

ANNEX B – Partnership Issues in Local Authorities – 14 August 2018

Partnership Issues in Local Authorities

Background

1. This summary reflects input that we have received from providers through a variety of channels including: the stakeholder engagement events that supported the National Standard consultation; early consideration of responses to the consultation; ongoing engagement with the NDNA, and official level and Ministerial correspondence we have received from providers.
2. The engagement with providers has highlighted that the relationship between local authorities and providers varies across the country – with providers highlighting both positive and negative examples of partnership working. The key issues raised by providers tend to focus on:
 - the rates paid to partner providers by the local authority;
 - perceived lack of engagement with providers (and feeling that they are not ‘genuine partners’);
 - lack of access to capital funding; and
 - and lack of involvement in phasing of 1140 hours (and in some cases that the approach taken to phasing by the local authority negatively impacts on the sustainability of some providers).

Summary

3. The list below sets out the local authorities which have been highlighted most frequently by providers.
4. It is important to note that in some areas it may be the case that there is often only a small, but very vocal, number of providers raising issues. However, we have seen more coordinated action in some areas over the last 12 months – including in North and South Lanarkshire, Dumfries and Galloway, Stirling and Glasgow. We are now starting to see more coordinated action in South Ayrshire.
5. There are a large group of authorities for whom we have not seen any correspondence, and there are some authorities which are frequently praised by partners for their approach to partnership working (Edinburgh, Highland, and Moray).
6. The list below covers the authorities where issues have frequently been raised regarding partnership approach – we have grouped based on how prevalent the correspondence has been in recent months and the extent of the issues raised.

Areas where issues currently being raised

- **South Ayrshire**
 - Providers reporting poor relationship with the authority, particularly regarding lack of consultation on developments

ANNEX B – Partnership Issues in Local Authorities – 14 August 2018

- Group of 9 partner providers appear to be grouping together and local councillors.
- **South Lanarkshire**
 - Partner concerns with approach to phasing – ballot approach, lack of engagement and strategic planning, etc
 - Different rates for providers delivering 600 hours and 1140 hours raised
- **Glasgow**
 - Issues raised amongst private partners regarding delays to confirmation of funding rates (and we also have anecdotes regarding late payments to providers)
 - Some partners raising issues regarding lack of engagement
 - However, there appears to be positive messages regarding partnership working with providers in the voluntary sector and also with the approach to using childminders.
- **North Lanarkshire**
 - Correspondence eased off in recent months, but a lot of previous correspondence regarding the restrictive procurement approach and concerns over rates offered.

Authorities where there appears to be progress in resolving issues

- **Stirling**
 - Concerns raised earlier this year regarding their approach to phasing (it was raised at the NDNA event that the Minister spoke at in March), however we have followed up on this recently and Stirling's approach to phasing does seem to have considered potential provider impacts, and been strategic in nature
 - They are also offering a relatively high rate for providers phasing in 1140 hours (£5.45 per hour, plus extra for meals) – however, they have a lower rate for those still just delivering 600 hours.
 - We have also had positive feedback on their work with childminders)
- **Borders**
 - This was focused on the relationship with childminders, and correspondence in this area has quietened down recently.
- **Dumfries and Galloway**
 - Previous concerns with approach to phasing, and poor engagement.
 - We understand that the situation is improving and D&G have revised approach following input from providers

Authorities where we have not received enough correspondence or feedback to indicate potential challenges

ANNEX B – Partnership Issues in Local Authorities – 14 August 2018

- **Falkirk** (we heard some feedback at the consultation events indicating that this may not be the most 'partner friendly' authority, but no recent direct correspondence – funded hours currently predominately delivered in LA settings)
- **West Lothian** (one provider in particular is raising concerns, and there is a perception that the authority prioritises LA settings and makes it more difficult for partners – again, funded hours currently predominately delivered in LA settings)
- **East Dunbartonshire**
- **East Renfrewshire**
- **Renfrewshire** (they have come up in some correspondence recently, but this may reflect the parental consultation they recently undertook on early learning and childcare provision and which concluded on 6 July).

ANNEX C - Workforce expansion profile

Local Authority Workforce Profile

Key Findings:

- In the period 16/17-17/18, there was a net increase of 765 FTE¹ staff
- Workforce forecasted to increase by 9,193 FTE from 2017/18-2021/22
- In this period, 7,880 of the additional FTE staff are practitioners
- In this period, staff headcount is expected to increase by 9,193-11,382
- Majority of additional staff are hired in financial years 2019-20 & 2020-21

These are interim findings from finance templates as submitted in March 2018 and will be revised following finalisation of the key funding decisions – quantum, allocation and phasing.

Summary:

This note is based on analysis of local authority finance templates submitted during March 2018. Local authority workforce expansion is monitored over 4 staff categories: managers, practitioners, specialists and auxiliary staff. The data has been provided in term of full time equivalent (FTE) and headcount needs to be estimated. Depending on the proportion of all year and term-time contracts, the workforce headcount is projected to increase by 9,193 to 11,382 between 2017-18 and 2021-22 (see table 2). Table 3 shows the number of additional FTE staff per local authority, indicating that practitioners increase by the largest nominal figure (7,880 FTE), then managers (500 FTE), then specialists (418 FTE) and then auxiliary (395 FTE).

Practitioners:

The number of practitioners is forecasted to grow by an additional 7,880 FTE staff between 2017-18 and 2021-22. Under an assumption of 50% term-time and 50% all year contracts, this would indicate that an additional 8,718 practitioners (headcount) are required to deliver the additional 540 hours of funded ELC. Following this assumption, table 4 provides a local authority level breakdown of the year on year practitioner requirement.

Managers:

Table 5 highlights the varying preliminary approaches to managers required and several local authorities report no increase. Following the assumption that there is a 50%:50% split between all year and term time contracts, this would suggest that a headcount of 553 additional managers are required between 2017-18 and 2021-22.

Specialists:

The specialist category is very diverse and includes roles such as teachers, additional graduates, speech and language therapists and specialist ASN staff. In general, staff in specialist roles are not ratio-committed. Table 6 also shows the large variation between local

¹ FTE is defined as working 1820 hours per year, which equates to working 35 hours a week over 52 weeks.

ANNEX C - Workforce expansion profile

authorities approaches to utilising specialists in their staffing model. In particular the reduction between 2016/17 and 2017/18 shown in table 1. Specialists will typically be utilised over a range of settings and outwith pre-primary care and the emphasis on the role of specialists in ELC post-expansion appears to vary substantially across local authorities. Overall, local authorities expect to deploy an additional 418 FTE specialists over the period 2017-18 and 2021-22.

Auxiliary:

Lastly table 7 shows the increase in auxiliary staff. A 50%:50% all year and term-time split in contracts indicates an additional headcount of 437 between 2017-18 and 2021-22.

Current Progress

The information sourced from the finance templates was provided at the end of 17/18 financial year. This provided two years (16/17 & 17/18) of factual data, in contrast to the forecasted information from 18/19 to 21/22.

Due to a lack of verifiable data on the proportion of staff on term time and all year contracts it is difficult to ascertain the exact number of individuals delivering ELC. Consequently the estimates of headcount in table 1 & 2 are presented as a range, showing the number of staff per category² on the basis of 100% on all year contracts and 0% term time and then moving in 20% increments to 80% all year and 20% term time. The end of the scale shows the headcount if 0% of the staff are on all year contracts and 100% of the staff are on term-time contracts.

The net increase in FTE staff³ during 16/17-17/18 provides a robust account of progress during the first period of additional funding. Under the 50% all year & 50% term-time assumption, there was a net increase in total headcount of 846 staff.

Table 1: Additional Staff Head Count Breakdown 16/17-17/18

All Year	Term-Time	Practitioner	Manager	Specialist	Auxiliary	Total
100%	0%	744	26	-	50	765
80%	20%	774	28	-	52	796
60%	40%	806	29	-	55	829
50%	50%	823	29	-	56	846
40%	60%	841	30	-	57	865
20%	80%	879	31	-	60	904
0%	100%	921	33	-	62	947

The following analysis sets the benchmark at 17/18 and looks at the additional required staff in relation to this point in time.

² Staff categories are separated into practitioners, managers, specialists and auxiliary.

³ As the finance templates provided information on staff in terms of hours, it cannot be reliably determined whether there has been an increase in the number of staff hired. The information does show the net change in staff hours, which has then been converted into an FTE unit.

ANNEX C - Workforce expansion profile

Workforce Projections

Additional Staff (2017/18-2021/22):

This looks at the additional staff required from 2017/18 as forecasted by local authorities. The first row of table 2 shows the number required if 100% of the workforce is on all year contracts, with the headcount gradually increasing as a greater proportion of the workforce is on term time contracts.

Table 2: Additional Staff Head Count Breakdown (17/18-21/22)

All Year	Term-Time	Practitioner	Manager	Specialist	Auxiliary	Total
100%	0%	7,880	500	418	395	9,193
80%	20%	8,195	520	435	411	9,561
60%	40%	8,537	542	453	428	9,959
50%	50%	8,718	553	463	437	10,171
40%	60%	8,908	565	473	446	10,392
20%	80%	9,313	591	494	467	10,865
0%	100%	9,756	619	518	489	11,382

Table 3: Additional FTE Staff 2017-18 to 2021-22

	Practitioners	Managers	Specialists	Auxiliary	Total
Scotland	7880	500	418	395	9193
Aberdeen City	285	5	30	6	325
Aberdeenshire	327	62	6	3	399
Angus	141	10	4	8	163
Argyll & Bute	131	0	11	3	144
Clackmannanshire	51	2	8	4	65
Dumfries & Galloway	158	10	3	0	171
Dundee City	267	6	7	17	297
East Ayrshire	240	24	20	17	301
East Dunbartonshire	193	13	4	12	222
East Lothian	331	4	-38	4	302
East Renfrewshire	123	1	8	10	142
Edinburgh, City of	624	-3	40	76	737
Eilean Siar	38	4	1	0	43
Falkirk	339	19	8	38	405
Fife	460	9	29	6	504
Glasgow City	900	101	108	21	1130
Highland	429	9	16	14	468
Inverclyde	146	4	8	6	164
Midlothian	203	12	3	34	252
Moray	126	10	-4	0	132
North Ayrshire	126	24	24	1	174
North Lanarkshire	350	96	0	22	467
Orkney Islands	49	4	-2	0	51
Perth & Kinross	205	4	6	16	232
Renfrewshire	309	15	24	17	365
Scottish Borders	152	0	10	0	162
Shetland Islands	43	1	15	3	61
South Ayrshire	179	13	9	5	206
South Lanarkshire	449	17	31	34	531
Stirling	68	19	7	12	107
West Dunbartonshire	136	6	8	6	155
West Lothian	303	0	15	0	317

Issues

ANNEX C - Workforce expansion profile

Estimating headcount:

All the information is sourced from financial templates that local authorities completed, detailing quantitative information on how the expansion will be delivered. Staffing was reported in terms of hours to ensure comparability between local authority plans. Information on the headcount of staff has been estimated and is indicative.

