, which could then be used as the starting point for developing local sustainable rates. To support this COSLA and local authorities, through the Improvement Service, commissioned Ipsos Mori to undertake an independent cost collection exercise. Ipsos Mori collected information from funded services in the private and third sector through a detailed survey in March 2022. This will be followed by a separate cost collection exercise of funded childminding services.
30. The findings from the cost collection exercise provide local authorities with a robust evidence base on which to start their local rate setting process. However, the outputs of the national cost collection exercise are only a part of the rate setting process, and authorities need to consider the outputs alongside local market conditions and ongoing consultation with their local ELC providers.
31. To support local authorities in the rate setting process, and to reflect the factors set out above, [Annex A](#) provides updated interim guidance on setting sustainable rates for August 2022.

### 1.5 Supporting Quality in services delivering funded ELC

32. Since 2016, Education Scotland's '[How Good is Our Early Learning and Childcare?](#)' self-evaluation framework has been embedded in ELC practice. The framework supports evidence-based self-evaluation, enabling settings to identify areas for improvement and to aim for excellence. Her Majesty's Chief Inspector of Education (HMIE) continues to provide improvement support through their review and inspection of funded ELC.
33. The Care Inspectorate published a new [Quality Framework](#) on 21 March 2022, which will come into effect for settings from 1 June 2022. The new self-evaluation framework will help settings assess their own performance in delivering high quality care and learning for children, identify areas for self-improvement and evidence their practice at inspection. Inspections continue to be prioritised based on risk and intelligence.
34. The Care Inspectorate is implementing a package of support for providers and local authorities to build confidence in using the new framework as a self-evaluation tool.

35. Some updates are required to sub-criteria 1.1, 2.1 and 3.1 in the National Standard to align it with the terminology and approach in the new Quality Framework. These changes will apply to services inspected under the new Framework from 1 June 2022. The full suite of Funding Follows the Child guidance will be updated to reflect the new Quality Framework, and any other required changes, ahead of full implementation in August 2023.

36. From 1 June 2022 the Care Inspectorate will use key questions, which can be read across to the previous quality themes:

<b>Key questions</b>	<b>Quality themes</b>
1: How good is our care, play and learning?	Quality of care and support
2: How good is our setting?	Quality of environment
3: How good is our leadership?	Quality of management and leadership
4: How good is our staff team?	Quality of staffing

37. Quality improvement support is in place at the national level, complementing the support that is being delivered by local authorities including:

- The Care Inspectorate’s Quality Improvement Programme, which is funded by the Scottish Government. In 2022-23 this programme enables all local authority areas to nominate settings to participate. It is providing targeted quality improvement support to existing funded ELC providers that do not have current Care Inspectorate evaluations of ‘good’ or better, but who have been commissioned to provide funded ELC hours, or that have previously achieved a grade of ‘good’ but are now at risk of falling below that at their next inspection.
- The Children and Young People Improvement Collaborative (CYPIC) Learning Exchange is supporting ELC practitioners and Equity and Excellence Leads to use Quality Improvement tools to improve outcomes, connect people and share learning.
- Education Scotland has a dedicated [landing page](#) on the National Improvement Hub with links to relevant information on improving the quality of children’s experiences and outcomes. National practice guidance [Realising the Ambition](#) (2020) increases expectations of high quality practice whilst providing support for all who work in ELC. The Education Scotland ELC team provides national, regional and bespoke local support to all ELC sectors supporting the development of high quality practice. This is enhanced by support from a range of specialist colleagues including in curriculum, inclusion, digital and family learning, across the whole Curriculum for Excellence 3-18 journey.

## 1.6 Summary

38. This guidance is designed to continue to support local authorities and providers to work in partnership to enable the delivery of as much of the National Standard criteria as possible, but to highlight where flexibility may still be required. It is intended to complement the detailed [Operating Guidance](#), and [supporting technical guidance](#), produced for the sector to support the implementation of Funding Follows the Child and the National Standard for ELC providers.
39. Enquiries in relation to this document should be sent to:  
[ELCPartnershipForum@gov.scot](mailto:ELCPartnershipForum@gov.scot)

## 2. Funding Follows the Child - requirements from August 2022

40. This section sets out the elements of Funding Follows the Child, with guidance regarding the expectations of the deliverability of each element. The majority of the Funding Follows the Child framework should be deliverable from August 2022 and will continue to underpin the delivery of funded ELC.

	<b>Elements of Funding Follows the Child</b>	<b>Deliverability from August 2022</b>
<b>A</b>	<a href="#">Getting It Right for Every Child</a> is at the centre of our approach to improving the experience of our children in their early years.	<ul style="list-style-type: none"> <li>Getting It Right for Every Child will continue to be reflected throughout Funding Follows the Child and the National Standard to ensure the focus on improving outcomes for children and young people is maintained</li> </ul>
<b>B</b>	It is 'provider neutral' and is underpinned by a National Standard, which all providers who wish to deliver the funded entitlement will have to meet from the full statutory roll-out of 1,140 hours of funded ELC entitlement.	<ul style="list-style-type: none"> <li>All local authorities should be applying provider neutral arrangements</li> <li>Some flexibility may continue to be required in relation to certain aspects of the National Standard (as described in Section 3 of this document). However, the application of any flexibilities in aspects of the National Standard must be provider neutral and apply to all providers</li> </ul>
<b>C</b>	Families will be able to access high quality funded ELC with the provider of their choice if that provider meets the criteria set out in the National Standard, wishes to deliver the funded entitlement, has a space available, is able to offer the funded hours in-line with local ELC delivery plans (subject to the setting's overall capacity) and is willing to enter into a contract with the local authority.	<ul style="list-style-type: none"> <li>Flexibility may be required on some aspects of the National Standard (as set out in Section 3), but the application by local authorities must be provider neutral</li> <li>Parents and carers should be able to apply to the setting of their choice, but access to ELC at that setting will remain dependent on a space being available and the provider being able to offer a family the pattern of provision they are seeking for their child</li> </ul>
<b>D</b>	The choice of setting available to families is not restricted to their own local authority boundary.	<ul style="list-style-type: none"> <li>Choice must not be restricted by local authority boundaries. However, the overall level of choice available in each local authority may vary depending on local capacity</li> </ul>

