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22 February 2018

Dear Colleagues

## **EARLY LEARNING AND CHILDCARE – 2018-19 REVENUE FUNDING ALLOCATIONS**

Further to my letter of 14 December 2017, I am now writing to confirm local authority revenue funding allocations for early learning and childcare (ELC) for the 2018-19 financial year.

The distribution methodologies underpinning the revenue funding allocations have been agreed by the Scottish Government and COSLA Leaders, based on recommendations made by the Settlement and Distribution Group.

The Scottish Government will allocate a total of £76.3 million of revenue funding to local authorities in 2018-19, of which £52.2 million is new funding and £24.1 million is existing recurring baseline funding from 2017-18, to support ELC expansion and the delivery of specific ELC policy commitments. Funding will be paid to local authorities as a specific revenue grant as part of the Local Government Finance Settlement, with the exception of the existing recurring funding totalling £24.1million. This funding will be paid as a separate grant in a single instalment in April 2018.

This funding is allocated as a specific grant to ensure that it is protected for investment in early learning and childcare. Authorities will be required to report to Scottish Government on how this funding has been applied. Arrangements for this will be confirmed as part of the forthcoming agreement on multi-year funding to support the expansion. The intention is for this to be light touch and we will consult with COSLA and the ELC Finance Working Group on this.

There are three main streams of funding:

- ELC expansion – capacity and capability building;
- Lunches; and
- Additional graduate commitment.



Local authority allocations under each stream are detailed at Annex 1.

### ELC expansion – capacity and capability building

We will allocate £53.6 million of revenue funding to local authorities in 2018-19 to support capacity and capability building for the ELC expansion, of which £32.6 million will be paid as a specific revenue grant as part of the Local Government Finance Settlement. This funding is allocated to local authorities on the basis of pre-school education grant-aided expenditure (GAE), adjusted to take account of the estimated population of eligible 2 year olds (estimated number of 2 year olds in out of work benefit households, net of the contribution of contribution-based claimant households).

Details of these funding allocations are set out in columns 1 to 4 in the annex to this letter.

The primary purpose of this funding is to enable local authorities to continue to expand the early learning and childcare workforce and to equip existing staff with new skills in order to provide the capacity and capability required to deliver 1140 hours entitlement from August 2020. It is anticipated that authorities will use this investment to phase entitlement in their local area, both within local authority and funded partner settings. As set out in ELC Expansion Planning Guidance for Local Authorities (March 2017), authorities should evidence consideration of the Scottish Index of Multiple Deprivation when making plans for phasing to ensure that those families and communities who stand to benefit most from the expansion benefit first.

Funding can be applied to the following purposes:

- Extended opening hours for existing ELC settings, or opening new settings to build capacity for and phase entitlement to 1140 hours, including revenue implications of any capital expenditure;
- Developing or expanding the involvement of funded providers, including private and third sector nurseries and childminders, in the provision of ELC;
- Enhanced provision for children with additional support needs;
- Implementing or expanding innovative models of workforce deployment and training, both in local authority settings and in funded providers; and
- Developing, introducing or expanding outdoor nursery provision.

### Lunches

We will allocate £4.7 million of revenue funding to local authorities in 2018-19 to support delivery of lunches in early learning and childcare settings. The additional funding of £1.6 million will be paid as a specific revenue grant as part of the Local Government Finance Settlement.

Details of these funding allocations are set out in columns 5 and 6 in the annex to this letter.

### Additional graduate commitment

We are allocating a total of £18 million in 2018-19 to support delivery of the commitment to have an additional graduate in nurseries in Scotland's most deprived areas by August 2018. This funding will meet the additional salaries of these graduates. This will see 435 graduates allocated across authorities based on their share of nurseries in the 20% most deprived postcodes (whilst the island authorities do not have a nursery in located in the 20% most deprived postcodes they will each receive one additional graduate).

Local authorities have already submitted Additional Graduate Action Plans which include initial estimates of delivery costs. As I set out in my letter of 14 December 2017, the costs of delivering the commitment in 2018-19 are likely to be lower than £18 million, which was intended to cover full-year costs but a number of authorities have indicated in their Action Plans that they do not plan to start paying these additional salaries until summer 2018.

The estimated part-year costs are around two-thirds of the full year costs and accordingly £12 million will be initially distributed to local authorities on the basis of their share of the 435 additional graduates. We will ask authorities to confirm final cost estimates for 2018-19 as part of a progress update in June 2018 and this will be used as the basis for providing any further revenue funding required to meet the costs of the commitment in 2018-19.

Any of the £18 million that is not required for delivery of the additional graduate commitment will be allocated across authorities using the methodology agreed for ELC expansion funding (see above).

Details of the initial £12 million allocation are set out at column 7 in the annex to this letter.

### Multi-year funding package

As you are aware, we are working closely with COSLA and local authorities to agree a multi-year package of revenue and capital funding to support the expansion by the end of April. We will carefully consider any implications for 2018-19 funding as a result of the agreement reached on future year funding requirements.

The 2018-19 Scottish Budget also allocates £150 million capital funding to support the ELC expansion. You will be aware that local government members of the Settlement and Distribution Group agreed that distribution of this funding should only be considered once the multi-year capital funding package is known.

I hope that this information is helpful to you. If you have any questions, please direct them to Alison Cumming, ELC Programme Director on 0131 244 0540 or [alison.cumming@gov.scot](mailto:alison.cumming@gov.scot).



