

# Governance, Risk and Best Value Committee

**10.00am, Tuesday, 31 July 2018**

## **Expansion of Early Learning and Childcare from 600 – 1140 hours by 2020. Audit Scotland Report and Risks**

Item number	7.6
Report number	
Executive/routine All	
Wards	
Council Commitments	

### **Executive Summary**

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This report provides a summary of the Audit Scotland Report published February 2018, on the expansion of Early Learning and Childcare.

## Expansion of Early Learning and Childcare from 600 – 1140 hours by 2020

### 1. Recommendations

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- 1.1 The Governance, Risk and Best Value Committee is asked to:
  - 1.1.1 note the contents of this report.

### 2. Background

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- 2.1 The Scottish Government has committed to closing the poverty related attainment gap through intervention and prevention at an early stage.
- 2.2 The Children and Young People (Scotland) Act 2014 (the Act), made changes to how Early Learning and Childcare (ELC) is provided in Scotland.
- 2.3 From August 2014 the entitlement for funded ELC increased from 475 hours a year to 600 hours for all three and four year olds and eligible two year olds.
- 2.4 The Scottish Government is working with councils to further extend the entitlement to funded ELC to 1,140 hours per year by 2020. This is equivalent to around 30 hours a week in school term time provision.
- 2.5 The aims of the expansion to 1,140 hours focus on improving outcomes for children with an emphasis on high-quality ELC.
- 2.6 In Edinburgh, 11,000 children receive 600 hours of funded ELC in a range of services including, council run early years settings and private sector and voluntary sector providers in partnership with the local authority.
- 2.7 The Scottish Government requested that all Local Authorities submit an Expansion Plan for 2020 by the end of September 2017. This plan along with the finance template outlining our estimated revenue and capital cost for the expansion was reviewed throughout October and November 2017. Following this review the Scottish Government requested that all Local Authorities submit a revised finance template by 2 March 2018.
- 2.8 Edinburgh currently has a baseline revenue budget of £30 million to deliver 600 hours of Early Learning and Childcare. Revenue funding for 2018/19 has now be confirmed and Edinburgh has been allocated a total of £5,420,242 to meet the cost of delivering the expansion.
- 2.9 Following the agreement of the multi-year funding package, Edinburgh has been allocated a total revenue of **£48,025,000** by 2021-22. This will be issued as a

specific grant annually as follows 2019-20 **£26,019,000**, 2020-21 an additional **£17,035,000** and 2021-22 a further **£4,971,000**.

- 2.10 Edinburgh has been allocated a total capital funding of £39,480,000 to support the expansion. This is allocated as follows 2017-18 **£2,580,000**, 2018-19 **£12,400,000**, 2019-20 **£14,500,000**, and 2020-2021 **£10,000,000**

### **3. Main report**

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#### **Summary of Key messages within the Audit Scotland Report.**

- 3.1 The Scottish Government and Councils have worked well together to expand provision and parents are positive about the benefits of funded ELC.
- 3.2 The Scottish Government invested almost £650 million of additional funding since 2014 to expand funded ELC from 475 hours to 600 hour, but there is no evaluation of the impact of the additional hours on improving outcomes for children and their families.
- 3.3 Parents state funded ELC has a limited impact on their ability to work due to the hours available and the way in which those hours are provided.
- 3.4 There are significant risks that councils will not be able to expand funded ELC to 1,140 hours by 2020. In particular, it will be difficult to increase the infrastructure and workforce to the levels required, in the limited time available.
- 3.5 The Scottish Government expects the cost of delivering 1,140 hours will be about £840 million per year. Initial estimates from councils are significantly higher at around £1 billion per year to deliver the expansion to 1,140 hours.

#### **The City of Edinburgh Council's position**

- 3.6 All council run early years settings and private and voluntary sector providers in partnership with the council have delivered the increase of ELC from 475 hours to 600 hours from August 2018
- 3.7 Parental uptake of the increase to 600 hours was almost 100% from August 2018 and remains high. The increase provided parents with access to an additional 3 hours 50 minutes of ELC. As this was spread across five days in most cases, is difficult to measure the impact on improving outcomes for children and families.
- 3.8 Approximately 11,000 children are entitled to funded ELC in Edinburgh. From August 2017 the early years service began phasing in the expansion across twenty five local authority ELC settings, three forest kindergartens and in a pilot with seven childminders. By March 2018 approximately 1130 children have been able to access the increased hours.

