

APPENDIX B

Additional information on Early Learning and Childcare, including table of expenditure, budget and funding for ELC for 2020/21 and 2021/22 and projected figures for 2022/23

Core funding

While the funding for delivering the expansion from 600 to 1140 hours is specifically identified by SG and ring-fenced for use on this purpose, there is no equivalent figure for the existing 600 hours delivery, and therefore no ring fencing. Historically, specific, ring-fenced funding has been determined and provided by SG for particular changes in legislative requirements, such as the increase from 475 to 600 hours. Once each change has been implemented the funding is mainstreamed within the revenue block grant to the council and no figure is identified in subsequent years. The council sets the core (or “600 hour”) budget for ELC based on an assessment of the cost of delivery, taking into account projected demographic changes in the number of children.

Expansion funding

As set out in previous reports to Council and in paragraph 3.10 above, the council submitted an estimate of the cost of delivering the expansion to 1140 hours to SG in February 2018. The cost of delivering the early years service was based on the council’s projected population numbers for pre-school children on the same basis as used to inform the Learning Estate Strategy. The calculated revenue cost of delivery reached £18.9m in financial year 2021/22. The Scottish Government used 2014-based National Records for Scotland population projections to distribute the funding however. The NRS figures do not take account of the growth in Midlothian’s population, resulting in the allocation to Midlothian for 2021/22 being £13.524m, a shortfall of £5.36m. At the time there was an expectation that the Scottish Government would carry out an annual review of the cost of delivery of the expanded hours, and therefore Midlothian’s funding would be revised accordingly. In May 2019 however, we were advised that the funding would only be reconsidered from 2022/23 financial year onwards: as a result the expansion plan was revisited and steps taken in order to fit within the funding provided.

Since the estimate of the cost of delivering the expanded hours was made in February 2018 both the council’s and NRS’s population projections have been revised. The council’s have reduced by around 14% and NRS’s 2018-based projections have increased by around 12% so that they are now much closer, although the council’s remains higher. The reduction in the number of children has an impact on the cost of delivery. As the expansion plan was revised an exact figure has not been calculated but as a rough estimate the shortfall in funding is expected to be in the region of £3m from 2021/22 onwards.

CoSLA and SG will be working together on determining the funding mechanism for early years for 2022/23 onwards. The need to address the particular challenges facing local authorities with growing populations, such as Midlothian, was recognised by SG when giving evidence to the Public Audit and Post-Legislative Scrutiny Committee in September 2020.

Impact of the expansion funding allocation

In order to fit within the funding a number of revisions were made to the way the expansion in hours had been proposed to be delivered.

The original plan included an ELC hub in each learning community. The hubs would have offered an enhanced service:

- 50 week provision – allowing staff to maintain contact with children throughout the year, avoiding the holiday gap, and providing these children with a continuous opportunity for learning and development, as well as a healthy meal and snack.
- Enhanced staffing levels, 1:8 is standard, for children with additional needs a more flexible ratio would have applied.
- Co-location of services from local authority, allied health and third sector organisations. This would build upon existing good practice to deliver holistic and integrated support to strengthen families and communities, keep children safe and give children the best possible start in life. Key to the model would have been early intervention and prevention to build resilience, reduce inequalities and prevent problems from worsening or reaching crisis point through outreach support, family learning opportunities and high quality early learning and childcare.
- Flexibility of hours. Typically, council settings run very lean with staffing and therefore the offer to parents and children is based on set session hours. The hubs would have offered flexible session times to suit vulnerable families' needs and circumstances, and the opportunity for a drop in approach.

The hubs would have required a realignment of existing staffing contracts and ELC and other service delivery models as well as a revised staffing structure. The flexibility of sessions and enhanced staff levels at the hubs would have been more expensive per place than a “standard” council setting.