**JOE GRIFFIN**

## ANNEX – DETAILS OF 2018-19 REVENUE ALLOCATIONS

	ELC expansion - capacity and capability building				Lunches		Additional graduates	Total		
	3&4 year olds		2 year olds							
	New	Recurring	New	Recurring	New	Recurring	New	New	Recurring	Total
	1	2	3	4	5	6	7	8	9	10
<b>Aberdeen City</b>	1,102,744	709,687	88,700	57,848	61,704	119,552	165,517	1,418,665	887,086	2,305,751
<b>Aberdeenshire</b>	1,816,600	1,169,099	78,594	51,257	54,674	105,932	165,517	2,115,386	1,326,288	3,441,674
<b>Angus</b>	665,571	428,338	40,196	26,215	27,962	54,177	82,759	816,488	508,730	1,325,218
<b>Argyll &amp; Bute</b>	525,799	338,385	24,519	15,990	17,056	33,047	82,759	650,132	387,422	1,037,555
<b>Clackmannanshire</b>	323,174	207,984	32,292	21,060	22,464	43,524	193,103	571,034	272,567	843,601
<b>Dumfries &amp; Galloway</b>	921,206	592,855	58,657	38,255	40,805	79,059	275,862	1,296,530	710,169	2,006,699
<b>Dundee City</b>	835,796	537,888	86,616	56,488	60,254	116,743	579,310	1,561,976	711,120	2,273,096
<b>East Ayrshire</b>	659,519	424,443	64,621	42,144	44,954	87,098	413,793	1,182,887	553,686	1,736,573
<b>East Dunbartonshire</b>	590,122	379,782	20,318	13,251	14,135	27,386	55,172	679,748	420,419	1,100,166
<b>East Lothian</b>	609,878	392,496	40,100	26,152	27,896	54,048	82,759	760,632	472,695	1,233,327
<b>East Renfrewshire</b>	566,822	364,786	16,624	10,842	11,564	22,406	27,586	622,596	398,034	1,020,630
<b>Edinburgh, City of</b>	2,613,761	1,682,124	154,948	101,053	107,790	208,842	551,724	3,428,223	1,992,019	5,420,242
<b>Eilean Siar</b>	195,974	126,122	5,717	3,729	3,977	7,706	27,586	233,255	137,557	370,811
<b>Falkirk</b>	900,127	579,289	71,122	46,384	49,476	95,860	220,690	1,241,414	721,533	1,962,947
<b>Fife</b>	2,015,534	1,297,126	170,389	111,123	118,531	229,655	772,414	3,076,868	1,637,904	4,714,772
<b>Glasgow City</b>	3,076,742	1,980,081	371,360	242,191	258,337	500,528	3,089,655	6,796,094	2,722,800	9,518,894
<b>Highland</b>	1,588,410	1,022,244	52,394	34,170	36,448	70,618	165,517	1,842,769	1,127,032	2,969,801
<b>Inverclyde</b>	383,453	246,777	42,452	27,686	29,532	57,217	220,690	676,126	331,680	1,007,805
<b>Midlothian</b>	611,904	393,799	44,487	29,013	30,947	59,960	82,759	770,096	482,773	1,252,869
<b>Moray</b>	564,831	363,505	34,006	22,178	23,656	45,834	55,172	677,665	431,516	1,109,181
<b>North Ayrshire</b>	701,055	451,174	94,058	61,342	65,432	126,774	662,069	1,522,614	639,291	2,161,905
<b>North Lanarkshire</b>	1,830,139	1,177,813	184,977	120,637	128,679	249,316	1,103,448	3,247,244	1,547,766	4,795,009
<b>Orkney Islands</b>	151,014	97,187	5,518	3,598	3,838	7,437	27,586	187,956	108,222	296,178
<b>Perth &amp; Kinross</b>	777,714	500,509	41,098	26,803	28,590	55,393	55,172	902,575	582,705	1,485,280
<b>Renfrewshire</b>	1,011,060	650,682	77,855	50,775	54,160	104,935	717,241	1,860,316	806,392	2,666,708
<b>Scottish Borders</b>	727,941	468,477	39,258	25,603	27,310	52,913	82,759	877,268	546,993	1,424,261
<b>Shetland Islands</b>	202,997	130,641	7,281	4,749	5,065	9,814	27,586	242,930	145,204	388,134
<b>South Ayrshire</b>	581,005	373,914	44,527	29,040	30,976	60,015	331,034	987,542	462,969	1,450,511
<b>South Lanarkshire</b>	1,624,990	1,045,785	134,015	87,401	93,228	180,628	717,241	2,569,473	1,313,815	3,883,288
<b>Stirling</b>	528,004	339,804	28,704	18,720	19,968	38,688	137,931	714,607	397,212	1,111,819
<b>West Dunbartonshire</b>	543,014	349,464	58,006	37,830	40,352	78,183	303,448	944,821	465,477	1,410,298
<b>West Lothian</b>	1,053,103	677,739	86,593	56,474	60,239	116,712	524,138	1,724,072	850,925	2,574,997
<b>Scotland</b>	<b>30,300,000</b>	<b>19,500,000</b>	<b>2,300,000</b>	<b>1,500,000</b>	<b>1,600,000</b>	<b>3,100,000</b>	<b>12,000,000</b>	<b>46,200,000</b>	<b>24,100,000</b>	<b>70,300,000</b>