
EARLY YEARS AND CHILDCARE: EXPANSION TO 1140 HOURS

Report by Service Director, Children and Young People's Services

SCOTTISH BORDERS COUNCIL

26 April 2018

1 PURPOSE AND SUMMARY

- 1.1 **This report provides an update on progress in relation to implementing the Early Learning and Childcare Expansion to 1140 hours by 2020 since it was reported to Executive on 7 November 2017. This includes liaison with Scottish Government on the Service Development and Implementation Plan, the 2018/19 financial allocation for the expansion, and the plans for the next phases of the expansion from August 2018.**
- 1.2 The previous report to the Executive Committee in November 2017 outlined the proposed strategic approach to the delivery of 1140 hours funded Early Learning and Childcare (ELC) for all three and four year olds and eligible two year olds in communities across the Scottish Borders by 2020/21.

2 RECOMMENDATIONS

- 2.1 **I recommend that Scottish Borders Council:-**
- (a) **Agree the next phases of the expansion plan from August 2018;**
 - (b) **Agree to increase Partner Providers Payment rates by 25p to £3.90 per hour for 3 and 4 year olds, and to £4.25 per hour for 2 year olds.**

3 BACKGROUND

- 3.1 The Service Development and Implementation Plan was submitted to Scottish Government's ELC Expansion Programme Board on 11 October 2017. Valuable feedback was provided by Scottish Government on 16 November 2017 and this is being used to inform the next stages of the expansion.
- 3.2 A further review of all Councils' Delivery Plan Financial Templates took place following meetings with the Scottish Government Delivery Support teams in February 2018 and the Council's Financial Template was revised and re-submitted on 6 March 2018. The Council is awaiting feedback on this submission, but there are serious concerns that the Scottish Government have communicated that there is a gap of approximately £160m in revenue and £290m in capital funding quantum nationally, based on all Councils' submissions. The Council has submitted a Delivery Plan which requires an additional £11.8m per annum by 2021/22 than current revenue and an additional £9.9m in capital investment requirements over this period. Following the 2018/19 Scottish Government allocation of £1.424m revenue, the Council's current phased expansion plan has a resource gap of £0.6m this financial year. Whilst the full medium term allocation is not yet known, by 2021/22 there will be an overall revenue gap of £2.9m per annum, should the national quantum remain at the level currently being disclosed. The capital allocation is yet to be confirmed.
- 3.3 The resourcing issue described in 3.2 is making the next phase of the expansion challenging. The 2018/19 revenue allocation, in a letter received on 23 February 2018 (Appendix 1), does not match the funding required for 2018/19 within the overall phasing plan. It is only through this phasing plan that the full expansion to 1140 hours will be achieved by 2020/21, in a structured, prioritised, deliverable manner. In this paper an amended phasing plan has been produced for 2018/19 based within the 2018/19 funding allocation received. This means that an additional 6 communities will be offering 1140 hours in the next phase.
- 3.4 Partner Providers
In the expansion phase in 2017/2018 Partner Providers were not included within the offer as national guidance was quite limited and delivery plans were at a very early stage. In the last six months plans have been developed to provide options for families to take funded ELC in either local authority or a variety of funded provider settings. This will be implemented from August 2018.
- 3.5 Childminders
The Framework of Providers for Scottish Borders was open to new providers from 8 November 2017 to 8 December 2017. During this time two information sessions were held by the Early Years Team and a Council Procurement Specialist to support Providers through the process. Eighteen applications were received, all from Childminders. Ten childminders were offered places on the Framework and eight of those have accepted. The Council welcomes the addition of these new childminders and will provide them with support and guidance to enable

them to operate. Those who were unsuccessful have been offered feedback and support to enable re-application.

- 3.6 To ensure community engagement a multi-sector stakeholder group has been set up to assist with the development and implementation of the Service Delivery Plan (known as the Strategic Service Delivery group).