An expectation of the expansion is that ELC will be delivered in more settings with all year provision and so, by 2021/22, more staff are expected to be on all year contracts than at the present. In the annex, tables 4-7 show a year by year, local authority level breakdown of the additional staff required. This has been provided on the assumption of a 50%:50% split between those on all year contracts and those on term-time contracts.

- Term-time output is based on 1470 hr. contracts: 35 hours per week, over 42 weeks.
- All year output is based on 1820 hr. contracts: 35 hours per week, over 52 weeks.

In addition to the impact of the composition of all year and term time contracts , there is the additional impact on staff headcount from part-time and full-time contracts. Whilst this will affect the headcount for the current workforce, the assumption has been made that any additional staff will be on full-time contracts.

Uncertainty around funding:

As the figures are taken from the local authority completed finance templates before the funding quantum was agreed upon, the staffing figures will be subject to change. Any reduction from the total revenue figure forecasted by local authorities will impact the amount of additional staff that can be recruited. Additionally, the method of funding allocation and its phasing prior to full rollout is also yet to be decided and may result in local authorities receiving more or less than they projected in their templates.

ANNEX C - Workforce expansion profile

Annex

Annex A: YOY Additional Practitioners (50% Term Time, 50% All Year)

The following four tables show a year on year, local authority level breakdown of additional staff. It is a headcount estimate which assumes that 50% of the workforce are on all year contracts and 50% of the workforce are on term time contracts. It assumes that all additional staff will be on full-time contracts.

Table 4: Additional Practitioners

	2018-19	2019-20	2020-21	2021-22
Scotland	1899	3140	2780	898
Aberdeen City	27	0	213	75
Aberdeenshire	62	129	171	0
Angus	199	68	-99	-13
Argyll & Bute	54	41	36	14
Clackmannanshire	10	27	19	0
Dumfries & Galloway	23	41	72	39
Dundee City	68	81	105	42
East Ayrshire	39	76	139	11
East Dunbartonshire	63	58	69	23
East Lothian	39	150	159	19
East Renfrewshire	23	12	107	-6
Edinburgh, City of	150	85	290	165
Eilean Siar	13	12	14	3
Falkirk	28	126	146	75
Fife	88	179	152	89
Glasgow City	139	807	50	0
Highland	104	61	169	140
Inverclyde	16	105	24	16
Midlothian	61	76	84	3
Moray	32	54	27	26
North Ayrshire	31	65	43	0
North Lanarkshire	25	265	121	-23
Orkney Islands	9	16	20	9
Perth & Kinross	37	43	94	52
Renfrewshire	102	82	115	44
Scottish Borders	52	35	61	21
Shetland Islands	29	17	3	-2
South Ayrshire	94	112	-9	2
South Lanarkshire	132	158	152	54
Stirling	4	39	26	7
West Dunbartonshire	69	34	35	13
West Lothian	75	87	173	0

ANNEX C - Workforce expansion profile

Annex B: YOY Additional Managers (50% Term Time, 50% All Year)

	2018-19	2019-20	2020-21	2021-22
Scotland	107	199	230	17
Aberdeen City	0	4	13	-12
Aberdeenshire	19	19	31	0
Angus	0	2	9	0
Argyll & Bute	0	0	0	0
Clackmannanshire	0	1	1	0
Dumfries & Galloway	1	2	5	3
Dundee City	-2	3	4	2
East Ayrshire	2	7	13	3
East Dunbartonshire	2	5	6	2
East Lothian	3	1	1	0
East Renfrewshire	0	0	1	0
Edinburgh, City of	0	0	-2	-1
Eilean Siar	3	1	0	0
Falkirk	3	4	11	2
Fife	0	2	5	3
Glasgow City	33	12	67	0
Highland	1	9	0	0
Inverclyde	2	0	2	0
Midlothian	4	4	6	0
Moray	5	5	2	0
North Ayrshire	8	13	6	0
North Lanarkshire	0	86	20	0
Orkney Islands	3	0	0	0
Perth & Kinross	1	0	2	1
Renfrewshire	3	5	6	2
Scottish Borders	0	0	0	0
Shetland Islands	1	0	0	0
South Ayrshire	3	2	4	4
South Lanarkshire	2	7	8	2
Stirling	8	3	7	2
West Dunbartonshire	3	1	1	2
West Lothian	0	0	0	0

ANNEX C - Workforce expansion profile

Annex C: YOY Additional Specialists (50% Term Time, 50% All Year)

Table 6: Additional Specialists				
	2018-19	2019-20	2020-21	2021-22
Scotland	319	108	19	25
Aberdeen City	5	2	8	18
Aberdeenshire	7	0	0	0
Angus	0	2	2	0
Argyll & Bute	5	5	2	0
Clackmannanshire	7	2	0	0
Dumfries & Galloway	8	3	-5	-2
Dundee City	0	4	3	1
East Ayrshire	11	6	0	6
East Dunbartonshire	2	0	1	1
East Lothian	3	-33	-12	0
East Renfrewshire	3	4	5	-3
Edinburgh, City of	29	5	8	4
Eilean Siar	1	1	0	0
Falkirk	9	0	0	0
Fife	25	7	0	0
Glasgow City	74	47	0	0
Highland	11	7	0	0
Inverclyde	4	5	1	0
Midlothian	3	0	0	0
Moray	-1	-1	-2	0
North Ayrshire	17	10	0	0
North Lanarkshire	0	0	0	0
Orkney Islands	-2	-1	0	0
Perth & Kinross	0	4	3	0
Renfrewshire	20	9	-1	0
Scottish Borders	1	7	3	0
Shetland Islands	7	7	3	0
South Ayrshire	13	0	-4	0
South Lanarkshire	29	2	3	1
Stirling	4	3	1	0
West Dunbartonshire	9	0	0	0
West Lothian	15	2	0	0

ANNEX C - Workforce expansion profile

Annex D: YOY Additional Auxiliary (50% Term Time, 50% All Year)

Table 7: Additional Auxiliary				
	2018-19	2019-20	2020-21	2021-22
Scotland	78	112	189	59
Aberdeen City	2	4	8	-7
Aberdeenshire	1	1	1	1
Angus	5	2	2	0
Argyll & Bute	3	0	0	0
Clackmannanshire	1	1	2	0
Dumfries & Galloway	0	0	0	0
Dundee City	3	8	8	0
East Ayrshire	3	5	7	4
East Dunbartonshire	0	0	9	4
East Lothian	1	1	1	1
East Renfrewshire	2	1	8	0
Edinburgh, City of	13	9	48	14
Eilean Siar	0	0	0	0
Falkirk	4	21	9	7
Fife	1	2	2	2
Glasgow City	8	8	8	0
Highland	5	2	2	7
Inverclyde	3	0	3	0
Midlothian	2	5	16	14
Moray	0	0	0	0
North Ayrshire	0	1	0	0
North Lanarkshire	0	8	16	0
Orkney Islands	0	0	0	0
Perth & Kinross	6	4	6	2
Renfrewshire	7	4	4	3
Scottish Borders	0	0	0	0
Shetland Islands	1	1	1	0
South Ayrshire	1	2	1	1
South Lanarkshire	5	13	17	3
Stirling	1	6	5	1
West Dunbartonshire	0	0	4	2
West Lothian	0	0	0	0

ANNEX C - Workforce expansion profile

Annex E: Workforce – 16/17-21/22:

This details the entire expansion process, providing a headcount estimate for the number of staff required to deliver 1140 hours.

All Year	Term-Time	Practitioner	Manager	Specialist	Auxiliary	Total
100%	0%	8,624	526	368	440	9,958
80%	20%	8,969	548	382	458	10,356
60%	40%	9,342	570	398	477	10,788
50%	50%	9,541	582	407	487	11,017
40%	60%	9,749	595	416	497	11,257
20%	80%	10,192	622	435	520	11,769
0%	100%	10,677	652	455	545	12,329

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

ELC expansion – Local Authority Finance Templates V2, report for Finance Working Group

Introduction

This note summarises the key findings from the local authority finance templates submitted on and around 2 March 2018. It covers the quantitative returns and also summarises the responses to the questionnaire which allowed authorities to add explanation and narrative to accompany the quantitative projections. Overall, the finance templates were completed thoroughly and provide an enormous wealth of high quality information to support Scottish Government and local authorities in preparing for the expansion of the funded ELC entitlement.

Revenue Expenditure

Overall Revenue Expenditure

At a national level, revenue expenditure is projected to increase between 2017-18 and 2021-22 by £528 million (114 per cent) and to reach to just less than £1 billion at full roll out. Compared to the projections submitted in September 2017, this represents a small decrease of around 4 per cent.

Table 1A: Revenue expenditure summary: 2017-18 and 2021-22

	Total revenue spend 2017-18 £	Total revenue spend 2021-22 £	Change in revenue spend 17-18 to 21-22 £	Change in revenue spend 17-18 to 21-22 %
Finance Template V1 Sept 2017	456,835,337	1,027,401,012	570,565,676	125%
Finance Template V2 March 2018	460,844,941	988,320,227	527,475,286	114%

Table 1B: Revenue Expenditure summary: Sum of all local authorities

	Diff. In Rev. Spend 2017-18 £	Diff In Rev Spend 2021-22 £	Diff In Change In Revenue Spend 17-18 To 21-22 £	Diff In Rev Spend 2021-22 %
FT V2 vs FT V1	4,009,604	- 39,080,785	- 43,090,389	-4%

Across local authorities there is a significant range in the projected revenue increase required to support the ELC expansion between 2017-18 and 2021-22, from a low of 67 per cent to a maximum of 225 per cent - Table 2.