## Funding Follows the Child and the National Standard

<b>E</b>	Information for parents and carers will be clear and accessible to make them aware of the options available to them, in particular the different types of settings that can be chosen, when accessing their funded entitlement.	<ul style="list-style-type: none"> <li>• Parents and carers should expect to be well informed, through clear and concise communications, particularly as information may be subject to change</li> </ul>
<b>F</b>	Settings must ensure that the funded hours are free at the point of access and parents and carers are not required to purchase additional hours beyond the funded entitlement in order to access their child's funded hours at a setting.	<ul style="list-style-type: none"> <li>• This is a long-standing legal requirement. As set out under section 33(1) of the Standards in Scotland's Schools Act 2000, the entitlement to funded early learning and childcare <u>must be provided without the payment of fees</u>, including where this is delivered through a third party (i.e. providers in the private and third sectors, including childminders), under a section 35 arrangement</li> </ul>
<b>G</b>	Local authorities will retain the statutory responsibility for ensuring that the funded entitlement is available to all eligible children in their area, and will be the primary guarantors of quality and key enablers of flexibility and choice – ensuring that there is a range of options for families in their area.	<ul style="list-style-type: none"> <li>• These roles and responsibilities will continue.</li> <li>• More information on the role of local authorities is provided in Section 3 (Role for local authorities in implementing Funding Follows the Child) of <a href="#">Funding follows the child and the national standard for early learning and childcare providers: operating guidance</a></li> </ul>
<b>H</b>	Local authorities and providers should work together meaningfully and in genuine partnership in delivering flexible ELC provision, while continuing to ensure that a high quality experience for children is maintained and accessible to all.	<ul style="list-style-type: none"> <li>• Meaningful and genuine partnership working between local authorities and funded providers is vital to ensuring the delivery of a high quality ELC experience to all children</li> <li>• Effective local and national partnership working should continue to develop and is critically important to support the recovery process</li> </ul>
<b>I</b>	Local authorities will set a rate locally that is paid to funded providers in the private and third sectors, including childminders, to deliver the funded entitlement, which is sustainable and reflects national policy priorities, including funding to enable payment of the real Living Wage to all childcare workers delivering the funded entitlement.	<ul style="list-style-type: none"> <li>• The payment of sustainable rates by local authorities to funded providers will be vital to supporting financial sustainability.</li> <li>• The <a href="#">Financial Sustainability Health Check</a>, published in August 2021, sets out how the pandemic has impacted on the financial position of settings. Many of these services</li> </ul>

		<p>continue to face financial challenges as a result of the pandemic.</p> <ul style="list-style-type: none"> <li>• <a href="#">Annex A</a> contains updated interim guidance on the setting of sustainable rates. This update acts as a complement to the <a href="#">Sustainable Rates Guidance published in April 2019</a>.</li> <li>• The focus of the interim guidance in <a href="#">Annex A</a> is on the key considerations for setting rates for August 2022 in light of the programme of actions, set out in the <a href="#">Financial Sustainability Health Check</a>, to strengthen the process for setting sustainable rates, and the ongoing economy wide cost pressures.</li> <li>• The principles in the guidance highlight the importance of the rate setting process being underpinned by an evidence-based approach; transparency; and partnership working between local authorities and funded providers in the private, third and childminding sectors.</li> <li>• The Scottish Government will continue to monitor the financial sustainability of the childcare sector, including updating the evidence from the August 2021 <a href="#">Financial Sustainability Health Check</a>.</li> </ul>
<b>J</b>	<p>Funded providers who agree to deliver the funded entitlement will commit to paying the real Living Wage to all childcare workers delivering the funded entitlement and commit to operating fair work practices.</p>	<ul style="list-style-type: none"> <li>• The promotion of fair work practices remains a vital way of supporting a high quality workforce, and it is expected that providers retain their commitment to these practices</li> <li>• The funding agreement between the Scottish Government and COSLA ensures that providers will receive sustainable rates that are set at a level which enables all childcare</li> </ul>

