

## Education, Children and Young People Committee

25<sup>th</sup> May 2022

### Delivery of the 1,140 Hours Early Learning and Childcare Expansion

#### Purpose

1. COSLA is the voice of Local Government in Scotland. We are cross-party organisation who champions councils' vital work to secure the resources and powers they need. We work on councils' behalf to focus on the challenges and opportunities they face, and to engage positively with governments and others on policy, funding and legislation.
2. We welcome the opportunity to discuss the work councils and their partners have undertaken over the past four years to almost double the number of funded early learning and childcare to all 3- and 4-year-olds and eligible 2-year-olds.
3. Early Learning and Childcare (ELC) expansion is an important early intervention investment - ensuring that children have more opportunities to play and learn and their parents/carer have more time to work, train and volunteer. The work undertaken by councils and their partners to deliver this expansion, against the very challenging and changeable backdrop of the pandemic, demonstrates the shared commitment to improving outcomes for children and families.
4. This submission highlights a range of activity that is currently underway to continue to improve the delivery of funded early learning and childcare for the benefit of children and their families. The committee will note some of our concerns, particularly around ensuring the sustainability of ELC funding for local authorities from 2023/24 onwards.

#### Background

5. As the Committee is likely aware, in 2018 COSLA and the Scottish Government agreed both a multi-year funding agreement to support the ELC Expansion, and [Funding Follows the Child](#), which set out the model for delivery<sup>1</sup>. The key aspects of the Funding Follows the Child model are:
  - Getting It Right for Every Child is at the centre of our approach to improving the experience of our children in their early years
  - It is 'provider neutral' and is underpinned by a National Standard, which all providers who wish to deliver the funded entitlement will have to meet from the full statutory roll-out of 1140 hours of funded ELC entitlement
  - Families will be able to access high quality funded ELC with the provider of their choice if that provider meets the criteria set out in the National Standard, wishes to deliver the funded entitlement, has a space available, is able to offer the funded hours in-line with local ELC delivery plans (subject to the setting's overall capacity) and is willing to enter into a contract with the local authority

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<sup>1</sup> It should be noted that there is currently [interim guidance for Funding Follows the Child and the National Standard](#) to reflect the impact of the pandemic on inspection and the sustainability of the sector.

- The choice of setting available to families is not restricted to their own local authority boundary
  - Information for parents and carers will be clear and accessible to make them aware of the options available to them, in particular the different types of settings that can be chosen, when accessing their funded entitlement
  - Settings must ensure that the funded hours are free at the point of access and parents and carers are not required to purchase additional hours beyond the funded entitlement in order to access their child's funded hours at a setting
  - Local authorities will retain the statutory responsibility for ensuring that the funded entitlement is available to all eligible children in their area, and will be the primary guarantors of quality and key enablers of flexibility and choice – ensuring that there is a range of options for families in their area
  - Local authorities and providers should work together meaningfully and in genuine partnership in delivering flexible ELC provision, while continuing to ensure that a high quality experience for children is maintained and accessible to all
  - Funding to deliver the funded entitlement will continue to be channelled through local authorities
  - Local authorities will set a rate locally that is paid to funded providers in the private and third sectors, including childminders, to deliver the funded entitlement, which is sustainable and reflects national policy priorities, including funding to enable payment of the real Living Wage to all childcare workers delivering the funded entitlement
  - Funded providers who agree to deliver the funded entitlement will commit to paying the real Living Wage to all childcare workers delivering the funded entitlement and commit to operating Fair Work Practices
  - Every child receiving a funded ELC session will receive a free meal
  - A commitment to simplifying the process for, and reducing the burden on, providers to deliver the funded entitlement. All providers will face the same National Standard for becoming, and continuing to be, a funded provider
6. In April 2018 COSLA and the Scottish Government also agreed a multi-year funding settlement to support the implementation of the expansion. Covering the financial years 2019/20 to 2021/22, the funding package of £476m additional capital over the period and a phased increase in recurring, additional revenue funding, to £567m in additional funding for 2021/22.
7. The Scottish Government and COSLA formed an Early Learning and Childcare Joint Delivery Board (JDB), co-chaired by the COSLA Spokesperson for Children and Young People and the Minister for Children and Young People, to oversee the delivery of the 1,140 hours expansion.