The composition of expenditure in 2021-22 is shown in table 3. On average, expenditure on ratio-committed staff makes up just under half of the total and, at local authority level, shows a strong negative correlation with the share of expenditure on partner providers. Across authorities, the biggest variation is in the share of expenditure on non-ratio staff. This group includes managers, specialists and auxiliary staff based in settings and excludes staff in central support functions. Round

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

a quarter of authorities expect to spend less than 10 per cent of total revenue on these functions, around a half expect to spend between 10 and 20 per cent and a quarter expect to spend 20 per cent or more. **It would be very helpful to get the Finance Working Group’s views on the likely drivers for this variation (explored further later in the paper).**

Table 2: Total projected revenue expenditure: 2017-18 to 2021-22 and FT1 to FT2

	FT2 2017-18	FT2 2021-22	Change in revenue spend 17-18 to 21-22	FT1 2021-22	Change in rev spend 21-22 FT1 to FT2
Scotland	£460,859,685	£988,395,937	114%	£1,027,401,012	-4%
1	£6,219,469	£10,395,263	67%	£10,713,152	-3%
2	£9,274,783	£16,910,409	82%	£18,580,445	-9%
3	£2,980,853	£5,524,147	85%	£5,711,830	-3%
4	£2,790,793	£5,267,408	89%	£4,771,688	10%
5	£14,169,334	£27,396,579	93%	£35,591,316	-23%
6	£7,983,081	£15,493,474	94%	£19,813,680	-22%
7	£9,304,811	£18,127,458	95%	£23,858,731	-24%
8	£65,622,379	£129,146,802	97%	£126,505,252	2%
9	£9,413,243	£18,845,454	100%	£18,277,591	3%
10	£13,840,431	£27,789,675	101%	£30,531,422	-9%
11	£22,863,179	£46,733,595	104%	£46,678,709	0%
12	£20,742,066	£42,422,310	105%	£44,686,110	-5%
13	£28,042,303	£58,050,636	107%	£69,594,556	-17%
14	£7,821,869	£16,215,364	107%	£24,219,747	-33%
15	£30,845,839	£64,722,756	110%	£58,815,312	10%
16	£9,354,250	£19,799,830	112%	£20,047,136	-1%
17	£1,816,526	£3,904,531	115%	£3,823,586	2%
18	£8,300,342	£17,964,343	116%	£15,094,224	19%
19	£15,274,721	£33,617,210	120%	£44,202,213	-24%
20	£10,214,565	£22,510,479	120%	£22,172,948	2%
21	£20,149,614	£44,478,060	121%	£46,859,258	-5%
22	£34,599,447	£76,313,616	121%	£77,171,886	-1%
23	£9,216,197	£20,662,046	124%	£20,960,770	-1%
24	£16,006,430	£36,165,126	126%	£35,321,682	2%
25	£9,284,290	£21,075,912	127%	£21,258,745	-1%
26	£6,600,850	£15,180,625	130%	£14,548,789	4%
27	£11,083,614	£26,324,461	138%	£26,459,841	-1%
28	£24,119,169	£57,653,137	139%	£64,148,109	-10%
29	£10,782,847	£26,526,083	146%	£23,628,951	12%
30	£9,176,830	£22,672,019	147%	£20,276,354	12%
31	£5,014,117	£14,651,908	192%	£11,937,994	23%
32	£7,951,443	£25,855,219	225%	£21,138,982	22%

Overall unit cost (expenditure per hour of ELC delivered, including lunch costs) in 2021-22 is projected to average £7.45. Around a quarter of all hours can be delivered for £5.97 or less and around three quarters for £7.44 an hour or more. See table 3 for a breakdown of local authority unit costs.

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

Table 3 : Unit cost – spend per hour of statutory ELC provided; all spend, all settings

	2017-18	2021-22	2021-22 excl. lunch
Scotland	£6.65	£7.45	£6.87
1	£4.94	£6.15	£5.69
2	£7.12	£6.14	£5.71
3	£5.24	£6.31	£5.80
4	£4.65	£6.60	£5.96
5	£5.11	£6.45	£5.97
6	£6.00	£6.85	£6.04
7	£5.44	£6.54	£6.19
8	£6.64	£6.78	£6.32
9	£6.68	£6.89	£6.42
10	£5.12	£7.27	£6.54
11	£6.04	£7.06	£6.56
12	£4.45	£7.22	£6.77
13	£8.48	£7.78	£6.89
14	£5.60	£7.46	£7.11
15	£6.79	£7.68	£7.14
16	£6.36	£7.86	£7.15
17	£6.86	£7.63	£7.19
18	£7.45	£7.80	£7.26
19	£7.06	£7.89	£7.44
20	£6.99	£7.97	£7.57
21	£7.36	£8.08	£7.65
22	£8.18	£8.08	£7.68
23	£6.84	£8.42	£7.77
24	£6.83	£8.88	£8.19
25	£8.31	£9.10	£8.44
26	£8.95	£9.13	£8.66
27	£8.90	£9.29	£8.70
28	£7.36	£9.48	£9.02
29	£10.13	£9.50	£9.11
30	£9.99	£9.86	£9.31
31	£7.91	£10.53	£10.10
32	£9.91	£10.87	£10.47

Ratio-committed staff

Ratio-committed staff (full time equivalent) were identified by local authorities in the finance templates. It is understood that this is inevitably an imperfect science as some staff members will be ratio-committed only some of the time – managers covering for staff lunch breaks, for example. Authorities also provided information on how the FTE was defined in terms of hours per week and weeks per year which has allowed us to create a standardised FTE (35 hours, 52 weeks) which enables us to compare across finance templates on a like-for-like basis (table 4).

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

Overall, ratio-committed FTE are projected to increase by around 94 per cent between 2017-18 and 2021-22, roughly in line with the expected increase in funded ELC hours delivered in local authority settings (90 per cent increase). This correlation is largely absent at a local authority level with some authorities projecting an increase in ratio-committed staff significantly less than proportionate to the increase in ELC provision and others projecting a disproportionately large increase in staffing.

Table 5 shows the projected levels of ratio-committed staff output (proportion of contact time). The average number of hours of funded ELC delivered in local authority settings per ratio-committed FTE falls only marginally (2 per cent) between 2017-18 and 2021-22 to just over 7,000. Across authorities, the maximum projected level in 2021-22 is 8,636 and the minimum 4,199. The majority of authorities expect some decline in staff productivity during the expansion, but 14 authorities expect staff productivity to hold steady or improve. Over 60 per cent of all local-authority delivered funded ELC is in local authorities projecting staff productivity of 7,000 ELC hours or greater.

From the template questionnaire, for ratio-committed staff, four main variables determine the amount of time spent out of direct contact:

- The amount of holiday ranged depending on different local authority allowances, the staff role and length of service. For an FTE Ratio-Committed Staff member holiday allowance plus public holidays had the upper bound of 40 days.
- Sickness also ranged from roughly 3 to 10 days per FTE per year
- Training also substantially ranged; the means of when training was delivered also affected staffing models. Whether it was in in-service days, whether it was delivered in the first term (and staffing wasn't staggered) highlights the varying methods of local authorities to model absence and cover.
- The amount of prep and planning time for the majority of local authorities is typically between 1 and 1.4 hours per day (14%-20% of weekly hours). as this is a weekly or daily occurrence it has the largest impact on time spent out of contact.

By first removing the holiday entitlement and then applying training, sickness and other non-contact factors, this indicates that 68.5% of ratio-committed staff time is spent delivering ELC.

Substantial minority of local authorities (9/30) have said they are able to take account of staggered starts of three year olds and vary their workforce over the year accordingly. **It would be helpful to understand how authorities which do not take account of staggered starts deploy staff in the early part of the academic year.**

**ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 –
Revised LA Estimates**

Table 4: Ratio committed staff FTE

	FTE 2017-18	FTE 2021-22	FTE % change	LA ELC hours % change
Scotland	7,417	14,400	94%	89%
1	101	146	44%	65%
2	150	222	48%	118%
3	578	905	57%	78%
4	203	318	57%	83%
5	343	602	75%	76%
6	290	514	77%	83%
7	139	250	79%	80%
8	148	267	80%	103%
9	137	248	82%	87%
10	419	765	83%	119%
11	158	291	84%	71%
12	381	709	86%	96%
13	48	90	86%	73%
14	205	380	86%	81%
15	221	414	87%	96%
16	490	924	89%	72%
17	247	474	92%	108%
18	405	786	94%	69%
19	895	1,768	97%	123%
20	433	859	98%	78%
21	148	300	103%	80%
22	41	84	105%	34%
23	269	577	114%	87%
24	140	302	116%	82%
25	35	79	122%	63%
26	145	328	127%	110%
27	91	222	144%	71%
28	105	264	152%	59%
29	184	490	166%	98%
30	92	259	181%	74%
31	135	413	207%	139%
32	41	151	264%	95%

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

Table 5: ratio-committed staff contact time (local-authority delivered funded ELC hours per FTE)

	2017-18	2021-22	% change 17-18 to 21-22
Scotland	7,184	7,013	-2%
1	6,006	4,199	-30%
2	4,635	4,307	-7%
3	6,475	4,749	-27%
4	4,742	4,758	0%
5	5,187	4,830	-7%
6	7,597	4,976	-35%
7	9,377	5,029	-46%
8	4,329	5,186	20%
9	6,330	5,513	-13%
10	5,195	5,636	8%
11	6,590	5,840	-11%
12	6,229	6,064	-3%
13	7,839	6,101	-22%
14	6,779	6,253	-8%
15	5,601	6,417	15%
16	7,858	6,628	-16%
17	6,520	6,873	5%
18	5,910	6,914	17%
19	10,774	6,920	-36%
20	4,787	7,022	47%
21	6,982	7,322	5%
22	7,327	7,358	0%
23	7,131	7,373	3%
24	7,211	7,404	3%
25	8,198	7,487	-9%
26	9,303	8,093	-13%
27	13,200	8,150	-38%
28	11,041	8,203	-26%
29	7,322	8,275	13%
30	7,557	8,578	14%
31	7,602	8,581	13%
32	9,604	8,636	-10%

Non-ratio staff

Non-ratio staff covers functions such as setting managers, specialists and auxiliary staff and excludes staff in central support roles. Information provided by authorities enables us to calculate the number of standardised FTE non-ratio staff (35 hours, 52 weeks). Overall, authorities are projecting significant increases in non-ratio staff – up 163 per cent at Scotland-level, with 13 authorities expecting to at least triple numbers and one anticipating a six-fold increase.

