



Glasgow City Council
City Administration Committee

Item 1

7th February 2019

**Report by Councillor Chris Cunningham, City Convener for
Education, Skills and Early Years**

Contact: David McClelland Ext: 75460

**Early Learning and Childcare Expansion -
Phased Introduction of Extended Hours and Partner Commissioning
Arrangements**

Purpose of Report:

To update Committee on the phased introduction of the increased statutory entitlement across the city's ELC sector and the proposed future commissioning arrangements for funded providers as part of the rollout.

Recommendations:

City Administration Committee is asked to approve the following:

1. A city-wide 900 hours of free ELC provision for families resident in Glasgow earning up to £45,000 from August 2019
2. An increase to the commissioning rate to £5.40 per child per hour from August 2019, up from the current £3.50 rate to support a sustainable funded partner provision aligned to the 2020 expansion aspirations of quality ELC services, neutrality of provision and commitment to living wage.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

1. Introduction

- 1.1. In March 2017, the Scottish Government published the *Blueprint for 2020*, setting out their aspiration for the delivery of 1140 hours of funded early learning and childcare (ELC) to all 3 and 4 year olds, and eligible 2 year olds, by August 2020. A key principle of the *Blueprint* was the intention to create a provider neutral approach across the sector. This means that, from the family's perspective, the same high quality, flexible and affordable service is delivered regardless of provider. The Council is committed to delivering on this ambition to deliver a provider neutral approach to ELC for families across the city.
- 1.2. Earlier this year, the Scottish Government consulted on the role of funded providers in delivering the increased entitlement of 1140 hours, with the finalised guidance published in December 2018. The guidance outlines the proposals to establish a 'Funding Follows the Child' approach, enabling parents greater choice about where they seek to access their child's statutory entitlement, whilst the National Standard sets out the principles and practice for providers seeking to enter or maintain partnership status with a local authority. Importantly, the National Standard sets out the need for a locally determined, sustainable commissioning rate.
- 1.3. Both the National Standard and the Council's own arrangements encompass all types of funded provision, ranging from private and voluntary sector providers and independent schools, to childminding services.
- 1.4. As part of a robust planning process, the Council has been seeking to determine a sustainable commissioning rate which, whilst providing best value for the Council, also supports funded providers to work towards delivering a provider neutral approach from the perspective of families across the city. Significant work has been undertaken and continues to be undertaken at both a national and local level and this has understandably received considerable attention from providers across the sector.
- 1.5. The Council recognises the importance in setting a sustainable rate for providers, being in the interest of both the Council itself, providers across the city and families requiring continued access to ELC services:
 - Supporting SMEs and the Voluntary Sector
There are 121 funded providers operating across the city, delivering an important service to families and making a valuable contribution to the city's economy, supporting approximately 2,000 jobs across the sector. Funded providers currently deliver statutory hours to almost 4,000 children across Glasgow, with many delivering significantly more through purchased additional hours. Funded providers will play an important role in delivering the increased statutory entitlement from August 2020.
 - Provider Risk Mitigation
Through payment of a sustainable rate, the Council will seek to mitigate potential risk to funded providers, encompassing both operational and

financial risks, most notably through the loss of staff to other providers offering high salaries and the loss of children to Council providers offering increased funded hours. This risk is real and evidenced through recent experience of providers' financial assessment as part of current commissioning activity and sampling work on the financial implications of the expansion undertaken with providers.

- Maintaining High Quality Provision

Children across Glasgow should be able to access the same quality of provision regardless of provider. Payment of a sustainable rate and phased introduction of increased hours will ensure funded providers can continue to support the delivery of quality services.