		<p>workers delivering the funded entitlement to be paid at least the real Living Wage</p> <ul style="list-style-type: none"> <li>• It remains the position that it is not for the Scottish Government and local authorities to provide the funding to cover the hours that staff spend delivering non-funded hours in their setting</li> <li>• It is therefore a business decision for funded providers as to whether they provide the additional resource to uplift the salaries of all workers in their settings, including those not engaged in delivery of the funded entitlement, to the real Living Wage</li> <li>• Local authorities should refer to Annex A of the <a href="#">Transition Options Guidance on Contracting</a> for further guidance on implementing the real Living Wage commitment.</li> </ul>
<b>K</b>	Every child receiving a funded ELC session will receive a free meal.	<ul style="list-style-type: none"> <li>• Funding to deliver this commitment will be additional to the sustainable rate and local authorities must ensure that they are transparent as to the funding being provided to private and third sector providers for the delivery of the free meal commitment</li> <li>• If public health guidance restrictions were to be reintroduced at any point, there may be some changes from normal practice and that there may be some restrictions as to how the meals are delivered.</li> <li>• It is important to ensure that there is clear communication to families as to what meals will be available</li> </ul>
<b>L</b>	A commitment to simplifying the process for, and reducing the burden on, providers to deliver the funded entitlement.	<ul style="list-style-type: none"> <li>• Local authorities should be drawing on the <a href="#">Transition Options Guidance</a> on contracting and adopting the relevant</li> </ul>

<p>All providers will face the same National Standard for becoming, and continuing to be, a funded provider.</p>	<p>supporting template Terms and Conditions produced by Scotland Excel in their tender documentation exercises</p> <ul style="list-style-type: none"><li>• Local authorities should continue to progress this commitment, but it is important to recognise that processes may have been disrupted and interim arrangements may continue to be required in some authorities as a result of the pandemic</li></ul>
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### 3. The National Standard for ELC Providers - Requirements from August 2022

41. The criteria in the National Standard focus on what children and their families should expect from their funded ELC experience, regardless of whether they access their funded entitlement in local authority, private, or third sector settings, or through a childminder. This is to ensure that, as part of Funding Follows the Child, which is ‘provider neutral’, there is consistency of high quality provision across all funded provider types. It is also underpinned by the regulations in the [Public Services Reform \(Scotland\) Act 2010](#) which applies to all care services across Scotland, including day care of children and childminding settings, and the statutory functions for the delivery of funded ELC. Further information on these statutory functions is set out in the [Early Learning and Childcare: Statutory Guidance – July 2021](#).
42. As the childcare sector continues to recover from the pandemic, it is recognised that there may be circumstances where flexibility on a small number of criteria and sub-criteria in the National Standard is still required from August 2022. However, it is expected that services offering funded ELC are able to demonstrate that they meet the majority of the National Standard from August 2022.
43. As contracting bodies, local authorities can adapt criteria where they cannot reasonably be met currently as a result of the pandemic, for example, allowing longer improvement or transition periods.
44. This section sets out for each of the criteria, and sub-criteria where applicable, the expectations regarding deliverability from August 2022. For some aspects of the National Standard there are variations for childminders to reflect the different nature of these providers.
45. This section should be read alongside Section 2 of [Funding Follows the Child and the National Standard for Early Learning and Childcare Providers - Operating Guidance](#), which provides detailed information as to how to meet the National Standard criteria and sub-criteria.

Criteria		Sub-criteria	Requirements from August 2022
1.	Staffing, leadership and management	1.1: Care Inspectorate quality evaluations are ‘good’ or better on key questions that relate to quality of staff teams, and leadership (key questions 3 and 4). <b>[All settings]</b>	<ul style="list-style-type: none"> <li>Expect the majority of funded providers to already be meeting this sub-criteria</li> <li>From June 2022 services will be inspected under the new Care Inspectorate Quality Framework. To reflect</li> </ul>

			<p>this, sub-criteria 1.1 will, for services inspected from 1 June 2022 onwards, reflect the evaluations for the following key questions in the new Framework:</p> <ul style="list-style-type: none"> <li>○ How good is our staff team? (key question 3); and</li> <li>○ How good is our leadership? (key question 4).</li> </ul> <ul style="list-style-type: none"> <li>• Key question 3 reads across to the previous Quality of management and leadership quality theme; whilst key question 4 reads across to the previous Quality of staffing theme. Further information is provided in paragraphs 33 to 36 of this document.</li> <li>• Deliverability for a small number of providers may be affected by delays to routine Care Inspectorate inspections as a result of the pandemic, in particular if they were on a service improvement period</li> <li>• Where a setting is on a service improvement period and does not receive evaluations of 'good' or better at their next Care Inspectorate quality evaluation, the local authority may agree to extend the service improvement period until their next Care Inspectorate quality evaluation. This is in recognition that COVID-19 restrictions may have impacted on some settings' ability to access improvement support before the time of their next inspection</li> <li>• Where a newly registered setting does not receive evaluations of 'good' or better at their first Care Inspectorate quality evaluation, the local authority may agree to place the setting in a service improvement</li> </ul>
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			<p>period until their next Care Inspectorate quality evaluation. Again, this is in recognition that COVID-19 restrictions may have impacted on some settings' ability to access improvement support before the time of their next inspection</p> <ul style="list-style-type: none"> <li>• Service improvement periods should only be provided or extended where both the local authority and the Care Inspectorate are comfortable that the service: is fit to continue; is engaging or willing to engage in quality improvement work and it is anticipated, with support, has the ability to improve and sustain improvement; and the local authority is satisfied that the setting meets all other aspects of the National Standard as set out in this Interim Guidance.</li> <li>• Any settings on a service improvement period are expected to be drawing on the additional Care Inspectorate ELC Improvement Support Programme that has been made available for funded provider settings who do not currently meet the quality evaluations.</li> </ul>
		<p>1.2: All support workers, practitioners and lead practitioners/managers working in the setting and included in the adult: child ratios must have either obtained the benchmark qualification for their role or, if they are still within their first 5 years of registering with the SSSC, have started to work towards this. <b>[All settings excluding childminders]</b></p> <p>1.2: From the implementation of the full roll-out of 1140 hours, childminders delivering the</p>	<ul style="list-style-type: none"> <li>• All settings, with the exception of childminders, are expected to meet this sub-criteria.</li> <li>• It is expected that where childminders have been unable to commence their benchmark qualification due to difficulties in accessing courses as a result of the pandemic, that extra flexibility is provided for this criteria. However, any childminders affected by this should be able to provide details of any courses applied for, or that they intend to apply for (if requested by the local authority)</li> </ul>