### **Delivery Progress and Infrastructure**

8. The Committee will be aware that, following the emergence of COVID-19 in Scotland, the Scottish Government and COSLA jointly agreed through the Joint Delivery Board to delay the implementation date for expansion from August 2020. This was primarily driven by the impacts of public health measures on infrastructure projects, workforce expansion plans, as well as the limits on capacity with ELC settings. Following a robust assurance process, a revised implementation date of August 2021 was agreed in late 2020.

9. The Improvement Service has worked with local authorities since 2018 to provide regular delivery assurance reports - further information on these reports is provided within the Improvement Service's submission to the Committee. The most recent [Delivery Assurance Report](#) was published in February. In summary, it highlighted that:
- 111,574 children were accessing funded ELC as of the end of January 2022:
    - 97% of these children were accessing more than 600 hours, and 88% were accessing the full 1140 hours funded ELC.
    - There has been an increase of 16% in the numbers of eligible 2s accessing funded ELC, rising to 6,913.
  - There has been an increase in the local authority ELC workforce of 549 FTE rising to 18,064 FTE
  - Private and third sector settings and childminders are delivering 31% of funded provision.
10. In terms of infrastructure projects, as of February 2022, there were 913 projects in the ELC capital programme (using capital from the multi-year funding agreement), 85% of which are now complete. Scottish Futures Trust has noted that "not all capital projects were required to deliver 1140 hours from August 2021. 587 of the 913 capital projects were identified by local authorities as being required for August; the remaining projects being linked to increased flexibility, forecast growth and longer-term learning estate development projects". For the small number of projects that are required to deliver the 1,140 which have been impacted by ongoing supply issues and the season nature of construction times for refurbishment for improvements, contingency plans or transitional arrangements are in place.

## Funding

11. Funding for the delivery of 1,140 hours of Early Learning and Childcare is complex, as such a high level briefing paper which summarises ELC funding is attached as an appendix to this submission.
12. The Scottish Budget 2022/23 represented a 4% reduction in the Specific Revenue Grant funding available to Local Authorities to fund the expansion to 1140 hours of Early Learning and Childcare, in summary this included:
- The reduction in the ELC specific grant of £15m for 22/23
  - The top slicing of a further £9m from ELC specific grant to support pilot work for deferred entry into Primary 1.
13. Funding for the 600 hours pre-expansion ELC is provided through the core General Revenue Grant. Year on year, there is reducing scope for pressures to be met from Local Government core budgets as the Local Government core revenue settlement (defined within the Scottish Budget document as "core LG") has seen a real terms reduction of 15.2% since 2013/14.
14. Over the years, the demands on the core settlement have increased with numerous Scottish Government policy priorities that Local Government has been asked to deliver, for example the 600 hours of ELC; period products; teacher numbers. The table below highlights a "flat-lining" of the core so when costs rise for policy-specific funding, then the core is by necessity plundered to plug the gap.

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
<b>General Revenue Grant + Capital Grant + NDR (CORE)</b>	<b>10,120</b>	<b>10,339</b>	<b>10,382</b>	<b>10,094</b>	<b>9,947</b>	<b>9,843</b>	<b>9,916</b>	<b>9,926</b>	<b>10,217</b>	<b>10,249</b>
Specific Grant- Resource	98	90	90	93	211	263	484	686	752	752
Specific Grant- Capital	100	149	145	126	133	278	380	295	139	139
Within Other portfolios						123	291	429	512	1,334
<b>Total LG Settlement</b>	<b>10,318</b>	<b>10,578</b>	<b>10,617</b>	<b>10,313</b>	<b>10,291</b>	<b>10,507</b>	<b>11,071</b>	<b>11,335</b>	<b>11,620</b>	<b>12,474</b>

Note: figures from published Scottish Budget may differ slightly from Finance Circular, due to additions made during the Parliamentary process