The enormous variance in approach between local authorities is illustrated in the final column of table 6 which shows the ratio of ELC hours delivered in local authority settings to non-ratio FTE staff. The average across all authorities is one FTE for every 25,000 ELC hours (roughly one non-ratio FTE for every 22 children) with a range from around one for every 8,800 hours (roughly one FTE for every

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

eight children) to one FTE for 220,000 ELC hours (roughly one FTE for every 195 children). **It would be helpful to explore the drivers for this variation with the Finance Working Group.**

In the template questionnaire, this section highlighted the increased complexity of offering multiples models of delivery and the increased organisational complexity of moving a substantial amount of settings into all year provision.

The number of FTE managers required was often related back to the type of setting and the number of children that were within that setting.

In response to questions on central staff, many local authorities referenced the increased role placed on central teams to deliver the national standard and quality assurance. Additionally the increased complexity in delivery models from the baseline position was another factor referenced in support of a larger expansion of central teams.

Table 6: Number standardised FTE non-ratio staff

	2016-17	2021-22	% change 16-17 to 21-22	ELC hrs per FTE
Scotland	1,526	4,011	163%	25,178
1	41	63	52%	14,930
2	184	289	57%	25,696
3	36	60	67%	38,075
4	15	26	71%	66,548
5	80	139	74%	13,219
6	18	32	76%	29,526
7	26	47	80%	8,858
8	20	37	86%	84,915
9	58	109	89%	12,894
10	38	71	90%	21,845
11	51	98	92%	18,670
12	300	592	97%	24,711
13	95	209	120%	14,463
14	13	29	128%	140,133
15	46	110	140%	19,127
16	28	73	160%	28,272
17	13	37	192%	68,101
18	3	8	216%	48,698
19	26	89	245%	25,822
20	24	85	248%	21,535
21	61	216	253%	29,503
22	44	166	280%	23,967
23	28	108	282%	24,832
24	21	78	282%	28,002
25	37	144	293%	19,874
26	2	9	319%	43,192
27	136	601	344%	12,914
28	50	232	364%	16,307
29	16	98	527%	49,697
30	18	124	574%	55,611
31	-	9		220,776
32	-	22		34,341

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

Population and Hours

Overall, local authorities are expecting a higher population of 2-4⁴ year olds than the official projections produced by National Record Scotland (NRS) – 6,000 more in total (table 7). Ten authorities are expecting population to be more than 5 per cent greater than NRS projections including two between 15 and 20 per cent and one projecting an population 46 per cent higher than the NRS projections. Only one authority is expecting a significantly lower population (17 per cent lower than NRS). In total, the additional population suggests around 7 million hours of funded ELC more than implied by following the NRS projections.

The feedback from the questionnaire reflects that many authorities feel that the NRS 2014 based population projections do not tell the full story. However, estimates of the intra-authority migration of children is largely one way, with outflows generally not taken account of. Therefore the total estimated population of children per local authority estimates appears to exceed reasonable estimates of the national birth rate. **The Finance Working Group is invited to discuss the implications of this variation for the overall estimates.**

On 2 year old uptake (table 8) many local authorities were more optimistic than the SG assumption of 50 per cent uptake of the eligible population 2021, with an overall average uptake figure of 64 per cent projected. Ten local authorities expect a two year old uptake rate of 75 per cent or greater.

⁴ The first template contained an error calculating the number of 5 year old children taking up ELC. The re-issue corrected this, however the work-around issued for the first template was still incorporated in the re-issued finance template. This is being corrected with local authorities however as an interim solution only 2 to 4 year old population figures have been taken into account.

**ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 –
Revised LA Estimates**

Table 7: Population 2-4 year olds

	FT 2021-22	NRS 2021	Difference Between FT & NRS
Scotland	175,229	169,185	6,044
1	593	579	14
2	674	674	0
3	758	758	0
4	1,595	1,595	0
5	2,240	2,200	40
6	2,170	2,250	-80
7	2,938	2,679	259
8	2,718	2,753	-35
9	2,840	2,840	0
10	3,090	3,100	-10
11	3,215	3,184	31
12	3,748	3,259	489
13	4,805	3,286	1,519
14	3,411	3,411	0
15	3,463	3,441	22
16	4,104	3,501	603
17	3,976	3,776	200
18	4,050	3,970	80
19	4,419	4,055	364
20	4,303	4,303	0
21	4,901	4,901	0
22	5,468	5,080	388
23	5,444	5,409	35
24	6,626	6,204	422
25	6,833	6,833	0
26	7,396	7,363	33
27	9,248	9,164	84
28	8,226	9,817	-1,591
29	11,351	10,918	433
30	12,678	11,840	838
31	16,266	15,851	415
32	21,682	20,191	1,491

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

Table 8: 2 Year old eligibility and uptake

	2017/18 FT Eligibility	2017/18 FT Uptake	2021/22 Uptake	Projected percentage point change 17- 18 to 21- 22	2017/18 SG Eligibility	2017 SG Uptake
Scotland	27%	48%	64%		26%	37%
1	21%	52%	52%	0	21%	52%
2	16%	50%	50%	0	16%	41%
3	29%	59%	59%	0	29%	59%
4	27%	50%	50%	0	30%	28%
5	17%	50%	50%	0	17%	44%
6	27%	60%	60%	0	26%	29%
7	32%	65%	65%	0	32%	47%
8	27%	80%	80%	0	26%	57%
9	29%	70%	70%	0	41%	40%
10	10%	85%	85%	0	14%	75%
11	27%	70%	70%	0	27%	56%
12	100%	100%	100%	0	27%	31%
13	25%	11%	11%	0	27%	19%
14	15%	48%	52%	4	15%	41%
15	16%	63%	70%	7	16%	70%
16	38%	41%	50%	9	38%	41%
17	19%	41%	50%	9	19%	28%
18	34%	68%	80%	12	34%	46%
19	28%	64%	76%	12	28%	63%
20	38%	48%	60%	12	38%	48%
21	23%	35%	50%	15	23%	35%
22	23%	54%	70%	16	23%	50%
23	12%	32%	50%	18	12%	32%
24	32%	37%	55%	18	32%	34%
25	35%	30%	50%	20	35%	22%
26	11%	20%	50%	30	11%	40%
27	13%	45%	75%	30	13%	45%
28	22%	20%	50%	30	22%	31%
29	24%	40%	75%	35	24%	24%
30	25%	60%	100%	40	11%	59%
31	25%	35%	85%	50	15%	44%
32	21%	42%	100%	58	21%	38%

Lunches

The substantial majority of local authorities have used the indicative £3 lunch unit cost which is based on the average price of provision in P1-P3. Whilst £3 is proposed SG average, many local authorities had conducted their own research into the cost and agreed with this figure. From the finance templates, on average children are projected 182 meals per year by 2021-22. As a point of reference: 45% all-year provision and 55% term-time provision with 75% take-up is equal to 159 meals per child per year.

**ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 –
Revised LA Estimates**

Table 9: Lunches per child per year and lunch unit cost

	Average Number of Lunches per Child	Lunch Unit Cost, £
Scotland	182	£3.19
1	105	£3.00
2	116	£3.28
3	124	£3.00
4	131	£3.00
5	132	£3.00
6	133	£3.27
7	136	£3.00
8	137	£3.00
9	141	£3.24
10	143	£3.00
11	146	£3.00
12	149	£4.66
13	151	£3.68
14	151	£3.00
15	152	£3.00
16	153	£3.00
17	154	£3.00
18	160	£3.00
19	162	£3.00
20	164	£3.00
21	164	£3.00
22	168	£3.09
23	171	£3.00
24	189	£3.00
25	190	£3.00
26	218	£3.00
27	220	£3.00
28	225	£3.00
29	228	£3.93
30	231	£3.20
31	241	£3.00
32	272	£3.00

**ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 –
Revised LA Estimates**

Partner Provider rate

Table 10: Partner Provider rates 2021-22

	2 YOs	3&4s
Scotland	£5.92	£5.40
1	£6.50	£5.00
2	£5.00	£5.00
3	£6.51	£5.05
4	£5.50	£5.05
5	£5.30	£5.30
6	£5.30	£5.30
7	£6.00	£5.31
8	£6.00	£5.31
9	£6.00	£5.31
10	£5.31	£5.31
11		£5.31
12		£5.31
13	£5.31	£5.31
14	£5.31	£5.31
15	£5.31	£5.31
16	£6.31	£5.31
17	£5.31	£5.31
18	£6.00	£5.31
19	£5.31	£5.31
20	£6.00	£5.31
21	£5.31	£5.31
22	£8.50	£5.31
23	£5.65	£5.31
24	£6.00	£5.31
25		£5.45
26		£5.45
27	£6.00	£5.45
28	£5.50	£5.50
29	£8.80	£5.50
30	£5.55	£5.55
31	£6.50	£6.00
32		£6.00

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

Flexibility

A substantial minority of local authorities have assumed that 10 hour sessions will be possible and have been integrated into their plans to provide flexible cover. Over a third do not explicitly say, however the significant majority of the remainder are planning to operate some settings for 10 hours. One issue raised on 10 hour sessions for children is the possibility of having to provide two meals a day and the inability to fund this.

When asked how they incorporated flexibility into their model, the substantial majority of local authorities cited the change to their operating model, e.g. offering several options to parents between term-time, term-time extended hours, all year (varying interpretations from 48 weeks to 52.16) and the use of partner providers. Child-minders were often cited for delivering flexibility in rural areas.