		<p>funded entitlement must have either obtained the benchmark qualification for ELC practitioners or, if they are still within their first 5 years of delivering the funded hours, be working towards achieving this qualification. <b>[childminders]</b></p>	
		<p>1.3: Sustainable staffing structures are in place which meet the recommended adult: child ratios. <b>[All settings excluding childminders]</b></p> <p>1.3: The staffing structure in the setting is adequate to meet the recommended adult: child ratios. <b>[childminders]</b></p>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria.</li> <li>• Settings should consider whether staffing contingency plans should be updated</li> </ul>
		<p>1.4: All SSSC registered staff in the setting are achieving a minimum of 12 hours per year of Continuous Professional Learning. <b>[All settings excluding childminders]</b></p> <p>1.4: All childminders delivering the funded entitlement are achieving a minimum of 12 hours per year of Continuous Professional Learning. <b>[childminders]</b></p>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria</li> <li>• The 12 hours a year of Continuous Professional Learning (CPL) is the minimum requirement, and where staff need or would like to undertake more hours of CPL then it is expected that funded providers will support this as far as possible, given the business needs of the setting</li> <li>• Many CPL materials are easily accessible and should not be impacted by the pandemic</li> </ul>
		<p>1.5: Staff new to delivering funded ELC within the last year are familiar with the content of the most up-to-date version of the national induction resource. <b>[All settings excluding childminders]</b></p>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria</li> <li>• Induction materials are easily accessible and should not be impacted by the pandemic</li> </ul>

		<p>1.5: All childminders newly registered to deliver ELC within the last year have undertaken appropriate induction. <b>[childminders]</b></p>	<ul style="list-style-type: none"> <li>• Inductions for new staff should include guidance on the setting's approach to ensuring staff have the skills and knowledge to carry out their role</li> <li>• There is a range of induction support for childminders including:             <ul style="list-style-type: none"> <li>○ the Scottish Childminding Association (SCMA) offer induction training (see <a href="http://childminding.org/learn-with-scma">childminding.org/learn-with-scma</a>)</li> <li>○ Care and Learning Alliance's (CALA) childminding team deliver inductions (see <a href="http://calaelearning.co.uk/">calaelearning.co.uk/</a>)</li> <li>○ the Scottish Government has also developed a free and accessible guide, My Childminding Journey (see <a href="http://childmindingjourney.scot/">childmindingjourney.scot/</a>)</li> </ul> </li> </ul>
<p><b>2.</b></p>	<p>Development of children's cognitive skills, health and wellbeing</p>	<p>2.1: Care Inspectorate quality evaluations are 'good' or better on the key question relating to quality of care, play and learning (key question 1). <b>[All settings]</b></p>	<ul style="list-style-type: none"> <li>• Expect the majority of funded providers to already be meeting this sub-criteria</li> <li>• From 1 June 2022 services will be inspected under the new Care Inspectorate Quality Framework. To reflect this, sub-criteria 2.1 will, for services inspected from 1 June 2022 onwards, reflect the evaluations for the following key question in the new Framework:             <ul style="list-style-type: none"> <li>○ How good is our care, play and learning? (key question 1)</li> </ul> </li> <li>• Key question 1 reads across to the previous Quality of care and support quality theme. Further information is provided in paragraphs 33 to 36 of this document.</li> </ul>