4 FINANCIAL SETTLEMENT

Funding Requirement and Allocation

Revenue

- 4.1 The first allocation of funding for the expansion of the provision was made in 2017/18 with both a capital and a revenue allocation (not included in the original Scottish Government General Settlement allocation letter of December 2016). The formula used for allocation is the pre-school Education GAE % age which gave Scottish Borders Council 2.1% of the national allocation.
- 4.2 For 2017/18, the Council had a Revenue allocation of £482k from a national allocation of £21m with an expectation that the local authority will prioritise investment in ELC services by reference to the Scottish Index of Multiple Deprivation. Scottish Borders Council also took into account child poverty data when identifying localities for expansion.
- 4.3 In November 2017, Scottish Borders Council, along with all other local authorities in Scotland was required to submit a draft costed plan for full expansion by 2021/22. Following review, challenge and overall funding considerations, all local authorities were issued with revised guidance and asked to re-submit draft costings (revenue and capital) of the phased roll-out of provision over the next three years by 02 March 2018. The Scottish Government had previously indicated that this was to inform medium-term revenue and capital settlements by May 2018.
- 4.4 Following the site visit of the Scottish Government Delivery Support Team, Scottish Borders Council submitted its revised funding model for the full expansion programme which evidenced that in order to fund expansion on a phased basis between 2016/17 and 2021/22 in line with the Scottish Government's requirements, assumptions and policies, an additional £11.8m of additional recurring revenue funding will be required by Year 5.
- 4.5 The model clearly demonstrated that for financial year 2018/19 specifically, additional recurring funding of £2.099m is required in order to meet the projected costs of the next stage of the rollout of the expansion and associated quality standard costs.
- 4.6 The total allocation for 2018/19 for expansion, lunches and additional graduates is £1.424m. This represents an 2018/19 funding shortfall of £675k.

4.7 Capital

For 2017/18 the Council had a capital allocation of £689k from a national

allocation of £30m funding a new facility at St Boswells. The total capital requirement to fund 8 refurbishment projects, 2 extensions and 3 new-builds within the Scottish Borders is £9.9m, including previously allocated funding. Scottish Government is yet to confirm medium term capital allocations.

4.8 Approach and assumptions

The funding model is based on a modest, prioritised, pragmatic and deliverable implementation plan for the Scottish Borders. The Scottish Government was satisfied with this on their site visit. It allows the expansion to happen in a prudent manner and the delivery of a model that is cost-effective. A hub approach on a cluster basis has been planned in order to deliver required, but moderate flexibility as economically as possible. The hub approach will provide all year-round, full day ELC provision. Additionally, the capital requirement in the Scottish Borders is both relatively small and wholly needs-driven but is likely to be challenged further by the Scottish Government within the context of the quantum available nationally.

4.9 The forecast costs modelled are wholly compliant with the Scottish Government's expectations across a number of key areas. Scottish Borders Council's template submission demonstrates large scale consistency with Scottish Government national funding model/guidance assumptions with regard to:

- (a) Eligibility for ELC.
- (b) Uptake levels (places, lunches, etc)
- (c) Population – NRS2014 statistics used.
- (d) Expected ratios of practitioners to children across each age cohort.
- (e) Expected split of settings across Local Authority, Partner Providers and Childminding settings.
- (f) Additional Support Needs requirement.
- (g) Other assumptions (e.g. number of expected deferrals of five year olds).

4.10 Factored into the model also is the minimum requirement to deliver the Scottish Government's commitment to a Living Wage by 2020/21 using a Partner Provider rate which research suggests will be sufficient to enable providers to pay their staff.

4.11 Following Scottish Government guidance and using the majority of their expressed assumptions and directions, together with the modest and measured plan for the expansion on which the funding model is constructed, the projected total additional cost at 2021/22 of £11.8m per annum (a total of £18.8m per annum compared to £7.0m per annum in 2016/17) is a prudent and unexaggerated financial picture of what it will cost to deliver the 1140 hours in full. This represents 2.78% of initial indicative Scottish Government revenue funding envelope (£425m) announced in late 2017 and updated in early 2018.

4.12 In relation to Capital investment requirement, the Council's plan follows the key principles of maximising existing capacity first, purchasing what we can

secondly (acknowledging rurality limitations in the Borders) and only considering Capital investment as an option of last resort. The financial requirement calculated therefore is the minimum believed to be required, with only 8 settings requiring refurbishment, 2 extensions and 3 new builds in 3 large town clusters. Outdoor capacity has been factored into new builds.

5 NEXT PHASES OF THE EXPANSION

5.1 Free hours entitlement – 600 hours

Currently all three and four year olds, and eligible two year olds, are entitled to 600 hours of free Early Learning and Childcare (Nursery):

Over 38 weeks per year = 15 hrs 50 mins weekly

Over 50 weeks per year = 12 hrs weekly

5.2 Free hours entitlement – 1140 hours

By 2020 all three and four years, and eligible two year olds, will be entitled to 1140 hours of free Early Learning and Childcare

Over 38 weeks per year = 30 hrs weekly

Over 50 weeks per year = just under 23 hrs weekly

5.3 Phasing to 1140 Hours

In Phase 2, August 2017, seven schools were offered 1140 hours. Eyemouth, Burnfoot, Coldstream, Greenlaw, Langlee, Philiphaugh and Kirkhope. Funded providers were unable to offer extended hours during this phase.