What isn't clear from the survey responses is the link between the changed operating model and staffing (and consequently revenue). Maximum deliverable hours per setting have increased, but how much of these additional hours are fully staffed was not clear. Some local authorities indicated a peak and off-peak style model, where the middle of the day is fully staffed and outside peak hours staffing was reduced below maximum capacity.

Additionally, more innovative and flexible use of staff time, changing between ratio and non-ratio indicates that staffing models are seeking to meet statutory requirements in challenging operational environments without hiring excess staff. However this means that higher-salaried staff are performing the roles of lower-salaried staff.

ANNEX D – Finance Working Group – Meeting 08 – 14 March 2018 - Paper 1 – Revised LA Estimates

Local Authority share of statutory provision 2021-22

**Table 11: Share of total statutory hours delivered in local authority settings
2021-22**

	2s	3&4s	5s
Scotland	78%	76%	77%
1	40%	37%	44%
2	20%	56%	56%
3	60%	60%	60%
4	85%	64%	77%
5	80%	64%	60%
6	0%	65%	65%
7	78%	65%	98%
8	100%	69%	100%
9	10%	70%	70%
10	90%	71%	74%
11	15%	72%	75%
12	73%	73%	75%
13	95%	75%	75%
14	39%	75%	100%
15	100%	76%	80%
16	98%	76%	85%
17	50%	77%	0%
18	26%	78%	78%
19	100%	79%	79%
20	78%	79%	79%
21	80%	80%	79%
22	62%	80%	80%
23	100%	81%	100%
24	87%	82%	92%
25	88%	84%	85%
26	89%	85%	85%
27	88%	85%	92%
28	98%	87%	87%
29	92%	89%	98%
30	88%	90%	100%
31	94%	90%	96%
32	48%	94%	0%

ANNEX E - ELC Workforce Model

EXPANSION OF EARLY LEARNING AND CHILDCARE: SCOTTISH GOVERNMENT WORKFORCE MODEL

Introduction

This note describes the approach and assumptions which currently underpin the Scottish Government's estimates of the additional financial resources and workforce required to deliver the expansion of the funded early learning and childcare (ELC) entitlement to 1,140 hours a year.

In September 2016 the Scottish Government published the *Financial review of early learning and childcare in Scotland: the current landscape*⁵. The *Financial Review* improved our understanding of the expenditure and costs associated with delivering ELC provision and drew on specific data collections from local authorities and from partner providers that were conducted as part of the Financial review.

Following completion of the Financial Review, Scottish Government analysts have developed a detailed model to inform our financial and workforce estimates of the ELC expansion.

As well as drawing on data from the Financial Review the model is underpinned by a range of additional data and assumptions covering uptake rates; staff and training costs; and projected population. We continue to monitor these assumptions and underpinning data to ensure that the model reflects the most recent information.

The Scottish Government is currently working closely with COSLA and local authorities to reach agreement by the end of April on the quantum of the multi-year funding package for delivering the expansion.

This sets out the assumptions and data sources underpinning the workforce estimates in the model.

Overview

Quantity of Funded ELC - overview

The first step of our modelling is to estimate expected demand for the funded entitlement at full rollout in 2021-22, which is the first full financial year after implementation. This is calculated based on population projections, eligibility criteria and uptake estimates. Demand is allocated between provider types based on assumptions:

- regarding the share of the entitlement delivered by local authorities and funded providers; and
- around the share of providers offering year-round and term-time-only provision.

⁵ <http://www.gov.scot/Publications/2016/09/8729>

ANNEX E - ELC Workforce Model

Workforce Costs- overview

A fundamental aspect of the modelling approach is that workforce is calculated on the basis of what is required to deliver the full 1,140 hours and not simply the additional workforce required for the expansion (on top of the current entitlement of 600 hours per year).

The total 1,140-hours workforce requirement is estimated based on staff:child ratios and assumptions about staff availability and output. The existing workforce is deducted from that total required to provide an estimate of the additional workforce requirement. This approach does not take the current allocation of workforce as a given and assumes, implicitly, that where the existing workforce exceeds the adjusted staff:child ratios, that they are available to be re-allocated to deliver the expanded entitlement.

The estimated additional workforce requirement is used, along with data on training costs and wage and non-wage employer costs, to estimate the expected additional workforce expenditure required from 2018-19 through to 2021-22.

Details of the modelling approach

The above steps are now described in more detail.

Quantity of Funded ELC – detail

The quantity of funded ELC at each year of age which will be delivered at full rollout is calculated by multiplying the population at ages 2-5 by the expected % eligible and the expected % uptake, as follows:

- Population estimates are taken from the National Records Scotland 2014-based principal population projections, by sex, single year of age and year⁶.
- Eligibility is universal (100%) for 3 and 4 four year olds; we estimate that current 2 year old eligibility is 25%⁷ and assume that it will remain at this level throughout; parents are able to defer the entry of their child into primary school and access a further year of funded ELC as a 5 year old if the child is born in January or February ie around 17% of the population.
- Uptake of 3 and 4 year olds is currently around 100% and we assume this will continue; uptake of funded ELC by eligible 2 year olds is currently estimated at around 36% and we assume that this will increase to 50% by 2021-22; uptake of ELC by (deferred) 5 year olds is currently around 50% and we assume this will continue.
- 3 year olds become eligible for the funded entitlement at the start of the term after their third birthday. As a result, children in their ante-pre-school year will receive, on average,

⁶ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-projections/sub-national-population-projections/2014-based/detailed-tables>

⁷ This estimate is based on data from HMRC and DWP on the number of children in households in receipt of qualifying benefits and on Scottish Government data on the number of looked after children. The full eligibility criteria for 2 year olds are described here: <https://www.mygov.scot/childcare-costs-help/funded-early-learning-and-childcare/>

ANNEX E - ELC Workforce Model

around 75% of a full year's funded ELC and the estimated uptake of ELC hours is adjusted accordingly.

Having calculated the total expected hours of funded ELC at each child year of age, those hours are then distributed across the following categories:

- Children with / without additional support needs (ASN) – we assume that the number of children with ASN increases to 18% of the attending population at each age, up from 16% in 2017⁸.
- Provider type: we assume that the proportion of 3-5 year olds receiving funded ELC in local authority settings remains as now at around 75%, with the remainder receiving their ELC at partner provider and childminder settings; we assume that the proportion of 2 year olds receiving the funded entitlement at partner and childminder settings increases slightly to around 20% with the remainder receiving their funded entitlement in local authority settings
- Year round / term time provision – we assume that the proportion of children receiving provision in a year round context increases to 45% of 3-5 year olds and 35% of two year olds. Currently settings accounting for around 23% of local authority registered capacity places offer year-round availability⁹. The equivalent figure for funded provider settings is 96%. It is unknown exactly what proportion of funded ELC hours are currently taken on a term-time or year-round basis

Overall we expect around 130 million hours of funded ELC to be delivered in total at full rollout of 1140 hours in 2021-22 with around 100 million of those hours provided in local authority settings.

Workforce Costs- detail

To calculate the workforce required in local authority settings to deliver the funded ELC entitlement we model what a full-time equivalent (FTE) practitioner can deliver in terms of ELC hours and divide the total number of ELC hours through by that figure to arrive at an estimate of the total number of FTEs required.

To do this we assume that an FTE practitioner is available to deliver the funded entitlement for around 65% of their contracted hours with the remainder of their time given over to holidays, preparation time and periodic under-utilisation due to the provision of additional flexibility in how the service is made available to parents. We assume that the workforce is deployed in accordance with the Care Inspectorate guidelines on staff:child ratios as follows: 1:5 for 2 year olds; 1:8 for 3-5 year olds; and we assume these ratios are reduced by two for children with ASN (ie to 1:3 and 1:5 respectively).

The estimate of the currently available workforce is derived from 2016 data provided by SSSC and based on Care Inspectorate annual returns. The SSSC data includes figures for workforce headcount by staff grade and also figures for average hours worked, from which we calculate an estimated

⁸ See Scottish Government, Early Learning and Childcare Statistics, Additional Early Learning and Childcare Tables <http://www.gov.scot/Topics/Statistics/Browse/Children/Pubs-Pre-SchoolEducation>

⁹ See The Expansion of Early Learning and Childcare, Evaluation report 2017 <http://www.gov.scot/Publications/2017/12/5250/downloads>

ANNEX E - ELC Workforce Model

number of FTE. This figure is then adjusted to account for the reported increase in local authority expenditure on ELC between 2016 (when the staff data was collected) and 2017-18 (which we use as the baseline year for estimating additional revenue funding requirements). We assume that 80% of the increase in spending was used accounted by staff costs and funded the recruitment of more practitioners (this assumption is in-line with the cost information in the Financial Review regarding the average contribution of staffing costs to overall costs in local authority settings).

To calculate the number of additional managers required we assume 0.8 FTE managers per setting and that the total number of local authority settings increases by around 600. We deduct from this the total number of available managers based on SSSC data.

The additional cost of the workforce is calculated using employee cost information (salary and non-salary cost) provided by local authorities.

Our understanding of the workforce required in funded provider settings is more limited. Based on research conducted for Scottish Government by Ipsos MORI in 2016 we estimate that around 60% of staff time in partner settings is spent delivering care to 3-5 year olds and that provision of the 1,140 entitlement would imply around 50% of staff time in these settings - ie the extent to which the expansion in funded entitlement results in entitlement hours displacing currently paid-for hours. This suggests that funded providers *may* be able to deliver 1,140 hours using the existing workforce.

ANNEX F - Overview of HE and FE ELC Requirements

ELC FE and HE Estimated Training Requirements for 2018-19 and 2019-20

Purpose

1. This note provides details of our current working assumptions of the additional college and university places that are required in the period in order to support the expansion of funded Early Learning and Childcare entitlement to 1140 hours by August 2020.

