

Argyll and Bute Council
Internal Audit Report
March 2019
FINAL

Early Years Provision

Audit Opinion: Substantial

| | High | Medium | Low |
|--------------------|------|--------|-----|
| Number of Findings | 0 | 1 | 1 |

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1. Executive Summary

Introduction

1. As part of the 2018/19 internal audit plan, approved by the Audit & Scrutiny Committee in March 2018, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Early Years Provision.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Early Learning and Childcare (ELC) describes the care and learning services that children receive before starting school. On 15 October 2016 the Scottish Government (SG) pledged to increase the provision of free ELC from 600 to 1140 hours per year by 2020, for children who are three or four years old, as well as for two year olds whose parents/carers are on qualifying benefits and are eligible for the 600 hours free entitlement through the Children & Young People's Act 2014.
5. In February 2018, Audit Scotland published a report on the significant risks surrounding the SG's ambition to double ELC by 2020. This report included recommendations for the SG and local authorities to consider.
6. ELC is currently delivered by 54 local authority pre-5 units and 22 partner providers, such as independent and private nurseries. A further two partner providers and 29 partner childminders provide ELC for eligible two year olds.
7. In order to implement the expansion of ELC by 2020, the Council has developed a delivery plan to roll out 1140 hours of ELC sustainably across Argyll and Bute. The plan has been split into five key areas:
 - introduction
 - current supply and demand
 - consultation with stakeholders
 - future provision
 - implementation.
8. There is also a phasing plan, which outlines the Council's intentions for a phased implementation. It states that 22 establishments will offer 1140 hours by the end of 2018, a further 32 by the end of 2019 and a final 26 by August 2020. This may be subject to change depending on catering, building and staffing requirements.

9. The delivery plan indicates the estimated level of future uptake for ELC although it is recognised these figures may be subject to change. These are shown in exhibit 1.

Exhibit 1 – Projected Uptake of ELC 2018/19-2021/22

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|---------|---------|---------|---------|
| Estimated number of 2-4 year olds | 1,689 | 1,627 | 1,622 | 1,657 |

10. Based on these estimates, a provision of approximately 1.9 million statutory hours of ELC will be required across Argyll and Bute by 2021/22.
11. By 2020 the SG will have allocated the Council a total of £9.389 million in revenue funding and £6.790 million in capital funding to support the implementation of 1140 hours. In addition, the SG has made specific 'Realising Change' grant funding available to:
- procure additional change and programme management capacity to deliver 1140 hours by August 2020 and realise the vision of the 'Funding Follows the Child' service model
 - provide backfill to release existing staff to provide change and programme management capacity
 - enable a smooth transition to the 'Funding Follows the Child' service model by August 2020, including ensuring that parents understand the changes and are enabled to make informed decisions about accessing ELC and that supporting partners can build or maintain capacity to deliver the expanded entitlement.
12. The Council has been allocated £113,520 of specific Realising Change grant funding and have received £99,330 of this to date.

Scope

13. The scope of the audit was to assess the Council's progress preparing for the provision of the additional early years hours by 2020, as outlined in the Terms of Reference agreed with the Head of Education: Lifelong Learning and Support on 30 January 2019.

Risks

14. The risks considered throughout the audit were:
- **ORR09:** Failure to deliver 1140 hours of free pre-5 education for three year olds and two years olds from families in receipt of qualifying benefits by 2020
 - **SRR06:** Insufficient resources to ensure effective service delivery

Audit Opinion

15. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
16. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there

are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Key Findings

17. We have highlighted one medium priority recommendation and one low priority recommendation where we believe there is scope to strengthen the control and governance environment. These are summarised below:
 - future Community Services Committee (the Committee) progress reports should detail specific changes which have been made to the delivery plan and provide reasons for these changes
 - minutes of monthly team meetings should be recorded.
18. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

19. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

| | Control Objective | Link to Risk | Assessment | Summary Conclusion |
|---|---|----------------|-------------|--|
| 1 | The Council has, and is complying with, appropriate planning arrangements to facilitate implementation of 1140 hours by 2020. | ORR09 SRR06 | Substantial | <p>The Council has a delivery plan which can be accessed by the public via the Early Years section of the Council's internet page. A comprehensive planning process was undertaken to draft the delivery plan which included consideration of risk and interaction with various stakeholders.</p> <p>The service is required to submit a plan to the SG by 29 March 2019 setting out what they intend to use £113,520 of realising change funding on. At the fieldwork stage detailed costings and a plan were still to be drafted. We highlighted this issue during the audit and detailed costings have now been prepared and submitted to SG.</p> |
| 2 | The Council is making suitable progress with the phased implementation of 1140 hours. | ORR09 SRR06 | Substantial | The Early Years team have monthly formal meetings to discuss progress against the plan. These meetings are not minuted. There are other meetings to update other stakeholders such as finance, property and catering on progress. The Committee are updated on progress however the committee reports do not clearly |

| | | | | |
|---|---|----------------|-------------|---|
| | | | | document the current position versus the original planned position. |
| 3 | The Council has considered the recommendations published in Audit Scotland's 2018 report on Early Learning and Childcare. | ORR09 SRR06 | Substantial | A paper was submitted to the Committee 14 June 2018 in response to the Audit Scotland report on ELC. This paper included detail on actions taken/to be taken in response to the recommendations set out in the report. We confirmed that that progress has been made with the agreed actions. |

20. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council has, and is complying with, appropriate planning arrangements to facilitate implementation of 1140 hours by 2020.

21. The Council has prepared a delivery plan for the implementation of 1140 hours which can be accessed by the public via the Early Years section of the Council's internet page. The original plan was approved by the Committee in September 2017 but it is a working document to which updates can be required due to a number of circumstances, such as changes to phasing plans, changes to proposed sites or changes in forecast demand for areas.
22. Regular meetings are held with the various stakeholders within the Council, such as finance, property and catering, to discuss progress with, and changes to, the delivery plan. Changes to the plan are also detailed in newsletters published on the website and posted on Early Years social media sites.
23. Prior to the creation of the delivery plan, local authorities were invited by the SG to bid for funding to undertake 1140 trials. The Council was successful in their bid for funding to trial the delivery of 1140 hours of ELC at Tobermory and Tiree which started in 2017/2018. The funding was received from the SG and the initial learning from the trials was shared at the Scottish Learning Festival in September 2017. Local authorities also had to submit a self-assessment on progress with the trials to the SG identifying what went well, the impact on quality and how any barriers were managed. 14 local authorities developed a range of trials and shared the learning with all 32 Local Authorities across Scotland. This learning was used to inform the creation of the delivery plan.
24. Specific guidance for preparing the delivery plan was provided by the SG which stipulated key planning components which had to be included in the plan. Each of the key components are included in the Council's delivery plan.
25. There was evidence that the service gave consideration to the risks involved in the implementation of 1140 hours, carried out consultation with stakeholders and gathered information from various sources in order to prepare the delivery plan. For example, information was gathered from health colleagues on the number of young people which

facilitated more accurate forecasts for future demand and facility/provider capacity was reviewed at a locality level to determine each area's capacity.

26. The Council is one of eight local authorities involved in the Northern Alliance initiative, a collaboration which seeks to build on the strengths of shared service development, create professional networks and deliver continuous professional development. Learning from discussions at Northern Alliance meetings and discussions with other local authorities, through the delivery plan support forum on the Knowledge Hub, was also used to inform the plan.
27. The service has identified concerns about the current Nursery Application Management System (NAMS). NAMS is used to monitor attendance and process payments to partner providers. It is a national system provided by the SG which all local authorities have to use, so the issues experienced within the Council are similar across other local authorities. Scotland Excel are currently working on preparing a prototype for a revised NAMS which will be more suitable for the expansion of ELC but there are concerns that this will not be created in time for full implementation of 1140 hours in August 2020.
28. To try and minimise the issues associated with the suitability of NAMS the service plan to allocate some of the specific SG funding for Realising Change to fund a data analyst post to focus on the mitigation of any potential risk. Work has been ongoing to review NAMS and identify workarounds. Although the suitability of NAMS is a potential risk, this is not being highlighted as a management action in appendix 1 as it is a national issue and the Early Years team are proactive in identifying ways to minimise the associated risk.
29. £113,520 of Realising Change SG funding has been allocated to the Council to be used at any point during implementation period. The service are required to determine what to spend this funding on and submit a plan to the SG by 29 March 2019. The funding letter states that '*Any funding not required for the agreed purposes will require to be repaid to the Scottish Government at the end of the expansion period*'. During the fieldwork stage of the audit, officers confirmed that the funding will be used to fund posts within the team such as the data analyst post referenced in paragraph 28, however detailed costings and plans were still to be drafted. This issue was raised with the audit contact through the routine feedback process and detailed costings were prepared and submitted to SG prior to the deadline of 29 March 2019.

The Council is making suitable progress with the phased implementation of 1140 hours.

30. Progress reports are submitted to the Committee throughout the year which evidence positive progress with the implementation plan, however the reports submitted do not clearly document the current position compared to the original proposed position. A review was carried out on the initial phasing plan approved by the Committee in September 2017 and the current phasing plan available on the Council website. This identified three schools which were originally meant to be phased in year 2018/19 but have been delayed to later years. This was queried and sufficient explanations were provided, however these variations are not clearly noted in the reports provided to the Committee.