15. This means that the impacts of the real terms cut fall disproportionately on those service areas that are not covered by a policy direction but that do have a statutory basis- including 600 hours ELC. This pressure on core budgets is becoming increasingly visible and leaves Councils with no alternative than to making difficult choices about service funding levels.
16. Additionally, the move towards a single formula basis for the distribution of the ELC specific grant and the previous seven formula-based allocations, which was recommended by the Joint Local Government/Scottish Government Settlement and Distribution Group (SDG) and agreed by COSLA Leaders in 2021, will see a needs-based redistribution of the overall ELC funding across Councils over the next three years.
17. The Scottish Government carried out a review of the expansion funding, including distribution methodology, ahead of setting the budget for 2022-23. As part of that exercise, calculations based on recent population estimates found that there were fewer children eligible for funded ELC now than was originally anticipated when the multi-year funding agreement was reached in 2018. In addition to taking account of the changing eligible population, the review identified where additional uplifts were required to meet inflationary pressures in 2022-23 (based on inflation rates in summer 2021) and the direct costs of Covid. The Scottish Government's revised modelling estimated that there was capacity of at least £39m within the ELC 1140 budget. Prior to the announcement of the reduction in funding for the ELC ringfenced grant - and based on work between Scottish Government officials and COSLA officers - COSLA Leaders had agreed that any head room identified at a local level would be used to support a series of shared priorities including COVID Recovery, increasing uptake and sector sustainability.
18. Whilst the rationale for the reduction in expansion funds was based on a national reduction on numbers of children, this does not directly translate into a reduction on costs in either local authority or private provider settings. There are significant fixed costs (rising faster than ever given inflationary pressures) and therefore small reductions in children taking up places in settings cannot directly translate into the ability to reduce ELC provision. Whilst overall the number of children may be less, the costs incurred on the ground to provide 1,140 hours across private, voluntary and local authority settings does not directly allow any cost reduction. For example, a reduction of a small number of children at an individual setting level will not allow for any reduction in costs relating to staffing, or costs relating to the building such as heating and cleaning. As such the impact of the £24m reduction to the specific ringfenced grant for ELC has required other measures to compensate which directly impact on the delivery of the quality and flexibility of the provision.
19. The COSLA Children and Young People Spokesperson wrote to the Minister for Children and Young People in December 2021, setting out COSLA's concerns that the reduction in funding available would mean that councils are unable to deliver ELC in

line with the shared ambitions of Funding Follows the Child. These concerns were discussed in more details at a subsequent meeting between the COSLA Spokesperson for Children and Young People and the Minister for Children and Young People in February 2022.

20. At the Joint Delivery Bord meeting in March 2022, COSLA, ADES, SOLACE and Local Government Directors of Finance again set out their concerns on the impact of the reductions of funding and the impact that this will have on the delivery of ELC services across Scotland.

## **Partnership working**

21. Our partners across the private and voluntary sector and childminders are a key part of funded childcare offers across Scotland, whilst we acknowledge there may often be areas of tension, we continually strive for strong and trusted relationships between all parties. In 2018 COSLA's Children and Young People Board agreed a series of principles for partnership working with the National Day Nurseries Association, which are used as a basis for discussion between local authorities and their partners. These [principles](#) were refreshed in light of the experience of the pandemic and jointly agreed by COSLA, NDNA, Early Years Scotland, the Care and Learning Alliance and the Scottish Childminding Association.
22. These principles also acted as a basis for the national ELC Partnership Forum which was chaired by COSLA and the Scottish Government. COSLA works closely with the representative bodies of the ELC sector, both through regular bilateral and membership of the Scottish Government's Childcare Sector Working Group.
23. As highlighted above, the Improvement Service's report highlighted that 31% of provision is delivered by childminders, the private and voluntary sector ELC providers, this is slightly above the originally projected share of funded place. The Scottish Government's [Finance Sustainability Health Check](#) published last year notes that, whilst there had been an impact on the number of childcare services in the voluntary sector registered with the Care Inspectorate over the course of the pandemic, changes to "registrations and capacity in private sector services have been broadly in line with pre-pandemic trends".
24. Local authorities work hard locally to support their partners in the private and voluntary sector in terms of quality improvement, particularly those not meeting the national standard, this included the provision of evening training sessions to accommodate working patterns and enhancing the number of quality assurance visits.
25. COSLA sits as a member of the Scottish Government's Commitment to Childminding Working Group, which has considered the recommendations of the recent SCMA audit of childminding. There have been productive discussions through the ADES Early Years Network on best practice in approaches to quality improvement and procurement. We would also note the joint working between SCMA and local authorities on work to support the recruitment and retention of childminders in remote and rural areas.