Background

2. The estimates of additional workforce requirements are produced using the ELC Finance and Workforce model which has been developed by the DCAF Analytical Unit. The model contains a large number of assumptions regarding the delivery of future ELC services and the routes through which new workers are trained.
3. The model estimates that by 2020 around 8,000 to 11,000 additional workers (headcount) will be required in the sector (this excludes normal annual churn in the sector). The model contains a number of assumptions regarding the training routes through which new entrants to the sector, or upskilling staff, undertake.
4. Around one third of practitioner training is provided through Colleges and Universities – the rest is delivered through a range of different routes organised by providers and local authorities. This includes contracting with private training providers, in-house training routes, and may involve contracting directly with colleges and universities (in addition to what is funded through the SG).

Estimated Training Requirements

5. Table 1 sets out our estimates for the number of people that will have to be trained under the various training courses at colleges and universities over the period to 2019-20.
6. ELC HNCs are delivered by both colleges and universities (with the UHI providing in the university sector). As highlighted below the HNCs delivered through UHI are considerably more expensive than those delivered through the college sector.
7. In 2017-18 we required 650 additional HNC ELC graduates. 71 of these places were delivered through the university sector, through UHI, with 579 delivered through colleges. **We estimate that in 2018-19 we require an additional 1,500 graduates through the HNC route. We have applied the same split between colleges and UHI as in 2017-18 (assuming that around 11% are delivered through UHI), resulting in 1,336 through colleges and 164 through UHI.**

ANNEX F - Overview of HE and FE ELC Requirements

8. The estimates for 2019-20 are our current working assumptions although we are continuing to work with the SFC, local authorities and stakeholders to finalise these.

Table 1: Estimated Additional workers to undertake ELC Training in Colleges and Universities (Headcount)

Training Route	2017-18		2018-19		2019-20	
	New Starts	Cumulative Places to be funded	New Starts	Cumulative Places to be funded	New Starts	Cumulative Places to be funded
<u>College</u>						
HNC (College)	579	579	1,336	1,336	519	519
PDA	80	80	85	165	85	170
<u>University</u>						
HNC (UHI)	71	71	164	164	64	64
BA Childhood Practice (expansion)	0	0	353	353	353	706
BA Childhood Practice (Add Grad)	270	270	0	270	0	270
PGDE (Primary) for Add Grad	126	126	0	0	0	0

9. Funding for college and university places is provided on the basis of FTE requirements. The headcount figures in table 1 are then converted into estimates of the FTEs to be delivered in colleges and universities. The following adjustments are made:
- The PDAs and BAs are undertaken on a part-time basis resulting in numbers for these courses in table 1 being reduced by 50%; and
 - Estimates of student drop-out rates, which require a larger number of places to be provided. For HNCs and PDAs we apply the same drop-out adjustment as used by SFC for the 2017-18 (nearly 21%)¹⁰. For BA childhood practice courses we apply a 10% drop-out rate.
10. Table 2 sets out the adjusted requirements for the additional FTEs on college and university ELC training courses. These FTE estimates are then used to calculate the funding requirements for these additional places.

¹⁰ 748 FTEs provided to deliver 619 FTE graduates (579 HNC FTEs and 40 PDA FTEs). Drop-out rate assumption similar to the one in the ELC finance and workforce model.

ANNEX F - Overview of HE and FE ELC Requirements

Table 2: Estimated Additional FTE places for ELC at Colleges and Universities (includes drop out adjustment)

Training Route	2017-18		2018-19		2019-20	
	New Starts	Cumulative Places to be funded	New Starts	Cumulative Places to be funded	New Starts	Cumulative Places to be funded
<u>College</u>						
HNC (College)	700	700	1,615	1,615	628	628
PDA	48	48	51	100	51	103
<u>University</u>						
HNC (UHI)	71	71	198	198	77	77
BA Childhood Practice (expansion)	0	0	194	194	194	388
BA Childhood Practice (Add Grad)	135	135	0	135	0	135
PGDE (Primary) for Add Grad	126	126	0	0	0	0

Estimated Costs for delivering the Additional ELC Training

11. The first phase of the workforce expansion required for 1140 hours commenced in 2017-18. To support this we provided the Scottish Funding Council (SFC) and the Student Awards Agency Scotland (SAAS) with additional funding to expand capacity in ELC training places in colleges and universities. To date in 2017-18 we have provided **£4.43 million** to support this investment with:
- **£1.943 million** for additional HNC and PDA places at colleges (to deliver 571 HNCs and 80 PDAs);
 - **£1.219 million** for the additional BA Childhood Practice places at universities (270 additional places to support delivery of the Additional Graduate commitment), and 71 additional HNCs at UHI; and
 - **£246,000** to SAAS for the part-time fee grant for the BA Childhood Practice (this is based on 50% eligibility for the grant amongst the 2017-18 intake). No other SAAS costs were required in 2017-18.
12. Whilst funding was provided from the ELC budget for additional courses in both colleges and universities in 2017-18, it was agreed, as part of the development of the Draft Budget, that in 2018-19 the costs associated with the college places would be absorbed within the overall SFC funding envelope. Funding would be provided from the ELC budget to cover the additional ELC courses delivered through universities.
13. Table 3 provides an overview of the unit costs, as confirmed with the Scottish Funding Council, for each course. This covers the teaching costs (which are funded through SFC) and SAAS costs.

ANNEX F - Overview of HE and FE ELC Requirements

Table 3: FTE unit teaching costs SAAS costs for each training course

Training Route	2017-18			2018-19		
	Teaching	SAAS	Total	Teaching	SAAS	Total
College						
HNC (College)	£2,349	£1,285	£3,634	£2,529	£1,285	£3,814
PDA	£2,349	£1,285	£3,634	£2,529	£1,285	£3,814
University						
HNC (UHI)	£5,918	£1,285	£7,203	£6,102	£1,285	£7,387
BA Childhood Practice	£5,918	£1,285	£7,203	£6,102	£1,285	£7,387

Note: Teaching Figures for HNCs and PDAs are based on students undertaking an average of 16 credits

14. Tables 4 and 5 set out the estimated costs, and the expected funding contribution from the ELC Budget, for each training route based on the unit costs in Table 3 and the FTE requirements set out in Table 2¹¹. Table 4 covers the estimated SFC costs (for teaching) and table 5 estimates the potential SAAS costs. The SAAS costs in table 5 should be seen as a maximum, as a large number of students on the degree level qualifications will not be eligible for the part-time fee grant. Our working assumption is that around 50% of those on the BA course will be eligible.

Table 4: Estimated costs, and ELC Budget Funding Requirement, for Teaching Costs (SFC)¹²

Training Route	2017-18		2018-19		2019-20	
	Estimated Cost	Funding from ELC Budget	Estimated Cost	Funding from ELC Budget	Estimated Cost	Funding from ELC Budget
College						
HNC (College)	£1,643,511	£1,820,331	£3,792,717	£0	£1,474,103	£0
PDA	£113,541	£125,757	£234,179	£0	£241,275	£0
University						
HNC (UHI)	£420,178	£420,178	£1,208,146	£1,208,146	£469,566	£469,566
BA Childhood Practice (expansion)	£0	£0	£1,184,703	£1,184,703	£2,369,407	£2,369,407
BA Childhood Practice (Add Grad)	£798,930	£798,930	£823,770	£823,770	£823,770	£823,770
PGDE (Primary) for Add Grad	£1,022,000	£1,022,000	£0	£0	£0	£0
Total	£3,998,160	£4,187,196	£7,243,515	£3,216,619	£5,378,121	£3,662,743

¹¹ There is a student support element for the college courses that the SFC have applied, and which in 2017-18 was covered by funding from the ELC Budget, which accounts for the discrepancy between the estimated costs and funding from the ELC Budget line columns in this year.

¹² For 2019-20 we have applied the 2018-19 rates.

ANNEX F - Overview of HE and FE ELC Requirements

Table 5: Estimated costs, and ELC Budget Funding Requirement, for SAAS Costs

Training Route	2017-18		2018-19		2019-20	
	Estimated Cost	Funding from ELC Budget	Estimated Cost	Funding from ELC Budget	Estimated Cost	Funding from ELC Budget
College						
HNC (College)	£899,068	£0	£2,074,773	£0	£806,395	£0
PDA	£124,224	£0	£256,211	£0	£263,975	£0
University						
HNC (UHI)	£91,235	£0	£254,419	£254,419	£98,884	£98,884
BA Childhood Practice (expansion)	£0	£0	£498,966	£498,966	£997,931	£997,931
BA Childhood Practice (Add Grad)	£173,475	£246,000	£346,950	£346,950	£346,950	£346,950
PGDE (Primary) for Add Grad	£0	£0	£0	£0	£0	£0
Total	£1,288,002	£246,000	£3,431,319	£1,100,335	£2,514,136	£1,443,765

15. Table 6 provides a summary of the total estimated costs and ELC budget funding requirement. Table 7 shows the estimated annual changes for each training route. We have also included an adjusted funding requirement based on 50% eligibility amongst BA Childhood Practice students for the part-time fee grant.

16. Whilst the estimated (maximum) cost is expected to double to £10.7 million in 2018-19, due to the college costs being absorbed by SFC the overall funding requirement from the ELC Budget declines slightly (by around £115,000). As well as the absorption of the college costs, this also reflects the one-year training costs for the additional PGDE places no longer being required.