Phases 3 to 5 will be by school catchment communities. The order of phasing is based on analysis that created the Scottish Borders Child Poverty Index and factors that relate to rurality, income and employment

Children who live in phased school catchment communities will be able to access 1140 hours. All other children will continue to access their entitled 600 hours.

The programmed expansion plan is shown in Appendix 2. Whilst the order is dictated by the Priority List, the planned phases of expansion take account of our ability to deliver in these areas, recognising factors such as an even spread of communities over the 3 year period, existing capacity in communities (local authority and partner providers), development of the workforce and capital investment requirements.

5.4 In the Delivery Plan submitted to the Scottish Government, the Council planned the following phased expansion programme in 2018/19:

- (a) To continue with the whole of phase 2 on a full year basis, opening up delivery to any funded providers chosen by parents of children living in those catchment communities. (Burnfoot, Philiphaugh, Greenlaw, Eyemouth, Langlee, Coldstream and Kirkhope)

- (b) To introduce the next 5 catchment communities in August 2018. (Yetholm, Coldingham, Walkerburn, Chirnside and Trinity)
- (c) To introduce a further 8 catchment communities in January 2019. (Burgh/St.Margaret's Galashiels, Broomlands, Reston, Howdenburn, Balmoral, Wilton, Tweedbank and Broughton)

5.5 Beyond expansion across catchment communities, in line with Scottish Government's expectations, our early years delivery programme recognised the need for sustained increases to Partner provider rates. Scottish Government have assumed, that by 2021, a rate of £5.31 (for 3 & 4 year olds) and £5.65 (for 2 year olds) would enable Partner Providers to deliver it's hourly living wage commitment. The current rates are £3.65 (for 3 & 4 year olds) and £4 (for 2 year olds). To deliver this our plan proposed increases to both rates of 55p in each of the next 3 years.

5.6 As outlined in 4.5 above, the projected additional cost of delivering the above expansion plan in 5.4 is £2.099m. However, the 2018/19 allocation outlined in 4.6 is £1.424m, a shortfall of £0.675m. In order to allow expansion to the greatest number of communities, as well as recognising the financial pressures that our partner providers currently face, the following revised plan is proposed for 2018/19:

- (a) As planned to continue with the whole of phase 2 on a full year basis, opening up delivery to any funded providers chosen by parents of children living in those catchment communities.
- (b) As planned, to introduce the next 5 catchment communities in August 2018.
- (c) To introduce only one further catchment community in January 2019. (Burgh/St.Margaret's, Galashiels)
- (d) To increase Partner Provider rates by 25p to £3.90 (3 and 4 year olds) and £4.25 (2 year olds).

This revised plan fully allocates the 2018/19 Scottish Government funding allocation as set out in the letter in Appendix 1.

5.7 **Local Authority Staffing**

As a result of the additional phasing nursery settings in August and a further tranche in January 2019, staffing arrangements will require to be considered. Once there is a clearer overview of how each setting will operate and how many children take up the additional hours, an analysis of what is required in each setting will be undertaken. Existing staff may be offered additional hours and there is potential for recruitment also. The Council will also benefit from the Graduate scheme that Scottish Government is funding for Early Years, as well as being able to offer Modern Apprenticeship opportunities.

5.8 **Local Authority Buildings**

As a result of the additional phasing nursery settings in August and a further tranche in January 2019, there may be a requirement for

adjustments to be made to school and nursery accommodation. An analysis of what will be required in each setting will be undertaken and appropriate works will be carried out.

6 IMPLICATIONS

6.1 Financial

The 2018/19 funding allocation does not reflect the modest and prudent plan proposed by the Council which was discussed with members of the Scottish Government Programme Team on 22 February and the allocation amount underfunds the 2018/19 revenue requirement of the phased expansion plan by £0.675m. In order to further advance the expansion, a revised plan as outlined in 5.6 requires to now be put in place for 2018/19. The cost of this plan is up to, but within, the additional allocation of £1.424m for the year.