Choice: although historically some council settings have been full by the end of the year, staffing levels at other council settings allowed there to be places available, and therefore offered choice for parents. Under the revised plan the overall number of places required in an area across all providers has been carefully considered and staffed capacity reduced where possible, with children offered places at other council settings or directed to funded providers. Funded providers offer a more flexible choice of days and start/finish times as well as shorter or longer sessions than council settings, which may suit parents who are working, and the cost per hour of ELC is lower. The adjustment in staffed capacity at council settings placed more reliance upon funded provider capacity in order to meet the legislative requirement to offer 1140 hour places to all eligible children. As far as we are aware, the proportion of places provided by funded providers is higher than most other local authorities.

Quality: To ensure a quality experience for ELC children, training and staff development time built into the week is an effective model, through non ratio time for staff. The proportion of non-ratio time (i.e. not delivering ELC to children) has been reduced.

Under 600 hours there was a break between morning and afternoon sessions where staff were able to take a lunch break. As the children are now in for full days there is no longer a time when there are not children there and in-ratio staff cover is required. The original plan allowed for this to be done through full time qualified practitioner posts, the revised plan has reduced the hours and used less qualified staff.

Modern Apprentices: the balance between the number of already qualified staff and the number of MA posts recruited was revised to increase the proportion of MAs. There are various benefits to this approach. MA staff start at a relatively low salary before increasing as they become qualified and experienced. For the first year or two (depending on how quickly the member of staff progresses) the cost of an MA is less than that incurred if a fully qualified practitioner is recruited. This also enhanced the number of places available to “grow our own” staff. When qualified staff are recruited

they often move to the council from funded providers, leaving providers having to recruit replacements, often needing to train them before they too move to the council. This throughput of staff is very difficult for providers and increasing the proportion of MAs recruited reduces this impact. Once MAs have completed their qualification and a period of post-qualification experience, they become Early Years Practitioners, i.e. the posts that would have been filled if we were to recruit qualified staff.

Following the SG statement that the funding for expansion was set until 2022/23 the council reviewed its phased plan towards implementation. In recognition of the financial constraints inhibiting the delivery of 1140 hours that were anticipated as occurring during 2020/21 and 2021/22, a prudent approach was adopted in financial year 2019/20, resulting in a carry forward of £3m. This was primarily through efficiencies in the “core” i.e. non-expansion elements of early years provision as well as limiting the number of 1140 hour places offered at that time (the SG funding each year prior to 2020/21 did not align with the plan used to determine the cost estimates in the financial template). This carry forward was intended to be used to meet the gap between the expansion funding and the expenditure going forward. With the advent of the pandemic and the flexibility given to local authorities to utilise the expansion funding for early years-related expenditure almost all of the expansion element of this carry forward was utilised to secure the provision of critical childcare from March to August during the lockdown. No additional funding has been provided yet by SG to cover additional early years expenditure due to the pandemic.

Critical Childcare

The funded providers who delivered critical childcare were:

Acre Wood Nurseries Ltd

Bonnyrigg After School Club

Happy Days nurseries

LASC Childcare Services Ltd

Newbyres Nursery and After School Club

Newtongrange After School Club

Alongside Midlothian Sure Start and Penicuik Y.

All of these providers should be thanked for providing childcare for critical workers throughout the peak of the pandemic, contributing greatly to Midlothian’s response in that time of need.

Had the expansion underspend not been utilised for critical childcare and other pandemic-related expenditure further staff recruitment would have taken place, increasing the capacity at council settings that would have been available during academic year 2020/21. 20 Modern Apprentices, 10 Early Years Practitioners and 10 Learning Assistants would have commenced employment in April and May, equating to £544k expenditure. Not having these staff in post currently has resulted in pressure on places in different areas of Midlothian and these posts are being recruited to at this time, in order to allow additional places to be available in time for children who become eligible for ELC from January onwards.

In addition, further 1140 hour places would have been funded at providers from April 2020 (an 1140 hour place over a full year costs £3,912 more than a 600 hour place).