Table 6: Total Estimated Costs for Additional ELC College and University Training Places (SFC plus SAAS)

Training Route	2017-18		2018-19		2019-20	
	Estimated Cost	Funding from ELC Budget	Estimated Cost	Funding from ELC Budget	Estimated Cost	Funding from ELC Budget
College – Teaching	£1,757,052	£1,946,088	£4,026,896	£0	£1,715,378	£0
University – Teaching	£2,241,108	£2,241,108	£3,216,619	£3,216,619	£3,662,743	£3,662,743
College – SAAS	£1,023,292	£0	£2,330,984	£0	£1,070,370	£0
University - SAAS	£264,710	£246,000	£1,100,335	£1,100,335	£1,443,765	£1,443,765
Total Funding (max SAAS BA costs)	£5,286,162	£4,433,196	£10,674,834	£4,316,954	£7,892,256	£5,106,508
Total Funding (50% SAAS BA costs)	£5,199,424	£4,433,196	£10,251,876	£3,893,996	£7,219,816	£4,434,068

ANNEX F - Overview of HE and FE ELC Requirements

Table 7: Estimated Annual Changes in Additional ELC College and University Training Places (SFC plus SAAS)

Training Route	2018-19		2019-20	
	Estimated Cost	Funding from ELC Budget	Estimated Cost	Funding from ELC Budget
College - Teaching	£2,269,844	£1,946,088	£2,311,518	£0
University - Teaching	£975,511	£975,511	£446,123	£446,123
College - SAAS	£1,307,692	£0	£1,260,614	£0
University - SAAS	£835,625	£854,335	£343,430	£343,430
Total Funding (max SAAS BA costs)	£5,388,672	£116,242	£2,782,578	£789,554
Total Funding (50% SAAS BA costs)	£5,052,452	£539,200	£3,032,061	£540,071

Overall 2018-19 ELC Revenue Budget

17. Table 8 provides an overview of the current estimated multi-year revenue requirements for delivering the expansion, highlighting the expected destination of funding.
18. This is slightly amended version of a table shared with the Finance Working Group in December, which more accurately reflect current spend on FE and HE provision and revise future estimates to reflect the latest unit cost figures provided by the Scottish Funding Council. The 2017-18 figures now show the detail of the funding that was provided from the ELC Budget for the additional college and university places. Previously some of this funding had been reflected in the 'ELC Central Budget' line, which was estimated as a residual (and was previously estimated at around £4.2 million in most years through to 2021-22).
19. Due to the absorption of college costs by the SFC, the amount required from the ELC budget to fund the additional training places in 2018-19 actually declines. As a result the total revenue requirement has been constrained, so there is no change to the annual requirement.

Service Models Team
ELC Policy Unit
13th February 2018

ANNEX F - Overview of HE and FE ELC Requirements

Table 8: SG Multi-year revenue estimates for ELC Expansion

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
(1) Baseline Local Authority ELC Costs 2017-18 (est.)	£418,500,000	£418,500,000	£418,500,000	£418,500,000	£418,500,000
(2) Additional CYP 2014 Act funding	£0	£11,000,000	£11,700,000	£11,700,000	£11,700,000
(3) Estimated Additional Cost for Local Authorities	£1,200,000	£56,100,000	£157,000,000	£238,800,000	£280,100,000
- Additional Training Costs	£0	£4,400,000	£1,700,000	£0	£0
- Additional Staffing Costs (adjusted for inflation)	£0	£28,200,000	£104,100,000	£158,900,000	£174,600,000
- Additional Operating Costs	£0	£0	£0	£32,100,000	£49,400,000
- Additional Graduate Commitment (staff)	£0	£18,000,000	£18,300,000	£18,600,000	£18,900,000
- Free lunches (universal from August 2020)	£1,200,000	£2,400,000	£3,200,000	£22,100,000	£37,300,000
- Phasing Costs	£0	£0	£23,300,000	£7,200,000	£0
- Central Costs (policy)	£0	£3,100,000	£6,300,000	£0	£0
(4) Estimated additional cost of funded provider provision	£400,000	£700,000	£1,000,000	£88,100,000	£122,400,000
- Additional funded provider payments	£0	£0	£0	£38,300,000	£59,000,000
- Living Wage Commitment	£0	£0	£0	£42,600,000	£51,300,000
- Free lunches (universal from August 2020)	£400,000	£700,000	£1,000,000	£7,100,000	£12,100,000
(5) Training and Education Costs (SFC and SDS)	£4,400,000	£4,300,000	£5,100,000	£3,400,000	£1,700,000
- HNCs	£2,200,000	£1,500,000	£600,000	£0	£0
- MAs	£0	£0	£0	£0	£0
- BA/PDA (expansion)	£100,000	£1,700,000	£3,400,000	£3,400,000	£1,700,000
- BA and PGDE (Primary) - Additional Graduate	£2,100,000	£1,200,000	£1,200,000	£0	£0
(6) Scottish Government Direct ELC Spend	£4,700,000	£3,800,000	£5,400,000	£5,000,000	£4,800,000
- Central ELC Team Budget	£1,800,000	£2,300,000	£2,900,000	£3,500,000	£3,800,000
- Delivery Model Trials	£1,200,000	£0	£0	£0	£0
- Marketing Costs for Recruitment Campaigns, etc	£1,000,000	£1,000,000	£1,000,000	£0	£0
- Childcare Deposit Guarantee	£200,000	£0	£1,000,000	£1,000,000	£1,000,000
- Inclusion fund	£500,000	£500,000	£500,000	£500,000	£0
(7) Estimated Total Revenue Cost	£429,100,000	£494,400,000	£598,700,000	£765,500,000	£839,200,000
(8) Estimated Annual Additional Revenue Cost for 1140		£65,300,000	£104,200,000	£166,800,000	£73,700,000
(9) Additional Revenue compared to 2017-18		£65,300,000	£169,600,000	£336,300,000	£410,100,000

Early Learning and Childcare – Additional Training and Workforce Capacity

ELC Training Routes

- We estimate that up to 11,000 additional workers (headcount) will be required by 2020 to support the expansion in funded early learning and childcare entitlement to 1140 hours.
- The majority of the new entrants to the sector will be at practitioner level - all ELC practitioners must either hold a SCQF level 7 benchmark qualification (such as an HNC) or agree that their registration is subject to a condition that they secure this within their first period of registration.
- Historically around a third of practitioners have secured their qualification through the HNC route (provided by Colleges and Universities).
- All qualifications to enter the ELC sector require a large amount of practice based training (and all HNC students require a placement with a setting).
- However, the majority of new practitioners undertake the SVQ route (with more learning 'on-the-job'), which in the majority of cases is delivered via private training providers and local authority academies.

Additional ELC Training Provision in Colleges

- In order to support the first phase of the ELC workforce expansion we have worked with the Scottish Funding Council to provide in 2017-18 an additional:
 - 650 HNC Childhood Practice places across Scotland's Colleges (and in UHI); and
 - 80 graduate level PDA Childhood Practice places.
- There will be a further increase in training places in 2018-19 to support the second phase of the workforce expansion:
 - 1,615 additional HNC places at Colleges and 198 HNCs at UHI; and
 - 85 additional graduate level PDA Childhood Practice places.
- Our initial estimate is that 583 additional HNCs will be required in 19/20 to help meet the needs of ELC expansion.
- However, we will undertake further work to gather intelligence on the additional demands for HNC places for early year course in Colleges in 2019-20.

ANNEX H - Briefing for DFM on new builds/refurbs – 29 May

Early learning and childcare

Planned capital projects by authority, according to March 2018 Finance Templates

Note – These figures are based on local authority templates submitted in March 2018. A number of authorities are in the process of revising their capital plans following confirmation of multi-year funding allocations on 1 May 2018, which may impact upon the figures presented below.

Authority	Refurbishmen t	Extensio n	New Build	Outdoo r	Sub- Total	Other *	Tota l
Aberdeen City	4	6	10	9	29	2	31
Aberdeenshire	19	10	5	1	35	2	37
Angus	10	8	3	10	31	3	34
Argyll & Bute	15	8	3	3	29	1	30
Clackmannanshire	5	0	1	1	7	1	8
D&G	8	3	1	1	13	3	16
Dundee	4	3	2	0	9	0	9
East Ayrshire	11	4	6	5	26	1	27
East Dunbartonshire	7	1	4	0	12	0	12
East Lothian	8	5	8	1	22	1	23
East Renfrewshire	2	4	3	0	9	2	11
Edinburgh	13	13	8	7	41	2	43
Eilean Siar	1	2	0	0	3	0	3
Falkirk	15	17	1	14	47	4	51
Fife	15	10	11	4	40	1	41
Glasgow	76	24	10	0	110	6	116
Highland	22	29	9	0	60	4	64
Inverclyde	5	0	3	6	14	0	14
Midlothian	3	1	8	2	14	3	17
Moray	10	2	3	0	15	3	18
North Ayrshire	36	3	1	0	40	0	40
North Lanarkshire	5	6	7	0	18	4	22
Orkney	7	1	0	2	10	1	11
Perth and Kinross	8	5	4	3	20	0	20
Renfrewshire	12	9	5	3	29	4	33
Scottish Borders	8	2	3	0	13	1	14
Shetland	9	4	1	0	14	0	14
South Ayrshire	6	7	4	1	18	0	18
South Lanarkshire	5	1	7	17	30	2	32
Stirling	23	6	2	0	31	2	33
West Dunbartonshire	28	3	1	3	35	2	37
West Lothian	9	9	4	7	29	3	32
Scotland	409	206	138	100	853	58	911

*Other includes a wide range of capital initiatives, including: investment in IT systems; furniture, fixtures and equipment; kitchen facilities; and grants to partners.

ANNEX I - ELC Funding Multi-year agreement

Early learning and childcare funding

Background: Scottish Ministers and COSLA Leaders reached agreement on a multi-year revenue and capital funding package for the expansion of early learning and childcare on Friday 27 April. Minister for Childcare and Early Years made a statement to Parliament on Tuesday 1 May. We issued allocation letters to local authorities on the same day.

We reached a 'landmark agreement' with COSLA Leaders on 27 April on a multi-year revenue and capital package to fully fund the expansion

- The agreement will see annual revenue investment in early learning and childcare reach around £990 million by 2021-22, an increase of **£567 million** on 2016-17 levels.
- We will also provide **£476 million** in capital funding over four years.
- The total revenue and capital spend over five years from 2017-18 to 2021-22 will reach almost £2 billion.
- Agreement on the funding package underlines the Scottish Government's commitment to fully fund this policy, and allows us to move into the delivery phase of the expansion.

We are meeting our commitment to fully fund our transformative expansion of early learning and childcare entitlement to 1140 hours by 2020.

