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## **EARLY YEARS AND CHILDCARE: EXPANSION TO 1140 HOURS**

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

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### **SCOTTISH BORDERS COUNCIL**

**31 May 2018**

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#### **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 2020/21 since it was reported to Executive on 7 November 2017. This includes liaison with the Scottish Government on the Service Development and Implementation Plan, the 2018/19 revenue allocation for the expansion, a further medium-term revenue and capital allocation for the period 2017/18 to 2021/22 and the Council's 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 55p to £4.20 per hour for 3 and 4 year olds, and to £4.55 per hour for 2 year olds from August 2018.**

### 3 BACKGROUND

#### 3.1 Introduction

'A Blueprint for 2020: The Expansion of Early Learning and Childcare (ELC) in Scotland ELC Expansion Planning Guidance for Local Authorities' issued in March 2017, set out the requirement for Local Authority responsibility for the implementation and delivery of the expanded entitlement of 1140 hours ELC in their local communities. The vision for expansion is underpinned by the principles of Quality, Flexibility, Accessibility and Affordability.

#### 3.2 In response, the Council set out a Service Development and Implementation Plan with sets of information relevant to the planning and implementation of the expanded ELC hours:

- (a) **Principles of expansion:** the strategic approach is set out and the importance of the principles of the expansion are outlined, ie that the Council will uphold the guiding principles of quality, flexibility, accessibility and affordability as plans for the expansion from 600 to 1140 hours for all 3 and 4 year olds and eligible 2 year olds by 2020 are progressed and delivered.
- (b) **Current Provision:** the delivery context of the Scottish Borders and the details relating to what existing ELC provision looks like is set out so that there is a clear understanding of existing delivery and how the Council and its partners can possibly expand from current delivery arrangements.
- (c) **Community Engagement and Consultation:** a summary report and feedback from the stakeholder consultation carried out in August 2017; the level of response from each group of stakeholders (parents/carers, funded partner providers and childminders) and feedback on key aspects of ELC expansion, including the sharing of ideas and concerns. The Council also notes a response to the stakeholders on key issues, eg the Council clearly states a commitment to blended ELC provision based upon parental choice and agreement of a provider neutral approach, ie that parents/carers will be able to select their ELC service from local nurseries, partner providers and childminders within their local area.
- (d) **Future Provision:** delivery models and patterns of funded hours are set out.

#### 3.3 Delivery Plan Development

The latest 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 was used to inform the next stages of the expansion.

3.4 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 submitted a Delivery Plan which requires an additional £11.807m per annum by 2021/22 than current revenue and an additional £9.940m in capital investment requirements over this period. The Council has now received a medium-term revenue allocation of £12.602m (the required £11.807m indexed for inflation and pay) and a capital allocation of £7.690m (Appendix 1).

### 3.5 Next Phase of Implementation – School Session 2018/19

It is very positive that the work of Council Officers was recognised in that the Delivery Plan has now been fully funded. However, the phasing of funding is not equitable across the next 3 years. The Council has been allocated £1,424m revenue for 2018/19 (Appendix 2). In light of this allocation, the school catchment areas that will be offering 1140 hours from August 2018/19 will be Burnfoot, Philiphaugh, Greenlaw, Eyemouth, Langlee, Coldstream, Kirkhope and Yarrow. These communities were already offering expanded hours in 2017/18; in 2018/19 the offer is fully expanded in that parents can uptake their entitlement in a school nursery or partnership provider or childminder or combination of provisions, ie parents, will be able to receive their hours in a fully flexible opportunity which meets their family's needs.

3.6 In addition, the school catchment communities of Yetholm, Coldingham, Walkerburn, Chirnside and Trinity will be offered 1140 hours from August 2018/19 and again will be able to access this in a provision of their choice and a pattern of hours suiting the family's needs.

3.7 In January 2019 families in the catchment of Burgh and St Margaret's will be offered 1140 hours, again in a provision of their choice and a pattern of hours suiting the family's needs.

### 3.8 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.

### 3.9 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.

- 3.10 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 four years by 2 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 £11.807m of additional recurring revenue funding will be required by Year 5.
- 4.5 The total allocation for 2018/19 for expansion, lunches and additional graduates is £1.424m. This represents a 2018/19 funding shortfall of £0.675m against what the initial phasing plan submitted to the Scottish Government required for 2018/19. Future years' allocations, however, will compensate for this shortfall, resulting in only re-phasing in the expansion programme from the original plan. In 2019/20, the additional ELC Scottish Government allocation will increase to £6.827m, an increase of £5.403m from the £1.424m allocated in 2018/19. This will be sufficient to meet both the increased ELC costs arising as a result of the further expansion planned for 2019/20 and the recurring shortfall from the revised planned 2018/19 expansion. The shortfall therefore is only an issue in 2018/19, for which the revised expansion plan has been prepared (Appendix 3).