The first set of infection control measures required for ELC settings from August 2020 that were published significantly restricted the capacity of settings, for example having small bubble groups of children. The revised measures published at the end of July still reduce the capacity in some settings, but to a much lesser extent, enabling almost all settings (council and funded providers) to operate at full registered capacity.

Transitional Support Fund

SG put in place a Transitional Support Fund for private and voluntary providers of childcare (pre-school and out of school care providers). The fund gives grants of between £1,500 and £8,000 to settings based on their registered capacity, to assist with costs associated with the pandemic, such as additional cleaning, replacement of or additional play and learning resources required as a result of splitting children into groups, and increased use of the outdoors. The fund is administered by local authorities and the total funding available to providers in Midlothian is £305k, with a small allowance given to the council to cover the cost of administration. This is noted in the table as FP TSF.

Council settings will face many of the same costs and in recognition of this will be provided with additional funding in line with the funded provider TSF, noted in the table as LA TSF.

2 year old uptake

189 eligible 2s took up the funding in the 2019/20 financial year. The estimated eligible population of two year olds is 251 but this is a high estimate based on a national average. As of August 2020, we had 125 eligible 2s taking up the funding and we have seen an increasing demand for places since funded providers reopened. Midlothian has been recognised as an example of good practice in achieving uptake of 2 year old places. Prior to the pandemic SG had been negotiating with DWP to be able to identify eligible children and if this work comes to fruition it should result in a higher uptake in all local authority areas in Scotland.

Primary 1 deferral and ELC eligibility

In October 2019, the Scottish Government committed to legislate in this parliamentary session, to ensure that all children who defer their primary 1 start are able to access funded ELC.

For now, there is no change in the law. All children who are still 4 years old at the start of the school year can be deferred and start primary one the following year. Children with a birthday in January or February who defer school entry are automatically entitled to another year of funded ELC.

For children with a birthday between the school commencement date in August and December, parents continue to have an automatic right to school deferral, but local authorities decide whether another year of funded ELC will be made available. In recent times all Midlothian children who have been deferred have been granted a further year of funded ELC.

The number of children deferring has increased this year, from 123 for academic year 2019 to 163 for 2020. A range of different factors may have influenced this, including the uncertainty around the delivery of school education during the pandemic, publicity for the campaign that resulted in the SG announcement, annual variation, and to a small extent the increase in population.

If the number of deferrals is high then, at this time as we are transitioning from 600 to 1140 hours, it increases the pressure on places.

Capital projects

The pandemic has had an impact on both projects which were under construction and those in development, creating delays in works commencing as well as slowing down construction by around 25%. Due to the nature of building projects, many are scheduled to take place during the summer holidays in order to minimise disruption to children and pupils, but these were unable to progress during summer 2020 and must wait until summer 2021 – when another year's programme will be impacted.

We have 35 projects of which 17 are complete, 15 are in development and 3 are in construction

- 2 new builds (Burnbrae and St Mary's) are complete
- New Danderhall Primary School targeting completion by February 2021.
- Two refurbishment projects (Mauricewood and Sacred Heart) are due to finish in November
- Gorebridge modular unit – pending completion of Danderhall
- Roslin – refurbishment work commencing shortly
- Some in development projects are partially complete and open, e.g. Vogrie
- Contingency plans were identified for projects in development that were considered a priority, but we need to assess these in the context of Covid and programme affordability.
- Infrastructure projects coming online will improve flexibility and choice.

At this time SG has not announced any extension to the timescales within which the capital funding must be committed, therefore a review of all currently planned projects will be undertaken, considering cost, timescales and updated data on population and demand. Where necessary the plan will be amended in order to maximise the benefit to Midlothian that this opportunity presents.