- We have a track record of fully funding the previous expansion from 475 to 600 hours of funded early learning and childcare.
- Following extensive engagement over more than two years to establish a robust shared understanding of the costs attached to the expansion, we have reached agreement with COSLA Leaders on a funding package.
- The funding package is underpinned by a shared commitment to significantly increase uptake of the entitlement by 2 year olds and to pay sustainable rates to providers in the private and third sectors.
- The annual revenue funding agreed with COSLA is around £150 million higher than the £840 million minimum annual funding announced in October 2017. This is driven by:
 - local authorities reporting higher 2016-17 spend on ELC than the estimates reflected in published returns (c. £30 million);
 - local authorities assuming 64% uptake by eligible 2 year olds whereas we had assumed 50% (c. £20 million);
 - agreeing a higher unit cost assumption for ratio-committed staff and higher numbers of non-ratio staff (c. £30 million plus c. £30 million); and
 - agreeing a higher estimate of the unit cost of providing a lunch to children in ELC and a higher number of lunches per child per year (c. £20 million).

COSLA reaction

- COSLA's Resources Spokesperson Councillor Gail Macgregor commented that the funding deal is "a culmination of months of hard work, negotiation and real partnership working behind the scenes."
- COSLA's Education Spokesperson Councillor Stephen McCabe stated that his "main objective is to ensure that every child in Scotland is offered the best possible start in life" and that this funding agreement "sets us down this road."

Table: Local authority funding for ELC expansion by financial year (£m)

	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	33	96	307	508	567
Capital	30	150	175	121	-

ANNEX J - ELC 2018-19 Revenue funding for Local Authorities – Letter

Children and Families Directorate
Creating Positive Futures Division



Scottish Government
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Local Authority Chief Executives
Local Authority Directors of Finance
Local Authority Directors of Education

Copy to:
Jane O'Donnell, COSLA
Vicki Bibby, COSLA
Lesley Gibb, ADES Early Years Network
Craig Clement, ADES Resources Network

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.

Victoria Quay, Edinburgh EH6 6QQ
www.gov.scot



ANNEX J - ELC 2018-19 Revenue funding for Local Authorities – Letter

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).

ANNEX J - ELC 2018-19 Revenue funding for Local Authorities – Letter

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 [REDACTED] ELC Programme Director on [REDACTED]



JOE GRIFFIN

ANNEX J - ELC 2018-19 Revenue funding for Local Authorities – Letter

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

ANNEX K - ELC Expansion Plans – Finance Template Reissue Letter

Children and Families Directorate
Creating Positive Futures Division



Scottish Government
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Local Authority Chief Executives

Copy to:
Local Authority Directors of Education
Local Authority Directors of Finance
Jane O'Donnell, COSLA
Vicki Bibby, COSLA

25 January 2018

Dear Colleagues

EARLY LEARNING AND CHILDCARE – FINANCIAL ESTIMATES

You will be aware that Ministers accepted a proposal from COSLA Leaders in November 2017 to agree a one-year revenue and capital funding package for the expansion of early learning and childcare (ELC) for 2018-19, to be announced in the Scottish Draft Budget, and to work towards reaching consensus on multi-year funding requirements as early as possible in 2018.

The ELC Finance Working Group has been working hard to understand the differences between the initial revenue cost estimates and indicative capital allocation prepared by Scottish Government and those reflected in local authority expansion plans submitted in September. The group has also been working to understand the significant variation which exists between local authority estimates. It became clear through the review of expansion plans and the analysis undertaken so far that there is scope for further refinement to both local authority and Scottish Government estimates to take account of the mutual learning from the expansion planning process. Following discussion with the Finance Working Group, we decided to request a formal resubmission of local authority estimates via a refreshed finance template that takes account of feedback received from authorities.

We have sought to minimise any additional requests in the revised template, but we are looking to understand better the assumptions made by authorities in relation to staff utilisation, uptake, and, in particular, the approach to flexibility. We are also seeking to understand better the anticipated linkage between demand and supply. This information will help us and the Finance Working Group to analyse more effectively the respective local authority and Scottish Government cost estimates.

We continue to strongly encourage local authorities to address capacity challenges by applying the expansion planning principles of: making best use of what we have; buying where possible, through supporting a wide range of partners including childminders and third sector partners; and building where needed.

Victoria Quay, Edinburgh EH6 6QQ
www.gov.scot



ANNEX K - ELC Expansion Plans – Finance Template Reissue Letter

The resubmitted templates will provide us with an up to date set of local authority revenue and capital estimates for the expansion, which will inform the agreement of the total quantum of the multi-year funding package.

The ELC Delivery Team will be in contact with each authority with a further offer of support to assist you with the review of your finance estimates and preparation of the refreshed template, building on the productive workshops held in October and November 2017. I am also happy to meet with you or your colleagues as part of that process.

The refreshed finance template and accompanying guidance note is attached to this letter. I would be very grateful if you could arrange for your authority to complete and resubmit this template to ELCDeliverySupport@gov.scot by close of play on **Friday 2 March 2018**. I would ask that submitted templates are signed off by chief executives, or that you delegate authority to do so to another senior officer.

JOE GRIFFIN

ANNEX L – ELC Funding Multi-year agreement – Summary of agreement 1 May 2018

Early learning and childcare – Multi-year funding package

Summary of agreement reached by Scottish Ministers and COSLA Leaders

SECTION 1: Revenue

Table 1 compares the estimated additional revenue requirements in 2021-22 set out in the two iterations of finance templates completed by local authorities in September 2017 and March 2018 respectively.

The estimates are compared to a baseline of 2016-17, to include initial spending by local authorities in 2017-18 in support of delivering the expansion to 1140 hours.

Table 1: Local authority revenue multi-year funding estimates (aggregate 2016-17 to 2021-22 inclusive)

	Mar 2018 Returns (cash)	Mar 2018 Returns (real terms)*
Increase relative to 2016-17 baseline	£563m	£601m

*Inflation adjustment is on equivalent basis to SG funding estimate

The Scottish Government will provide local authorities with total recurring revenue funding of **£567 million** per annum by 2021-22 to deliver the expansion in entitlement to funded early learning and childcare (ELC) to 1140 hours.

This figure has been calculated as the total local government estimate, as reflected in finance templates submitted to the Scottish Government in March 2018 and uprated for inflation, less an adjustment of **£33.9 million** in respect of NRS 2014 population projections. The NRS 2014 population projections represent the best information available at local authority level at the time the templates were produced.

The Scottish Government has already committed to provide £97 million of recurring revenue funding by 2019-20, so the additional revenue funding to be provided by 2021-22 is **£470 million**.

Table 2 compares the additional funding requirements in each year from 2018-19 in the period up to 2021-22, relative to 2016-17, and in both cash and real terms. These figures are then adjusted to reflect funding already committed.

Table 2: Local authority revenue multi-year funding estimates by financial year (£m)

	2018-19	2019-20	2020-21	2021-22	Total
Cumulative total recurring funding	96	307	508	567	-
Less: Recurring funding already committed	(96)	(97)	(97)	(97)	-
Cumulative additional funding		210	411	470	-
Year-on-year additional funding		210	201	59	470

*Inflation adjustment is on equivalent basis to SG funding figures

ANNEX L – ELC Funding Multi-year agreement – Summary of agreement 1 May 2018

Key assumptions

- Statutory entitlement to 1140 hours for eligible 2 year olds and for all 3 and 4 year olds will come into effect from August 2020 so the first full financial year of operation will be 2021-22.
- These cost estimates reflect the costs associated with the implementation of the consultation draft of the National Standard for Funded Providers (published 29 March 2018). Any changes to the consultation draft which impact upon costs of delivery will be met.
- These cost estimates reflect a welcome planned increase in uptake by eligible 2 year olds to 64% (compared to 50% in the Scottish Government funding model and 36% estimated actual uptake in 2017).

Review arrangements

The revenue funding package will be subject to an annual review to provide assurance to both parties that the funding package reflects the costs of delivery and uptake in terms of population and 2 year-olds.

The ELC Finance Working Group will agree proportionate annual review arrangements.

This review could result in the total amount of funding provided being adjusted upwards or downwards on the basis of the evidence presented in the review.

SECTION 2: Capital

Table 3 – Local authority capital multi-year funding estimates (aggregate 2017-18 to 2021-22 inclusive)

	March 2018
£ million	512

The Scottish Government will provide local authorities with total capital funding of £476 million over the financial years 2017-18 to 2020-21 inclusive to deliver the expansion in entitlement to funded early learning and childcare (ELC) to 1140 hours.

This figure has been calculated as the total local government estimate, as reflected in finance templates submitted to the Scottish Government in March 2018, less an adjustment of £36 million following the application of agreed capital funding principles to proposed new build projects. These principles comprise standard area and cost reference rates and the exclusion of land purchase costs. Reference rates acknowledge rurality. This adjustment has been made to ensure equity and fairness across all new build settings.

The profile of capital funding by year is set out in Table 4 below.

Table 4: Capital funding profile by year

	2017-18	2018-19	2019-20	2020-21	Total
Year-on-year funding	30	150	175	121	476

ANNEX L – ELC Funding Multi-year agreement – Summary of agreement 1 May 2018

Key assumptions

- Statutory entitlement to 1140 hours for eligible 2 year olds and for all 3 and 4 year olds will come into effect from August 2020 so the first full financial year of operation will be 2021-22.
- It is open to local authorities to choose to supplement the funding allocated by the Scottish Government with local resources.

SECTION 3: Movement in LA estimates on Revenue and Capital

Between September 2017 and March 2018 local authority estimates were revised following a period of engagement, dialogue, challenge and refinement between local government and Scottish Government colleagues. Local authorities have injected a great deal of time and resource refining supply and demand estimates, refining service delivery models, challenging and scrutinising cost estimates, applying further the expansion planning principles, embracing outdoor provision and factoring in, in some local authorities, the eligibility criteria outlined in the guidance which accompanied the revised finance template.

- Local authority estimates of revenue requirements in 2021-22, based on March 2018 templates, show a net decrease compared to initial estimates in September because:
 - Demand and supply analysis
 - Review of planning principlesThese factors have had the combined effect of reducing local authority estimates of additional workforce requirements by around 1,500 FTE.
- Local authority estimates increased because of the following:
 - Increase in assumed hourly rate paid to funded providers in the private and third sectors, in particular to reflect payment of the Living Wage from 2020; and
 - Omission of some cost components from some submissions in September, including additional graduate costs and lunches.