- 1.6 The scale of change within the ELC sector is unprecedented and careful planning has been essential to prepare an implementation programme which can deliver the aspirations within the challenging timescale. Although the new entitlement does not come into effect universally until August 2020, Scottish Government is releasing funding over three financial years to enable the phasing in of the entitlement.
- 1.7 This process started over summer 2018 with eight "early adopters" trialing the new delivery model, identifying problems and finding solutions to initial issues. The lessons learned from these 'early adopters' are being used as we plan the phasing as funding becomes available.
- 1.8 Areas of the city have been identified organised against the three priorities agreed by elected members:
 - Deprivation – ensuring that those children and families who will benefit most receive the service earliest
 - Areas of low supply – addressing the areas where we have less capacity available and where we need to create additional places in order to deliver the entitlement
 - Flexibility – the legislation around 1140 hours and government policy is clear that we must look to creating greater flexibility for families where possible
- 1.9 The learning from the 'early adopters' has shown us that the increased hours have been very much welcomed by working parents in particular. Other parents have commented on the improvements in children's language and confidence with the additional learning opportunity.
- 1.10 However, there have been challenges with staffing, that is, ensuring that each nursery is sufficiently staffed as recruitment processes take time and for new operating models across extended day and year bed in. In addition, some heads have expressed concern about the quality/readiness of staff given the scale and pace of recruitment and some staff have required additional support and training before being able to take up the full responsibilities expected of a child development officer.

2. Phased Introduction of Increased Funded Hours

- 2.1. Throughout 2018/19 the Council has begun a phased introduction of the enhanced 1140 hours of statutory entitlement in nursery settings across the city. This pilot programme has supported the development of new operating models to support the delivery of increased hours to children.
- 2.2. From 1 April 2018, as part of the phased roll out of the 1140 hours of entitlement, the Council has been seeking to support working families through the offer of funded 900 hours of entitlement for in work families with a household income of less than £30,000. This offer is only available to families accessing a place through a Council nursery and has not been made available through funded providers.
- 2.3. The Council is committed to a provider neutral approach and is keen to ensure that all providers, both Council and funded partners, have the opportunity to offer additional funded hours to families accessing their service in advance of the implementation of 1140 hours from August 2020.
- 2.4. As part of the expansion programme, it is proposed that all children of families (Glasgow residents) with an income of less than £45,000 be offered up to 900 hours in settings across Glasgow from August 2019, establishing a universal level of enhanced provision across the sector. This will ensure that funded providers do not face an unfair disadvantage compared to Council provision in delivering an enhanced level of provision and move towards the Scottish Government's Funding Follows the Child approach, placing parental choice at the centre.
- 2.5. The Council will continue to work with all providers throughout the period from August 2019 to full implementation of up to 1140 hours by 2020/21. Building on the phasing principles outlined above, the Council will work on a neighbourhood basis, with both local authority and funded providers, to gradually introduce the enhanced 1140 hours offer to families. For example, from January 2019, 22 nurseries will receive staffing to enable them to implement up to 1140 hours, should this be required. However, we know from the experience of the 'early adopters' that not all parents are ready to take up this enhanced offer. Therefore, these nurseries, working in community clusters, will be asked to develop a plan to introduce the enhanced offer over the year along with the appropriate professional development to ensure that high quality early learning and childcare is maintained with new staff and a change in operating model. The newly appointed Area Service Managers will support the development of these plans.
- 2.6. The cost uplift for 2019/20 in delivering the 900 hours offer and progression to 1,140 hours is contained within the additional revenue received as part of the ELC Expansion Programme.
- 2.7. The Executive Director will continue to bring regular reports on progress to the Education, Skills and Early Years City Policy Development Committee.

3. Future Commissioning Rate

- 3.1. The Council has been working closely with the Scottish Government in seeking to determine a sustainable commissioning rate which will work for both funded providers and deliver best value to the Council. Through this extensive planning process, we have recognised the anxiety within the sector and have sought to engage extensively with them to address ongoing concerns around the future arrangements.
- 3.2. Nationwide analysis undertaken by the Scottish Government led to an initial suggested commissioning rate of £5.31 per hour from August 2020. Due to the nature of the nationwide analysis the figure can be viewed as an estimate rather than a definitive commissioning rate. In determining the suggested rate, the analysis included the costs of staff not delivering the statutory entitlement and, therefore, can be considered a generous figure. The Scottish Government's suggested figure has informed the Council's planning assumptions.
- 3.3. Education Services is proposing a commissioning rate of £5.40 per hour for each funded child. It is proposed that this rate will be payable from August of financial year 2019/20 for a period of three years. The rate will be subject to future years' review in accordance with the emerging detailed guidance for Scottish Government.
- 3.4. This figure represents an uplift of £1.90 on the current £3.50 hourly rate which has been in place throughout the current commissioning framework.
- 3.5. Accelerating the implementation of a Glasgow sustainable rate from August 2019 rather than 2020 will afford providers the opportunity to plan for the implication of the expansion from a platform of financial certainty and take appropriate steps to enhance their capacity to attract, retain and invest in quality staff and consider the impact on their provision of non-statutory childcare services. Given the challenges already being faced by many funded providers in preparing to deliver 1140 hours, the early introduction of the new rate will reduce the risk of funded providers not being in a position to deliver the new entitlement by August 2020. This new rate will help support staff retention, enable an improved offer to be made to parents and, critically, ensure funded providers can protect quality and lessen the risk of poor inspection reports which, ultimately, can impact on their funded provider status.
- 3.6. The uplift cost of the increase in the commissioning rate for 2019/20 will be met from the ELC Expansion Revenue Budget.
- 3.7. Under the Scottish Government's proposals, all funded children will be entitled to a free meal each day as part of their statutory entitlement. This has not been included in the above rate. From August 2020, with the full implementation of 1140 hours, funded providers will receive an additional £3 per child per day for the provision of a meal and snacks, contributing both to