## **Sustainable rates**

26. As set out in Funding Follows the Child, a sustainable rate is "the hourly rate that is paid to funded providers in the private and third sectors, including childminders, to deliver the funded entitlement ensuring they can remain financially viable while offering funded hours to eligible children. The rate will support delivery of a high quality ELC

experience for all children; **reflect the cost of delivery**, including the delivery of national policy objectives; **allow for investment in the setting** – staff, resources and physical environment; and **enable payment of the real Living Wage** for those childcare workers delivering the funded entitlement”. We believe that setting rates at the local levels continues to be the right approach, as costs for providing ELC will look different across Scotland.

27. Guidance for local authorities on [setting sustainable rates](#) was developed by Scotland Excel and agreed by COSLA in 2019. This guidance not only provided an overview of the key components of a rate (e.g. staffing costs, rent, utilities and equipment) but also a series of principles for rate setting and four suggested models of collection.
28. The Scottish Government collated data from [local authorities on the rates paid to the private and third sector for funded ELC provision](#), alongside a wide range of benefits in kind that are provided by councils to their providers. The average rate across those local authorities who had confirmed rates for 3-5 year old provision in 2021-22 at the time of data collection was £5.44 per hour which has increased from an average of £3.68 per hour in 2017-18.
29. In November 2021, the COSLA Children and Young People’s Board considered the findings of the Scottish Government’s Financial Sustainability Health Check and agreed that COSLA would work with partners to develop a national cost collection exercise to support the setting of sustainable rates. The aim of this work was to provide all local authorities with consistent and high-quality information to support improved local rate setting processes.
30. COSLA worked with the Improvement Service to commission this exercise. A steering group, which included the Scottish Government, ADES and Local Government Directors of Finance, was brought together to shape the work. Ipsos Mori were contracted to undertake the survey, building on their previous work conducted across Scotland for the Scottish Government in 2016, and subsequent multi-authority research exercises for the West Partnership, Aberdeenshire and Moray. COSLA also engaged with the bodies that represent private and third sector ELC providers on the draft survey, incorporating their feedback into the final version.
31. The survey was live between February and March 2022, invitations to participate were sent directly to providers, we worked locally and nationally to encourage responses and received a usable response rate of 34%, which is in line with the similar exercises undertaken in the past.
32. At the time of writing, results are being finalised and distributed to local authorities for their own analysis, consideration and to inform further work with their local partners. In April the COSLA Children and Young People Board agreed the following principles for outputs:
  - In line with the guidance for setting sustainable rates, local authorities will be as transparent as possible on outputs from the survey, provided outputs have the appropriate level of statistical confidence and such that any guarantee of confidentiality for respondents is not jeopardised.
  - Where there is not a sufficiently high response rate for a reliable output at a local authority level, outputs should be provided across a group of authorities. This will be at Regional Improvement Collaborative level in the first instance or an alternative agreed with relevant local authorities directly.
  - As there is no national rate for ELC funding, there should be no publication of national level data.

- The findings of the national cost collection exercise are only a part of the rate setting process. Local authorities will also be considering any outputs alongside local ELC market conditions and ongoing consultation with their local ELC providers.