			<ul style="list-style-type: none"><li>• Deliverability for a small number of providers may be affected by delays to routine Care Inspectorate inspections as a result of the pandemic, in particular if they were on a service improvement period</li><li>• Where a setting is on a service improvement period and does not receive evaluations of 'good' or better at their next Care Inspectorate quality evaluation, the local authority may agree to extend the service improvement period until their next Care Inspectorate quality evaluation</li><li>• Where a newly registered setting does not receive evaluations of 'good' or better at their first Care Inspectorate quality evaluation, the local authority may agree to place the setting in a service improvement period until their next Care Inspectorate quality evaluation. This is in recognition that the pandemic restrictions may have impacted on some settings' ability to access improvement support before the time of their next inspection.</li><li>• Service improvement periods should only be provided or extended where both the local authority and the Care Inspectorate are comfortable that the service: is fit to continue; is engaging or willing to engage in quality improvement work and it is anticipated, with support, has the ability to improve and sustain improvement; and the local authority is satisfied that the setting meets all other aspects of the National Standard as set out in this Interim Guidance.</li></ul>
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			<ul style="list-style-type: none"> <li>Any setting on a service improvement period is expected to be drawing on the additional Care Inspectorate ELC Improvement Support Programme that has been made available for funded provider settings who do not currently meet the quality evaluations</li> </ul>
		<p>2.2: The setting must have a framework to support children’s learning that is informed by national guidance and is appropriate to support individual children’s development and learning focussed on active learning through play. <b>[All settings]</b></p>	<ul style="list-style-type: none"> <li>All settings are expected to meet this sub-criteria</li> <li>The pandemic has impacted some children more than others. Settings should seek to ensure that every child has the same opportunity to succeed, no matter their background or shared protected characteristics, with a particular focus on closing the poverty related gap in children’s outcomes.</li> </ul>
<p><b>3.</b></p>	<p>Physical environment</p>	<p>3.1: Care Inspectorate quality evaluations of good or better on the key question relating to quality of the setting (key question 2). <b>[All settings]</b></p>	<ul style="list-style-type: none"> <li>Expect the majority of funded providers to already be meeting this sub-criteria</li> <li>From 1 June 2022 services will be inspected under the new Care Inspectorate Quality Framework. To reflect this, sub-criteria 3.1 will, for services inspected from 1 June 2022 onwards, reflect the evaluations for the following key question in the new Framework:             <ul style="list-style-type: none"> <li>How good is our setting? (key question 2)</li> </ul> </li> <li>Key question 2 reads across to the previous Quality of environment quality theme. Further information is provided in paragraphs 33 to 36 of this document.</li> <li>Deliverability for a small number of providers may be affected by delays to routine Care Inspectorate</li> </ul>

			<p>inspections as a result of the pandemic, in particular if they were on a service improvement period</p> <ul style="list-style-type: none"> <li>• Where a setting is on a service improvement period and does not receive evaluations of 'good' or better at their next Care Inspectorate quality evaluation, the local authority may agree to extend the service improvement period until their next Care Inspectorate quality evaluation</li> <li>• Where a newly registered setting does not receive evaluations of 'good' or better at their first Care Inspectorate quality evaluation, the local authority may agree to place the setting in a service improvement period until their next Care Inspectorate quality evaluation. This is in recognition that the pandemic restrictions may have impacted on some settings' ability to access improvement support before the time of their next inspection</li> <li>• Service improvement periods should only be provided or extended where both the local authority and the Care Inspectorate are comfortable that the service: is fit to continue; is engaging or willing to engage in quality improvement work and it is anticipated, with support, has the ability to improve and sustain improvement; and the local authority is satisfied that the setting meets all other aspects of the National Standard as set out in this Interim Guidance.</li> <li>• Any settings on a service improvement period are expected to be drawing on the Care Inspectorate's</li> </ul>
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			additional improvement support programme that has been made available for funded provider settings who do not currently meet the quality evaluations
		3.2: Children have daily access to outdoor play and they regularly experience outdoor play in a natural environment as part of their funded ELC offer. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria</li> <li>• Children's right to play outdoors every day has been enshrined in the national Health and Social Care Standards – As a child, I play outdoors every day and regularly explore a natural environment (HSCS 1.32)</li> <li>• Reflecting learning from the pandemic, settings are encouraged to maximise their use of outdoor space including the use of outdoor public spaces such as parks and woodland where appropriate</li> </ul>
4.	Self-evaluation and improvement	4.1: The setting uses relevant national self-evaluation frameworks to self-evaluate and systematically identify strengths and areas for improvement. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria</li> </ul>
		4.2: The setting has a clear plan, developed in line with self-evaluation evidence, evidence from Education Scotland and Care Inspectorate scrutiny activities, research and national practice guidance, to continuously improve the quality of provision and outcomes for children and families. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria</li> </ul>
5.	Parent and carer engagement	5.1: There is open and regular communication with parents and carers about the work of the setting and families are meaningfully involved in influencing change. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria</li> </ul>
		5.2: Parents and carers are supported to engage in their child's learning and development. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this sub-criteria</li> </ul>

6.	Inclusion	6.1: The setting must comply with the duties under the Equality Act 2010. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>All settings are expected to meet this sub-criteria</li> </ul>
		6.2: The setting will be willing to provide appropriate support, including making any reasonable changes to the care and learning environment, to ensure that children’s additional support needs do not provide a barrier to them accessing a full range of experiences and meets their individual needs. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>All settings are expected to meet this sub-criteria</li> </ul>
7.	Business sustainability	Settings wishing to deliver the funded entitlement must be able to demonstrate that they are financially viable providers. <b>[All settings]</b>	<ul style="list-style-type: none"> <li>Business sustainability is vital to assuring the local authority that the provider’s setting can be sustained and offer continuity of care to children and families as part of their funded ELC entitlement</li> <li>The <a href="#">Financial Sustainability Health Check</a>, published in August 2021, highlighted the impact of the pandemic on the financial position of settings. As a result, and given the prolonged period of the pandemic, some settings may continue to be unable to demonstrate the same levels of financial viability as they were before the impacts of the pandemic took effect. This could reflect, for example, continued reduced levels of private income (in particular if demand remains below pre-pandemic levels); reduced financial reserves or increased debt; and repayments on additional loans secured during this period.</li> <li>If increased public health measures were required again, which impacted on the capacity of services (including partial or full temporary closures), local authorities</li> </ul>