6.2 Risk and Mitigations

(a) FUNDING 2018/19

2018/19 Funding Allocation

Expansion on a phased basis between 2016/17 and 2021/22, an additional £11.8m of additional recurring revenue funding will be required by Year 5. For 2018/19, additional recurring funding of £2.099m is required in order to meet the projected costs of the next stage of the rollout of the expansion and associated quality standard costs. £887k of additional funding (over and above £547k 2017/18 recurring) is considerably less than this. Funding has been allocated without reference to need therefore and a reduced plan for expansion and rate increase has had to be developed.

Additional Graduates

The Scottish Government made a commitment to funding 3 new additional graduates and included within the additional funding allocation for 2018/19 is an envelope of £83k in this respect. The actual cost is forecast to be £104k per annum.

Partner Providers

Partner providers have lobbied for sustained increases in the current and future years. There is a risk that the proposed rate increase for 2018/19 will not be in line with need or expectation and we will risk service loss as partners cease trading and stop offering places or at best, reputational loss.

(b) FUNDING FULL EXPANSION

Allocation Basis

If Early Years GAE % is likely to be used for future funding allocations, then this is likely to be around 2.1% of the national envelope. 2.1% of the overall indicative national revenue quantum of £425m is £8.925m, compared to identified need of

£11.8m.

If Scottish Government decides to allocate future years funding based on a proportion of template submissions by local authorities, then this could have an even more profound effect on the level of revenue and capital resources made available to Scottish Borders Council. As previously outlined, the Council took a prudent and evidenced approach to its delivery model cost forecast which was wholly consistent with Scottish Government national funding model assumptions and expectations. Given this and the fact that other authorities may have forecasts costs in excess of need, then a proportionate allocation based on returns would be detrimental to Scottish Borders Council.

The capital requirement in the Scottish Borders is both relatively small and wholly needs-driven. It is likely that that any capital allocation made will not cover this need, regardless of how small or needs-driven it may be. 2.1% of the overall indicative capital quantum of £400m is £8.4m.

(c) DELIVERY OF FULL EXPANSION BY 2020/21

Profile of Funding versus Phased Expansion Plan

Current and historic funding allocations could infer an assumption by the Scottish Government that the majority of the expansion will take place between 2019/20-2021/22. This is clearly problematic in relation to deliverability and workforce planning.

What the Scottish Government ultimately provides may be considerably less than what is required. The delivery of the plan could come at a greatly increased cost to the Council or alternatively, expansion could cease after only a small proportion of the plan has been implemented. This would result in inequality of ELC provision across the Scottish Borders.

Partner Providers and a Living Wage Rate by 2020/21

There is no guarantee of a living wage Partner Provider rate by 2020/21 or even increase to the rate in future years without knowledge of available funding allocation. A 25p increase in 2018/19 already puts the planned profiled increase to deliver a Living Wage rate behind schedule.

6.3 **Equalities**

An Equality Impact Assessment has been carried out as part of the ELC 1140 Hours Implementation and is available on the SBC Equality Impact Assessment web page 2017. The Assessment will be updated as part of this paper.

6.4 **Acting Sustainably**

There are no significant impacts on the economy, community or environment arising from the proposed engagement with families and communities as proposed within this report. However, any capital development will be in line with the School Estate Strategy to ensure

sustainability, which will be considered as proposals come forward.

6.5 **Carbon Management**

There are no significant effects on carbon emissions arising from the proposals contained in this report. However, any capital development will be in line with the School Estate Strategy and will seek to promote environmental responsibility and effective carbon managements as part of any proposals that come forward within this review of the School Estate.

6.6 **Rural Proofing**

Particular regard will be paid to the issue of rurality and rural nursery provision, as it is a key component of ELC development in Scottish Borders Council.

6.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to be made to either the Scheme of Administration of the Scheme of Delegation as a result of this report.

7 CONSULTATION

- 7.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been incorporated into the final report.
- 7.2 The Corporate Management Team has been consulted and any comments received have been incorporated into the final report.

Approved by

Donna Manson

Service Director, Children & Young People Signature

Author(s)

Name	Designation and Contact Number
Grace Frew	Quality Improvement Officer (01835 825476)

Background Papers: Executive Committee – 7 November 2017

Previous Minute Reference: Executive Committee – 7 November 2017

Appendices: Appendix 1: ELC 2018/19 Revenue Funding Allocation Letter
Appendix 2: Programmed Expansion Plan

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Grace Frew can also give information on other language translations as well as providing additional copies.

Contact us at Council Headquarters, Newtown St Boswells, Melrose TD6 0SA.