#### 4.6 Capital

For 2017/18 the Council had a capital allocation of £0.689m from a national allocation of £30m funding a new facility at St Boswells. Scottish Borders Council submitted to the Scottish Government a capital funding requirement to fund the expansion of £9.94m. The Council has received a medium-term capital funding allocation of £7.690m covering the period 2017/18 to 2020/21.

4.7 In calculating the capital funding requirement, provision was made for a range of factors following Scottish Government capital funding principles and assumed reference rates for cost, standard area and land purchase. This has been reviewed and following a revision to the model of provision that is now reflected in the assumed revenue costs, the revised capital requirement is now aligned to the medium-term funding allocation that with the in-built financial contingency, is now projected to be sufficient to deliver the expansion in full.

4.8 Profiling remains an issue, however, and the annual funding allocations are not aligned to the phased expansion plan. The phased expansion plan is now being further reviewed with a view to aligning it to the funding profile and smoothing financial impact. The uncommitted Early Years capital block allocation brought forward in 2018/19 will also be considered as part of this review.

#### 4.9 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.

4.10 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 (eg number of expected deferrals of five year olds).
- 4.11 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.
- 4.12 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 £11.807m per annum (a total of £18.845m per annum compared to £7.038m per annum in 2016/17) is a prudent and unexaggerated financial picture of what it will cost to deliver the 1140 hours in full.
- 4.13 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 3. 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 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, Yarrow 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 and 4 year olds) and £5.65 (for 2 year olds) would enable Partner Providers to deliver its hourly living wage commitment. The current rates are £3.65 (for 3 and 4 year olds) and £4.00 (for 2 year olds). To deliver this our plan proposed increases to both rates of 55p in each of the next 2 years and 56p in year 3.
- 5.6 The 2018/19 allocation is £1.424m. 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 55p to £4.20 (3 and 4 year olds) and £4.55 (2 year olds).
- 5.7 This revised plan fully allocates the 2018/19 Scottish Government funding allocation as set out in the letter in Appendix 2 and the directorate is working to identify further efficiencies in order to fund the full planned

increase in Partner Provider rates by 55p within the 2018/19 funding allocation, there is only enough resource to fund this planned increase by half currently. These efficiencies will be forthcoming from a slight drop in the pupil roll for 2018/2019, which will reduce predicted staff costs.

#### 5.8 **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 Apprentice opportunities.

#### 5.9 **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**

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

##### (i) 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. £0.887m of additional funding (over and above £0.547m 2017/18 recurring) is considerably less than this. Funding has been allocated without reference to need therefore and a reduced plan for expansion has had to be developed. This will be recovered by extensive planning in this period which will support additional phasing in 2019/2020.

##### (ii) 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 £0.083m in this respect. The actual cost is forecast to be £0.104m per annum. This will be mitigated by the slightly reduced pupil roll in our ELC settings in 2018/2019.

(iii) Partner Providers

Partner providers have lobbied for sustained increases in the current and future years. Even at 55p, there is a risk that the proposed rate increase for 2018/19 will not be in line with need or expectation and there is a continued risk of service loss as partners cease trading and stop offering places or at best, reputational loss. However, it is hoped the 3 year commitment of increases as set out in section 5.5 of this report will mitigate these risks.

(b) DELIVERY OF FULL EXPANSION BY 2020/21

(i) Profile of Funding versus Phased Expansion Plan

The majority of the expansion will now take place between 2019/20 and 2021/22. This is clearly problematic in relation to deliverability and workforce planning, but the Council is confident in their ability to deliver a re-phased plan.

Until full expansion is achieved, this will result in inequality of ELC provision across the Scottish Borders, but the Council's approach, ie the prioritisation of communities linked to the Child Poverty Index, is in line with the guidance set out in the Scottish Government's ELC blueprint guidance.

(ii) Partner Providers and a Living Wage Rate by 2020/21

Only a 55p increase in 2018/19 keeps the planned profiled increase to deliver a Living Wage rate on schedule. This is part of a 3-year plan to increase Partner Provider rates by a total of £1.66, in order that they receive a rate per child per hour that the Scottish Government believes is sufficient for them to pay their staff a Scottish Living Wage. There is no guarantee, however, that Partners will pay this Living Wage, that it will equally be profiled over the 3 years, or is there any contractual mechanism through which the Council can ensure that either of these happen.

### 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
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**Background Papers:** Executive Committee – 7 November 2017

**Previous Minute Reference:** Executive Committee – 7 November 2017

**Appendices:**

Appendix 1: Letter from Scottish Government dated 1 May 2018 – Multi-year Revenue and Capital Allocations

Appendix 2: Letter from Scottish Government dated 22 February 2018 – 2018/19 Revenue Funding Allocations

Appendix 3: 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.