			<p>should consider the impact of the continuation of contracted, or expected, revenue streams to funded providers to promote short and long term sustainability. For example, many funded providers will have restructured their business models, and invested in their settings, in order to support delivery of the expanded ELC offer. Lower volumes of capacity and the consequent payments than would be expected will have implications for the financial sustainability of settings</p> <ul style="list-style-type: none"> <li>Local authorities will draw on the separate guidance on <a href="#">Business Sustainability</a> published in April 2019. However, there are some aspects of this guidance where more flexibility will be required. For example, occupancy levels may remain below pre-pandemic levels for some settings which could impact sustainability.</li> <li>Local authorities have a vital role in managing risk regarding the delivery of funded ELC. In order to help them manage risk, and to support settings, local authorities may wish to request or review information relating to the financial viability of settings on a more regular basis (particularly if the level of risk in the setting is assessed to be higher)</li> </ul>
8.	Fair work	Settings, including childminders where workers are regularly employed to provide direct care to children, who agree to deliver the funded entitlement will, in accordance with the supporting guidance on Transition Options, pay the real Living Wage to all	<ul style="list-style-type: none"> <li>All settings are expected to meet this criteria.</li> <li>The promotion of fair work practices remains a vital way of supporting a high quality workforce and high quality services.</li> </ul>

	<p>childcare workers delivering the funded entitlement and commit to adopting and demonstrating fair work practices in their setting. In committing to fair work practices, settings must take into account:</p> <ul style="list-style-type: none"> <li>• a fair and equal pay policy across their setting, (including a commitment to supporting the real Living Wage)</li> <li>• ELC managers/lead practitioners/employers (in the case of childminders who employ staff) have clear managerial responsibilities to nurture talent and help individuals fulfil their potential</li> <li>• promoting equality of opportunity and developing a workforce which reflects the population of Scotland in terms of characteristics such as age, gender, religion or belief, race, sexual orientation and disability</li> <li>• security of employment and hours of work, avoiding exploitative employment practices such as inappropriate zero hours contracts, or pregnancy and maternity discrimination</li> <li>• consideration of patterns of working (including for example part-time working and/or term-time working) and support for</li> </ul>	<ul style="list-style-type: none"> <li>• All settings are therefore expected to commit to adopting and demonstrating fair work practices. Providers should make use of the following resources to assist in adopting fair work practices:             <ul style="list-style-type: none"> <li>○ <a href="#">Fair Work First Guidance</a></li> <li>○ <a href="#">Fair Work Employer Support Tool</a></li> <li>○ <a href="#">Fair Work Convention self-assessment tool</a></li> <li>○ <a href="#">Fair Work Convention Framework</a></li> </ul> </li> <li>• Settings should receive sustainable rates that are set at a level which reflects the payment of the real Living Wage to all childcare workers delivering the funded entitlement</li> <li>• The Scottish Government and local authorities cannot provide the funding to cover the hours that staff spend delivering non-funded hours in their setting</li> <li>• It is therefore a business decision for funded providers as to whether they provide the additional resource to uplift the salaries of all workers in their settings, including those not engaged in delivery of the funded entitlement, to the real Living Wage. However, providers are encouraged to adopt fair work practices, including fair pay, to ensure fair and equal pay across all relevant staff within their setting</li> </ul>
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		<p>family friendly working and wider work life balance</p> <ul style="list-style-type: none"> <li>• support progressive workforce engagement, including trade union membership or alternative arrangements to give staff an effective voice, for example, through regular staff meetings, where possible</li> </ul>	
9.	Payment processes	<p>Settings delivering funded hours must ensure that access to the funded hours are free at the point of access and that parents and carers are not subject to any fees in relation to funded hours. <b>[All settings]</b></p>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this criteria</li> <li>• This is a long-standing legal requirement. As set out under section 33(1) of the Standards in Scotland's Schools Act 2000, the entitlement to funded early learning and childcare must be provided without the payment of fees, including where this is delivered through a third party (i.e. providers in the private and third sectors, including childminders), under a section 35 arrangement</li> <li>• Any charges which are in addition to the funded early learning and childcare entitlement should be for optional extras, and limited to, for example, snacks, and costs of outings. These optional charges include where a setting offers an additional optional service such as the provision of localised cover arrangements required by parents and carers (for example acting as the emergency contact for a child, cover for shift patterns, holiday cover, etc.) which requires the setting to retain a place in order to meet this demand during the hours that the child is receiving part of their funded early learning</li> </ul>

			<p>and childcare entitlement at another setting as part of a split placement</p> <ul style="list-style-type: none"> <li>• It is also expected that settings are considerate of the financial challenges that households are continuing to experience as a result of the pandemic and the increases in the cost of living. As a result some families may not be able to afford additional costs</li> </ul>
10.	Food	<p>Settings must have a clear and comprehensive policy for the provision of healthy meals and snacks for children. This should be consistent with Setting the Table and the Eatwell Guide and should ensure that individual cultural and dietary needs are met. There should be consultation with parents and carers about how other dietary preferences might be accommodated. <b>[All settings]</b></p>	<ul style="list-style-type: none"> <li>• All settings are expected to meet this criteria</li> </ul>

