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Craig Clement, ADES Resources Network

19 May 2017

Dear Colleagues

## **EARLY LEARNING AND CHILDCARE (ELC) – 1140 HOURS EXPANSION CAPITAL ALLOCATIONS 2017-18 AND MULTI-YEAR ASSUMPTIONS**

Further to my letter of 20 March, I am writing to confirm final capital allocations for 2017-18 to support the expansion of entitlement of funded ELC to 1140 hours from August 2020. This letter also provides further information on capital funding assumptions which should underpin the preparation of ELC Expansion Plans for September and the establishment of an ELC Finance Working Group.

### **2017-18 capital allocations**

Thank you for sending confirmation of your full or partial acceptance of your authority's indicative formula share of the £30 million allocation of capital funding to invest in infrastructure developments which will expand capacity in the provision of ELC. 30 authorities have accepted their indicative allocations in full, with two authorities drawing down the indicative allocation in part.

Total funding of £1.482 million is available for redistribution to the 11 authorities which indicated that they could draw down additional funding in-year. This funding has been reallocated in proportion to the additional sums sought, in accordance with the methodology agreed by COSLA Leaders on the recommendation of the Settlement and Distribution Group. As previously agreed, capital funding provided for 2018-19 onwards will be adjusted to take account of the redistribution of funding in 2017-18, in order to ensure equity over the life of the programme.

Final allocations for 2017-18 are detailed in the **Annex** to this letter and will be paid to authorities in a single instalment in June.

## Multi-year capital funding assumptions

We recognise the concerns raised by local authorities that the absence of multi-year funding assumptions creates additional risks and challenges in planning for and implementing the increase in capacity required to expand entitlement to 1140 hours. While final allocations can only be agreed as part of the Spending Review and Scottish Budget processes, including – crucially – Parliamentary scrutiny and approval, we are now providing a global multi-year capital planning assumption to allow authorities to firm up the infrastructure component of local ELC Expansion Plans and to commit to progressing the necessary capital developments.

Expansion plans should be prepared on the assumption that **£400 million** of capital funding will be available at national level across the next three financial years (2018-19 to 2020-21 inclusive). This is an indicative figure to help initiate the necessary iterative process needed to generate a robust final figure. Final allocations can only be confirmed as part of the Spending Review and Scottish Budget processes which in turn will be informed by consultation with local government undertaken through COSLA.

The methodology for distributing these allocations to authorities is yet to be determined, including whether this will be formula-based and / or involve a bidding process. The ELC Finance Working Group referenced below will make recommendations to COSLA Leaders and Scottish Ministers, via the Settlement and Distribution Group, on the preferred method of distributing final allocations between authorities.

We will take account of authorities' capital funding and profiling assumptions in preparing for the 2018-19 Draft Scottish Budget – this information will help ensure that the final allocations and profiling best reflect the requirements of the expansion programme.

Revenue funding will be confirmed as part of the Spending Review and Scottish Budget processes – again informed by consultation with local government undertaken through COSLA and informed by the work of the ELC Finance Working Group.

Authorities should continue to bear down on costs associated with the expansion to ensure Best Value in the use of public funds. Expansion plans should be prepared with reference to the planning assumptions on page 6 of the Guidance issued in March 2017, which include:

- Making best use of assets – effective expansion plans will take account of a sequential decision-making process as follows:
  - a) Use what we have: Making full use of existing assets within the local authority (including workforce, potential of the natural environment, buildings and infrastructure);
  - b) Use what we purchase: Enhancing the use of partner assets – developing and extending existing partnership models against a default assumption of a continued mixed economy – strengthening both local authority and other provision (including, for example, childminders and blended models);
  - c) Create what we need: where full use of existing local authority services and assets, plus enhanced commissioning, still leaves a gap, plan to create or build new capacity, including outdoor nurseries.

Authorities can access delivery support on the infrastructure elements of ELC Expansion Planning from the Scottish Futures Trust (SFT). SFT has established an e-mail box for any queries relating to infrastructure matters - [earlyyears@scottishfuturestrust.org.uk](mailto:earlyyears@scottishfuturestrust.org.uk).

We will provide a further update on delivery support for ELC in the coming weeks and undertake to contact each local authority within the next four weeks to arrange an initial face-to-face engagement with the delivery support team. In the meantime, please direct any queries on delivery support to [ELCdeliverysupport@gov.scot](mailto:ELCdeliverysupport@gov.scot).

## **ELC Finance Working Group**

We are working with COSLA to establish a dedicated ELC Finance Working Group, which will be chaired by Alison Cumming, ELC Programme Director in the Scottish Government. This group will include senior representation from local authority Directors of Finance and the ADES Resources Network, and will meet for the first time in June 2017.

We consider the Finance Working Group to be an important addition to the financial governance of the programme – it will ensure that expansion planning is underpinned by robust financial assumptions and that the programme is informed by expertise on local government financial management.

We also anticipate that the Finance Working Group will develop and issue a financial information template to be submitted with ELC Expansion Plans. This will seek to ensure consistent presentation of costs and support analysis of the plans.

The Finance Working Group will work closely with our new Service Models Working Group and report into our ELC Project Steering Group. Further details on the refreshed governance structure are available on request from [ELCProgrammeOffice@gov.scot](mailto:ELCProgrammeOffice@gov.scot).

I look forward to continuing to work together to deliver the expansion in funded entitlement of ELC.



**JOE GRIFFIN**

## Final 2017-18 ELC capital allocations

Local Authority	Indicative capital allocation  £m	Accepted capital allocation  £m	Reallocated capital funding  £m	Final 2017- 18 capital allocation  £m
Aberdeen City	1.035	1.035		1.035
Aberdeenshire	1.774	1.774		1.774
Angus	0.643	0.643		0.643
Argyll & Bute	0.494	0.494		0.494
Clackmannanshire	0.277	0.277		0.277
Dumfries & Galloway	0.912	0.912		0.912
Dundee City	0.809	0.809		0.809
East Ayrshire	0.688	0.688	0.221	0.909
East Dunbartonshire	0.558	0.558		0.558
East Lothian	0.618	0.618		0.618
East Renfrewshire	0.538	0.538	0.033	0.571
Edinburgh (City of)	2.504	2.504	0.080	2.584
Eilean Siar	0.186	0.186	0.050	0.236
Falkirk	0.933	0.933	0.319	1.252
Fife	2.126	2.126	0.150	2.276
Glasgow City	3.006	3.006	0.319	3.325
Highland	1.535	1.535	0.159	1.694
Inverclyde	0.384	0.384		0.384
Midlothian	0.528	0.528		0.528
Moray	0.579	0.579	0.064	0.643
North Ayrshire	0.741	0.741		0.741
North Lanarkshire	1.852	0.650		0.650
Orkney Islands	0.142	0.142		0.142
Perth & Kinross	0.887	0.887		0.887
Renfrewshire	0.913	0.913		0.913
Scottish Borders	0.689	0.689		0.689
Shetland Islands	0.188	0.188		0.188
South Ayrshire	0.555	0.555		0.555
South Lanarkshire	1.743	1.743		1.743
Stirling	0.580	0.300		0.300
West Dunbartonshire	0.528	0.528	0.048	0.576
West Lothian	1.055	1.055	0.039	1.094
<b>TOTAL</b>	<b>30.000</b>	<b>28.518</b>	<b>1.482</b>	<b>30.000</b>