- 3.9 An initial evaluation of the impact of the increased hours of ELC has shown that many children are benefitting from the longer day and learning from the routines which are part of this e.g. lunchtime experiences. There are also some reports of parents being able to start work as a result of having access to additional hours.
- 3.10 Recruitment for the first phase of the expansion in Edinburgh has been minimal as almost all settings were identified due to existing capacity. Where recruitment has been required, posts which are full time are easier to fill. The part-time posts required for the expansion e.g. to support lunches across the middle of the day have been a greater challenge to recruit.
- 3.11 **Phase 2** of the expansion will begin in August 2018 and planning for this is in progress. In addition to the Phase 1 settings a further twenty one local authority settings are being considered to provide additional hours from August. Our aim is that a further 1,000 children will be able to access the additional hours in these settings. Recruitment for this phase will be supported through Edinburgh's Early Learning and Childcare Academy (EELCA).
- 3.12 There are approximately 650 staff working in local authority ELC settings and we estimate another 700 may be required to enable us to deliver 1,140 hours of ELC to all eligible children by 2020. To support the increase in our workforce, we are building on our successful approach to 'growing our own' workforce through Edinburgh's Early Learning and Childcare Academy (EELCA). The next cohort of Modern Apprentice/Trainees will increase from 30 to 90 in August 2018.
- 3.13 Recruiting the number of staff we will require remains a significant challenge. We are liaising with external training providers and marketing and recruitment teams to highlight the opportunities for a career in ELC within Edinburgh. We have also enhanced our online communication to provide easier access to information about a career in ELC and links to qualification paths.
- 3.14 Demand for early years places (local authority and partner providers) across the city has been assessed on a cluster basis using non-denominational high school catchment areas. The projected demand for places is based on:
- Catchment birth data;
  - Uptake of early years places for three and four year olds in local authority and partner provider settings;
  - The estimated percentage of eligible two year olds in SIMD decile 1 and 2 in each cluster area;
  - Housing data from the Council's [Housing Land Audit and Delivery Programme 2017](#);  
National Records of Scotland (NRS) 2014 based Population Projections for Scottish Areas.
- 3.15 The capacity of the city's existing Early Years establishments to meet the projected demand has been assessed based on current management arrangements and available infrastructure. Figure show that within City of Edinburgh Council area

there is a projected capacity shortfall of almost 3,000 places for 3-4 year olds and a shortfall of 360 places for 2 year olds.

- 3.16 In order to address these shortfalls an expansion strategy for Early Learning and Childcare in Edinburgh has been developed. The aim of this strategy is to provide all current and projected eligible children with a place in a City of Edinburgh Council or partner provider establishment in their own cluster area or an adjoining cluster area.
- 3.17 Much of this shortfall may be met by changing the opening hours and management arrangements at existing facilities. Some of the shortfall may also be met by adapting existing facilities. However, a significant programme of new build will also be required. A summary of the physical expansion opportunities identified is contained within Appendix 1. Should this expansion plan be implemented the number of places available for three and four year olds and eligible two year olds would be sufficient to meet projected demand.
- 3.18 Delivering new and refurbished facilities by 2020 will be a significant challenge requiring swift design, procurement and construction processes. Accordingly, early design work and site investigations have been progressed. The Council have also opened discussions with representatives from the Scottish Government and the construction industry to identify the most appropriate construction methodologies. As all local authorities face similar pressures to deliver 1140 hours by 2020 there is a risk that resources, particularly within the construction industry, become stretched.
- 3.19 Early engagement with affected school communities has also begun and, while the Scottish Government have removed the requirement for local authorities to undertake a statutory consultation process to establish a nursery, it is the intention to undertake informal consultation with all affected communities.

#### **4. Measures of success**

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- 4.1 Overall progress measured using a suite of indicators within the Communities and Families Service Plan to ensure that our children have the best start in life, are able to sustain relationships and are ready to succeed.
- 4.2 Outcomes from Inspections from Education Scotland and the Care Inspectorate provide information on quality across the service.
- 4.3 We have achieved the Council's commitments 32 and 33.

#### **5. Financial impact**

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- 5.1 All plans for Phase 1 and Phase 2 will be covered through the revenue funding of £5,420,242 allocated for 2018/19.

- 5.2 Following the agreement of the multi-year funding package, Edinburgh has been allocated a total recurring revenue of **£48,025,000** by 2021-22. This will be issued as a specific grant annually as follows 2019-20 **£26,019,000**, 2020-21 an additional **£17,035,000** and 2021-22 a further **£4,971,000**.
- 5.3 Edinburgh has been allocated a total capital funding of £39,480,000 to support the expansion. This is allocated as follows 2017-18 **£2,580,000**, 2018-19 **£12,400,000**, 2019-20 **£14,500,000**, and 2020-2021 **£10,000,000**.
- 5.4 Delivery plans will be reviewed to ensure affordability.