#### 4. Next steps

46. We recognise that although many of the public health restrictions that applied to the operation of childcare services have now been removed, the impacts of the pandemic continue to be felt on the childcare sector. As a result elements of the flexibility that the interim guidance published in March 2021 afforded will, as we have set out in this document, need to remain in place.
47. This guidance is intended, unless it is advised otherwise, to cover the full 2022-23 academic year (starting from August 2022).
48. The Scottish Government and COSLA will review progress with local authorities and the sector again in late 2022. Following this updated guidance for the full implementation of Funding Follows the Child will be published in Spring 2023 and will confirm requirements from August 2023.
49. There will also be a shared and vital need to ensure that there is clear, concise and timely communications with parents and carers to ensure that they have clarity as to what children will be able to access in the period up to August 2022. The [Parent Club Website](#) will provide significant support in this regard. Local authorities and settings will also play a critical role in ensuring that families have access to the appropriate information to support their choices.
50. Local authorities will also continue to have regard to the prevailing public health guidance and any adjustments required of ELC settings, and work with their funded providers to understand the practicalities and challenges of delivering ELC in the period up to and beyond August 2022. In doing so, they will ensure that quality of care and improving outcomes for children remain central to delivery of the funded entitlement, with child development and wellbeing at the heart of the ELC sector's approach.

## Payment of sustainable rates for the delivery of funded early learning and childcare from August 2022

### Overview

1. The payment of sustainable rates to funded providers is vital to supporting financial sustainability, and is a key aspect of Funding Follows the Child.
2. In April 2019, [guidance was published to support local authorities to set sustainable rates](#) for funded providers in the private and third sectors, including childminders, from August 2020. This was produced based on feedback gathered from across the sector, and sets out the principles that should underpin any approach to setting sustainable rates; and options for taking forward the process.
3. The guidance highlights that the rate paid to funded providers should be sustainable and should meet the following:
  - the rate will support delivery of a high quality ELC experience for all children
  - it will be a rate that reflects the cost of delivery, including the delivery of national policy objectives
  - the rate will allow for investment in the setting – staff, resources and physical environment
  - it will enable payment of the real Living Wage for those childcare workers delivering the funded entitlement
4. The guidance also highlights that from a local authority perspective the rate must be sustainable for authorities in terms of the budgets available, and that the following points are also important to consider when setting a sustainable rate:
  - the rate does not have a detrimental effect on the local authority's ability to continue to pay for the service in the long-term
  - the wider package of 'in-kind benefits', which are separate to the sustainable rate, available to the funded provider as part of their contract with the local authority
  - the rate does not need to be cross-subsidised by parents and carers through charges for non-funded hours
5. When setting sustainable rates to meet the requirements of paragraphs 3 and 4 local authorities are expected to continue to use [Funding follows the child and the national standard for early learning and childcare providers: guidance for setting sustainable rates from August 2020](#) as the main source of guidance for this, and

the process for setting sustainable rates should be underpinned by the principles set out in Section 2 of the Guidance.

6. This update acts as a complement to the [Sustainable Rates Guidance](#) published in April 2019 to focus on the key considerations for setting rates for August 2022 in light of the programme of actions, set out in the [Financial Sustainability Health Check](#), to strengthen the process for setting sustainable rates and the current economy wide cost pressures.
7. The principles in the guidance highlight the importance of the rate setting process being underpinned by an evidence-based approach; transparency; and partnership working between local authorities and funded providers in the private, third and childminding sectors.

### **Strengthening the Process for Setting Sustainable Rates**

8. In August 2021 the Scottish Government published the [Financial Sustainability Health Check](#), and [Early learning and childcare providers - local authority funding and support: overview](#), which set out updated information on the sustainable rates that services in the private, third and childminding sectors currently receive from their local authorities to deliver funded ELC. In light of the evidence from these reports, and given the importance of sustainable rates to the financial sustainability of these providers, the Health Check set out a series of actions to provide further support to strengthen the process for setting sustainable rates for August 2022.
9. This has included making additional support and advice available to local authorities, where required, to support the sustainable rates setting process; to ensure that rates reflect the costs of delivery, provide scope for reinvestment and enable delivery of the real Living Wage commitment. As part of this the Improvement Service have been working with local authorities to understand what assistance would be beneficial to setting sustainable rates in their area, and providing a forum for authorities to engage on these issues and to share good practice.
10. This includes a programme of workshops on sustainable rates, organised by the Improvement Service, and local authorities are encouraged to continue to engage in these sessions.
11. A key area where local authorities identified a need for more support is in gathering robust evidence on costs of delivery, which could then be used as the starting point for developing local sustainable rates. To support this COSLA and local authorities, through the Improvement Service, commissioned Ipsos Mori to undertake an independent cost collection exercise. Ipsos Mori collected, through a detailed survey in March 2022, information from funded services in the private, and third sector. This will be followed by a separate cost collection exercise of funded childminding services.

12. Where the response rate is high enough, outputs from the cost collection exercise have been made available at local authority level. Where there is not a sufficiently high response rate for a reliable output at a local authority level, outputs are provided across a group of authorities. This will be at Regional Improvement Collaborative level in the first instance or an alternative agreed with relevant local authorities directly. Local authorities received their outputs from this exercise in May 2022. Alongside this Ipsos Mori have produced a detailed technical guidance note for authorities to draw on when using the data, and which clearly sets out what factors are, and are not, reflected in the cost data (for example, the cost data does not include a measure of return on investment, which is an aspect of the sustainable rate). Further information is set out in section 3 of *Estimating the costs of Early Learning and Childcare provision in partner provider settings - Technical note*, which local authorities should have received with their cost data outputs.
13. With regards to how the outputs of the cost collection exercise are shared and used, the COSLA Children and Young People's Board have agreed the following:
- In line with the guidance for setting sustainable rates, local authorities will be as transparent as possible on outputs from the survey, provided outputs have the appropriate level of statistical confidence, and such that any guarantee of confidentiality for respondents is not jeopardised.
  - Where there is not a sufficiently high response rate for a reliable output at a local authority level, outputs should be provided across a group of authorities. This will be at Regional Improvement Collaborative level in the first instance or an alternative agreed with relevant local authorities directly.
  - As there is no national rate for ELC funding, there should be no publication of national level data.
  - The findings of the national cost collection exercise are only a part of the rate setting process. Local authorities will also be considering any outputs alongside local ELC market conditions and ongoing consultation with their local ELC providers.