## **Workforce**

33. The ELC expansion has seen the ELC workforce increase from 9,576 FTE in academic year 2016/17 to 18,064 FTE in February 2022. Of these staff around 61% work at the practitioner level. The expansion of the workforce has put pressure on existing staff to mentor, guide, support new staff and modern apprentices, it continues to be important that local authorities have flexibility in their approaches to staffing to meet these needs.
34. Nationally, COSLA officers have recently agreed to join the Scottish Government Workforce Strategy Steering Group, to consider a range of issues, including workforce planning, pipelines and training/development.

## **2-year-old offer**

35. The Delivery Assurance report in October 2021 noted that there had been a year-on-year increase in the number of 2-year-old children accessing funded ELC by 26%, to 5,954 in August 2021. As noted above, in January 2022 the number of 2-year-olds accessing funded ELC was 6,913. Whilst we have welcomed the increase in number of eligible 2-year-olds accessing funded ELC, local authorities and their partners are continuing efforts to improve uptake. There are a number of barriers to increased uptake some of which - such as stigma - may be linked to the targeted nature of the offer. Councils have taken creative approaches to identify families who may be eligible for the offer, including community outreach and working with public and third sector partners.
36. The committee will likely be aware that at present there are limitations on the rules on data sharing between HMRC, DWP and local authorities to identify families who may be eligible for the 2-year-old ELC offer. As such we have welcomed the recent consultation from the UK Government on amending the current data sharing regulations so that Scottish local authorities are able to benefit from information on families who might be eligible for the offer, ensuring they have the same information that is currently available to local authorities in England and Wales. COSLA's response to the consultation was very supportive of the proposal, and we look forward to working with both the UK and Scottish Government as this work progresses.

## **Looking ahead**

37. We believe that a sustainable ELC funding settlement for local authorities will be key to ensuring the successful delivery of the 1140 hours expansion, particularly as we recover from the pandemic and the possibility that demand may change as a result of changes to family working patterns and the ongoing cost of living pressures. Local Government remains committed to ensuring quality ELC provision, which prioritises improving outcomes for children and families.
38. Through the jointly chaired Scottish Government/ COSLA ELC Finance Work Group, we are considering the quantum for 2023/24 onwards. Work is currently underway to analyse trends drawing on actual spend to date, uptake, population, pay and inflation. It will be key that in the Scottish Government's forthcoming Resources Spending

Review, there is recognition of the need for sustainable ELC funding, ahead of any investment in new childcare commitments.

39. As we move continue to recover from the pandemic, we will be looking to ensure that children and young people, particularly those with additional support needs, are able to reach the best possible outcomes. The recent research from [Public Health Scotland](#) has highlighted the potential impact of the pandemic on children's development goals at the 13-15 month, 27-30 month, and 4-5 year child health reviews. COSLA will work with our partners both locally and nationally across ELC, education, children's services and health to address these issues.
40. Local Government are committed to Keeping the Promise and evidence of the steps councils have taken were presented in the [recent Local Government annual report on progress](#). Embedding family support in the provision of ELC, something local authorities are experienced in doing, will be even more key moving forward, in line with recommendations on holistic family support within the Promise. As such, we have concerns with the proposed inclusion of children's services within the remit of the National Care Service, which could create new barriers between organisations, impacting on the offer to children and their families. Local authorities have worked hard to destigmatise help seeking, and embed support within the services people access and the places children and families go, and the inclusion of children's services in the National Care Service could risk undoing this.

## Conclusion

41. Local authorities and their partners have worked hard to deliver the 1,140 hours expansion despite the challenging backdrop of the pandemic. As we move forward and into a period of recovery from the pandemic, we are focused on supporting our workforce in delivering high quality services which improve outcomes for children and their families. We hope that this submission is useful to the committee in their consideration and look forward to discussing these issues at the session on 25<sup>th</sup> May.

## Appendix 1 - Briefing Paper – quick guide to ELC Funding

This short paper is aimed at providing a very brief overview of the funding of statutory early learning and childcare delivered in line with the Children and Young People Act 2014 (as amended). For further information on the model of childcare delivery, please refer to [Funding Follows the Child and the National Standard for Early Learning and Childcare](#).

Funding for provision of

Funding for an additional  
540 Hours



**Budget available to Local Authorities to deliver 1140 Hours statutory**