Capital Grants to Funded Providers

£1.5m of capital funding allocated to capital grants to partners

- 6 projects were accepted with initial total funding to be disbursed £1.3m
- All projects had to complete a feasibility stage prior to the full grant award, for example obtaining planning permission and building warrants as well as quotations for the work
- 1 completed quickly and the capacity came on stream earlier this year
- 2 commenced work before lockdown and are progressing, although delayed. One is expected to open shortly and the other scheduled for January
- 1 has commenced work since lockdown and is progressing well, completion expected end November
- 1 is in the final stages of tendering for the work with completion anticipated in the first half of the next calendar year
- The remaining project is under review as the demand for places in the area has not increased as had been expected, and the provider is checking to ensure it will be financially sustainable if they go ahead.

Projected expenditure and funding

An updated table of projected expenditure and funding is provided below, including notes where there have been changes to the figures presented in the original paper to Council.

As can be seen, the net position for 2020/21 is an overspend of £470k (after critical childcare), followed by an overspend of £935k in 2021/22. This expenditure could be supported through utilisation of the carry forward, and the projection for 2022/23 is included to show the effect that the population growth, Modern Apprentices completing their post-qualification period and becoming Early Years Practitioners and other factors will have on expenditure. If the funding from SG remains static for 2022/23 and the council continues with the planned 1140 hours delivery model there will be an overspend of £1.677m, more than the remaining carry forward. It is therefore of critical importance to Midlothian that the revised funding calculation for early years that is being determined by SG and CoSLA provides a level of funding that puts Midlothian in a sustainable position, and has the flexibility and responsiveness to respond timeously to demographic changes.

| | 2020/21 | 2021/22 | 2022/23 |
|--|------------------------|------------------------|------------------------|
| Expenditure | | | |
| Setting staff (incl 5% absence) ¹ | £ 10,918,058.36 | £ 12,003,870.85 | £ 12,904,256.08 |
| Core staff | £ 1,593,034.99 | £ 1,640,826.04 | £ 1,690,050.82 |
| Lunches ² | £ 1,267,223.52 | £ 1,996,000.00 | £ 1,996,000.00 |
| Running costs | £ 1,075,000.00 | £ 1,075,000.00 | £ 1,075,000.00 |
| Funded Providers | £ 5,517,047.00 | £ 6,145,772.00 | £ 6,145,772.00 |
| LA TSF | £ 149,500.00 | | |
| FP TSF | £ 305,000.00 | | |
| Critical Childcare ³ | £ 780,000.00 | | |
| Total expenditure | £ 21,604,863.87 | £ 22,861,468.89 | £ 23,811,078.91 |
| Budget/funding | | | |
| Core setting staff budget | £ 5,025,537.32 | £ 5,176,303.43 | £ 5,331,592.54 |
| Core staff budget | £ 1,669,099.02 | £ 1,219,171.99 | £ 1,270,747.15 |
| Funded Provider 600 budget | £ 2,007,286.00 | £ 2,007,286.00 | £ 2,007,286.00 |
| Transition Support Fund | £ 309,000.00 | | |
| SG expansion funding | £ 12,124,000.00 | £ 13,524,000.00 | £ 13,524,000.00 |
| Total budget/funding | £ 21,134,922.34 | £ 21,926,761.43 | £ 22,133,625.69 |
| Net Spend | -£ 469,941.54 | -£ 934,707.46 | -£ 1,677,453.22 |
| Carry forward | £ 3,000,000.00 | £ 2,530,058.46 | £ 1,595,351.00 |
| Carry forward remaining after net spend | £ 2,530,058.46 | £ 1,595,351.00 | -£ 82,102.22 |

*¹ Additional places have been required at local authority provision in the Mayfield area which requires staffing resource. A recalculation of the Modern Apprentice salaries, in line with their progression through qualifications and post qualification experience, has resulted in an increase to the 2021/22 salary projected expenditure

*² Costs increased to include the provision of snack. Previously, the costs of snacks were met by parents but the National Standard makes clear that this should be included in the funding the local authority provides

*³ Estimate has been revised following submission of invoices