### **Key Considerations in setting Sustainable Rates for August 2022**

14. The guidance sets out that the sustainable rate should capture the criteria set out in paragraph 3, including reflecting the costs of delivering ELC. However, ensuring a sustainable rate in the current economic climate is challenging. This reflects the ongoing cost of living pressures and continuing high levels of inflation across the economy, as well as the impacts of the COVID-19 pandemic.
15. The impacts of these pressures on delivery costs may not be uniform across different types of settings and may, for example, reflect differences in the size of settings, whether they are located in a remote or rural area, the sector they are located in, rent or mortgage agreements in place, and access to outdoor space. There may also be varying cost pressures across different parts of the service, for example, between staff and non-staff costs. Local authorities may wish to consider how best to reflect these differences.

16. The findings from the cost collection exercise provide local authorities with a robust evidence base on which to start their local rate setting process. However, as highlighted in paragraph 13, the outputs of the national cost collection exercise are only a part of the rate setting process, and authorities need to consider the outputs alongside local market conditions and ongoing consultation with their local ELC providers.
17. It is expected that local authorities work with providers on the basis of the available evidence, and within the funding envelope available for 1140 expansion, to uplift rates for 2022-23 to ensure that they reflect the costs of delivery (including inflationary increases), provide scope for reinvestment (reflecting a measure of profit in a private sector setting or surplus in a third sector organisation) and enable delivery of the real Living Wage commitment within the scope of the ELC quantum.
18. The level of change in rates in 2022-23 will reflect gathered local evidence and local circumstances, and will be determined through robust and transparent processes and local engagement. Rates must be affordable for local authorities in terms of the budgets available.
19. To inform this it is also important, particularly given the current economic climate, that local authorities give consideration to the following in setting sustainable rates:
  - What engagement has there been with providers to create and maintain dialogue throughout the rates setting process, including providing the opportunity to raise any concerns or queries about the process?
  - In-line with paragraph 105 in the [Sustainable Rates Guidance](#) published in April 2019, sustainable rates should, where possible, reflect actual, up to date costs. As highlighted in the Technical Report provided by Ipsos Mori the information collected, for the majority of services, is for either Q1 2022 or for the 2021-22 financial year. What information is available on the cost pressures – both staff and non-staff costs – that services have faced since early 2022?
  - Will the rate set for August 2022 remain sustainable for the full year? Will there be any assessment of the rate undertaken during the year?
  - Related to the above point, what will be the impact on the sustainability of the rate following the announcement of the next uplift to the real Living Wage (which is usually announced in November each year)? For example, if the real Living Wage increased in-line with current forecast levels of inflation (the [Bank of England's Monetary Policy Report](#) for May 2022 forecasts that Consumer Prices Index (CPI) inflation could peak at just over 10% in the year to Q4 2022) what would the impact be on the sustainability of the rate?
  - How does the rate allow for investment in the setting – staff, resources and physical environment? The cost collection data does not include this measure, and local authorities will have to make an evidence-based judgement as to an appropriate return on investment rate to apply locally.

### **Payments for delivery of the free meal commitment**

20. As highlighted in section 2 of this interim guidance document, local authorities and providers are now expected to be delivering the commitment that every child receiving a funded ELC session will receive a free meal.
21. Funding to deliver the free meal commitment will be additional to the sustainable rate for funded providers.
22. Local authorities must continue to ensure that they are transparent as to the funding being provided to private and third sector providers for the delivery of the free meal commitment.
23. To ease the administrative burden on providers, a local authority may decide to include these elements in the same payment as the sustainable rate or a local authority may account for it separately. The local authority must make sure, particularly where all elements are reflected in one payment, that there is transparency for providers regarding the separate elements of funding being received.

### **Next Steps on Setting Sustainable Rates**

24. The Improvement Service will continue to facilitate workshops and forums to enable local authorities to share good practice and learning regarding the approach to setting sustainable rates. Local authorities are encouraged to continue to engage in this support.
25. As set out in the [Financial Sustainability Health Check](#) the Scottish Government is committed to updating the sustainable rates data collection exercise annually with the updated information published by the end of August each year. To inform this we will request information from local authorities on the rates that they have set for August 2022.
26. This will also help to inform our wider work on monitoring the sustainability of the childcare sector, and we are considering approaches to updating aspects of the [Financial Sustainability Health Check](#) later this year.
27. We will also continue to review the sustainable rates guidance document, published in April 2019, as part of the wider update of supporting guidance and documentation, ahead of the full implementation of Funding Follows the Child in August 2023. This will be informed by engagement with local authorities and the sector, and will consider the approaches adopted by authorities to setting sustainable rates for August 2022.



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