## 6. Risk, policy, compliance and governance impact

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- 6.1 Approximately 40% of children entitled to funded early learning and childcare attend our partner provider provision. There is a level of uncertainty about future partner provision due to concern about the hourly rate they are paid to deliver an increase in funded early learning and childcare.
- 6.2 To enable us to address this and support the sustainability of our partner provider provision, we have included an increase in the hourly rate paid to partners within the finance template submitted to the Scottish Government. This will increase from £3.70 per hour to £3.80 per hour for 600 hour provision from August 2018.
- 6.3 We are proposing to increase the hourly rate to £5.31 per hour for 1140 hour provision. This will be piloted with a small number of partner providers in Phase 2 of the expansion during session 2018.
- 6.4 There is a risk that the guidance we received from Scottish Government delivery support team to devise our expansion plan estimates in our finance template may require us to provide models of delivery for the 1140 hours that will not provide parents with the level of choice that they want.
- 6.5 Delivering the required infrastructure and the ability to recruit the number of staff within the required timeframe continue to provide significant challenges in the Council's ability to deliver the expansion from 2020.
- 6.6 The timescales to allow the delivery of new infrastructure are extremely tight and represent a significant risk to the Council's ability to provide the statutory 1140 hours to all children. In addition, the requirement to construct and refurbish Early Years facilities on the scale proposed – both within Edinburgh and at a national level – will place significant pressure on the construction market. Accordingly, the availability of resources to undertake the work and supply the necessary services and products also represents a significant risk to the delivery of the Council's Early Learning Childcare expansion strategy.
- 6.7 The Scottish Government Early Learning and Childcare Service Model for 2020: Consultation Paper states *Families will be able to access funded ELC in the provider of their choice if that provider meets the criteria set out in the National Standard, is able to offer the entitlement in-line with local ELC delivery plans and*

*has a place available.* This presents a challenge to Best Value as parent expectations around choice of provision, flexibility and accessibility may not be operationally sustainable.

## **7. Equalities impact**

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- 7.1 All work within this area seems to address inequalities, both in terms of provision of resources and impact on outcomes for children and their families. There is no negative impact arising from these proposals.

## **8. Sustainability impact**

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- 8.1 There are no impacts on carbon, adaptation to climate or sustainable development arising from this report. These matters will be considered as part of planning, design development and in the implication of each phase of the expansion of the provision.

## **9. Consultation and engagement**

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- 9.1 Necessary consultation has been undertaken with key stakeholders in the development and delivery of the expansion. This includes an authority wide consultation with parents/carers, local authority and partner provider ELC settings and childminders. Consultation also took place in October 2017 with non-partner providers and sixteen have expressed an interest in coming into partnership; with the council.
- 9.2 A Blueprint for 2020: The Expansion of Early Learning and Childcare – Scottish Government Consultation.

## **10. Background reading/external references**

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- 10.1 [Children and Young People \(Scotland\) Act 2014](#)
- 10.2 [A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland](#)
- 10.3 [2017 National Improvement Framework and Improvement Plan for Scottish Education: Achieving Excellence and Equity](#)
- 10.4 [Building the Ambition: National Practice Guidance on Early Learning and Childcare](#)
- 10.5 [My World Outdoors: Care Inspectorate](#)
- 10.6 [Report to Education, Children and Families Committee: Early Learning and Childcare Strategy Report August 2017](#)
- 10.7 [A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland – Early Learning and Childcare Service Model for 2020: Consultation Paper.](#)

10.8 [http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_180215\\_early\\_learning.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180215_early_learning.pdf)

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## 11. Appendices

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11.1 Early Learning Childcare (ELC) Expansion Strategy

## APPENDIX 1

### Early Learning Childcare (ELC) Expansion Strategy

#### *Estimated additional incremental revenue costs of Early Years expansion*

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Staff costs - local authority settings	2.752	4.209	2.120	8.035	4.251	21.367
Staff costs - policy development, management and support	0.000	0.513	0.236	0.000	0.000	0.749
Other staffing costs	0.034	0.119	0.150	0.110	0.049	0.462
Funded partner provision	1.084	1.032	2.992	8.271	0.445	13.824
Lunches - cost of provision	0.570	0.713	1.567	3.353	-0.592	5.611
Other running costs, including educational resources and property expenditure	0.205	0.897	1.080	1.497	0.667	4.346
<b>Total</b>	<b>4.645</b>	<b>7.483</b>	<b>8.145</b>	<b>21.266</b>	<b>4.820</b>	<b>46.359</b>

#### *Estimated capital costs of Early Years expansion*

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Refurbishment projects	0.949	0.725	0.000	0.000	1.674
Extension projects	0.000	10.045	13.759	0.000	23.804
New-build projects	0.000	0.000	12.949	0.000	12.949
Outdoor spaces	0.150	0.200	0.000	0.000	0.350
Other	0.000	0.203	0.203	0.203	0.609
<b>Total</b>	<b>1.099</b>	<b>11.173</b>	<b>26.911</b>	<b>0.203</b>	<b>39.386</b>