Action Plan 1

31. The delivery plan is a live document progress against it is monitored on a day to day basis within the Early Years team. The team have monthly formal meetings where they discuss progress against the plan. Minutes of team meetings are not taken, so only agenda items and action plans

were available for review. The service have confirmed that minutes and actions will be recorded for future meetings.

Action Plan 2

32. There is an ELC Strategy Group which is tasked with reviewing the strategic progress against the delivery plan. The group meets approximately quarterly at which updates are provided on progress against the plan. This includes a rolling review of the actions within the delivery plan with progress updates recorded on an action plan.
33. There is an Early Years Meals Working Group who meet every second month to ensure the smooth implementation of early years meals, discuss and identify any operational or strategic issues, and ensure adequate resources are available to deliver the change safely and by the required deadlines. These meetings are attended by representatives of the catering team and the Early Years team and an action tracker is updated at every meeting to document actions arising and progress delivering existing actions.
34. The Early Years team also meet the Council's property team regularly to monitor progress with property related elements of the 1140 expansion project. During these meetings a spreadsheet with updates on all current and future property works is updated.
35. The Education Officer meets with finance colleagues on a monthly basis, through the routine budget monitoring process to discuss the financial position of the project.
36. Annual reports are also submitted to the various area committees to update on progress with ELC. These updates are included as part of the annual 'Primary School Report'.
37. The Council is obliged to submit delivery progress reports to the SG in the form of an excel spreadsheet. This information is used to inform national progress reports. To date only one progress report has been required for the period May to September 2018. This indicated that the Council is on track with the planned progress in terms of capacity and places, infrastructure and workforce. The actual uptake of additional hours is only marginally lower than anticipated with 115 children receiving additional hours compared to the forecast of 144.
38. Included in the delivery plan are five individual plans:
 - Quality Action Plan
 - Phasing Action Plan
 - Workforce Plan
 - Infrastructure Plan
 - Community Engagement Plan.
39. A sample of 20 actions from across the five plans was selected for testing with the sample including actions that should be complete and actions that were ongoing. Testing identified that the service have made good progress and, where actions have been marked as complete, there was evidence available to support this.
40. The risk of local authorities being unable to recruit a sufficient level of qualified staff has been identified as both a national risk and local risk in relation to the implementation of 1140 hours. To address this the Early Years service is working in partnership with Argyll and Bute's Learning and Development Team, Skills Development Scotland and secondary schools across Argyll and Bute to deliver a Foundation Apprenticeship in Social Services, Children and Young People. Six

young people started this qualification in August 2018 with a further 12 anticipated to start in August 2019.

41. The SG have also provided funding for three graduate practitioner posts to support practitioners to enhance literacy, numeracy and outdoor learning. These posts are known as cluster leads and support a number of settings in Dunoon, Helensburgh and Campbeltown.
42. It is clear that the service have made significant progress in terms of workforce development and it is anticipated that these developments will contribute to the recruitment of a suitably skilled and well qualified additional workforce to meet the needs of extended ELC entitlement.

The Council has considered the recommendations published in Audit Scotland's 2018 report on Early Learning and Childcare.

43. A paper was submitted to the Committee on 14 June 2018 in response to the Audit Scotland ELC report. This paper included detail on eight actions taken/to be taken in response to the recommendations set out in the report. Testing identified that progress has been made with the eight actions noted in the report put to the Committee.

Appendix 1 – Action Plan

| | No. | Finding | Risk | Agreed Action | Responsibility / Due Date |
|--------|-----|---|--|--|--|
| Medium | 1 | Progress Report to Community Services Committee Whilst there is clear evidence of the service monitoring progress against the delivery plan and regular progress reports are submitted to the Community Services Committee. Progress reports do not clearly document the current position compared to the original proposed position. | Positive progress and/or project preprofiling may not be clearly communicated to stakeholders. | Future reports submitted to committee will highlight areas where specific changes have been made to the plan, and provide justification for these changes. | Education Manager – Early Learning 30 June 2019 |
| Low | 2 | Meeting Minutes The Early Years team have monthly formal meetings to discuss progress against the delivery plan. These meetings are not minuted so only agenda items and action plans were available for review. | The service may not be able to evidence regular monitoring of progress with the delivery plan. | Service will arrange for minutes of meetings to be recorded going forward. | Education Manager – Early Learning Complete |

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

| Grading | Definition |
|---------------|--|
| High | A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error. |
| Medium | Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken. |
| Low | Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives. |

Appendix 2 – Audit Opinion

| Level of Assurance | Definition |
|---------------------|---|
| High | Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently. |
| Substantial | Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale. |
| Reasonable | Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk. |
| Limited | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| No Assurance | Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues. |