the affordability of services for families and ensuring that more vulnerable children receive the benefit of high quality food on a daily basis.

4. Budget Overview

- 4.1 In May 2018, the Scottish Government advised local authorities of the multi-year revenue and capital funding allocations to support the Early Learning and Childcare 2020 expansion.
- 4.2 This funding is ring fenced specific grant for the delivery of the increase in statutory free provision for three and four year olds and eligible two's from 600 hours to up to 1140 hours per annum.
- 4.3 The cumulative additional revenue funding amounts to £32.219m in financial year 2019/20, rising to £59.469m in 2021/22 (the first full year of expanded provision). Financial reporting, monitoring and control of this resource is imbedded within the existing Council Governance structures, including the Finance and Audit Scrutiny Committee, the ELC Expansion Strategic and Delivery groups and the Corporate Finance monitoring framework.
- 4.4 The financial implications of the phased implementation and the funded provider commissioning proposals as outlined in this report are contained within the financial envelope set for 2019/20 and on a full year basis into 2020/21. The key elements of cost are tabulated below:

Expansion Activity	2019/20	2020/21
Funded Provider rate increase (£5.40 for 600 hours wef August 2019)	£2.720m	£4.663m
Funded provider additional hours (900)	£3.865m	£6.626m
Fee income loss	£0.520m	£1.687m
Staffing	£16.355m	£22.321m
Additional Graduates	£5.126m	£5.280m
Other (property costs, commissioned services, overheads, inflation)	£3.633m	£12.736m

5. Policy and Resource Implications

Resource Implications:

Financial:

As set out in 4.4. Financial implications of the roll out of the expansion of free hours and for the increase in the partner commissioning rate are included within the additional ring fenced Scottish Government funding for expansion. The cumulative additional resource allocation amounts to £32.219m in 2019/20, rising to £59.469m in 2021/22.

Legal: New commissioning contract framework to be established.

Personnel: Recruitment of ELC staff in GCC settings to support the ratio driven staffing standards

Procurement: New commissioning contract framework to be established.

Council Strategic Plan: *Excellent and Inclusive Education 22, 25 and 26*

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-22 Yes

What are the potential equality impacts as a result of this report? Positive impact

Please highlight if the policy/proposal will help address socio economic disadvantage. The proposal specifically targets support at families on low to middle income and will help to address socio-economic disadvantage.

Sustainability Impacts:

Environmental: N/A

Social: Third sector and voluntary engagement, enhanced family learning opportunities.

Economic: Positive contribution to the city's economy, increasing the sustainability of over 120 private and voluntary sector organisations, supporting approximately 2,000 jobs across the sector and creation of an estimated additional 1,000 jobs citywide.

Privacy and Data Protection impacts None

6. Recommendations

6.1 City Administration Committee is asked to approve the following:

- A city wide 900 hours of free ELC provision for families resident in Glasgow earning up to £45,000 from August 2019; and
- An increase to the commissioning rate to £5.40 per child per hour from August 2019, up from the current £3.50 rate to support a sustainable funded partner provision aligned to the 2020 expansion aspirations of quality ELC services, neutrality of provision and commitment to living wage.