

ANGUS COUNCIL

CHILDREN AND LEARNING COMMITTEE – 5 NOVEMBER 2019

**PROCUREMENT AUTHORITY REPORT - OPEN FRAMEWORK FOR FUNDED
EARLY LEARNING AND CHILDCARE**

REPORT BY MARK ARMSTRONG, DEPUTE CHIEF EXECUTIVE

ABSTRACT

This report outlines the procurement strategy for the provision of funded Early Learning and Childcare (ELC) in non-local authority settings from August 2020, when entitlement will increase from 600 to up to 1140 hours per eligible child per year, and seeks approval to implement the strategy via a major procurement exercise.

1. RECOMMENDATIONS

It is recommended that the Committee:

- (i) notes the background information in sections 3 and 4;
- (ii) approves the undertaking of a major procurement exercise to establish an 'open' framework for funded ELC provision in non-local authority settings from August 2020, in line with the procurement strategy summary at Appendix 1;
- (iii) approves the implementation of new hourly rates from August 2020 as detailed in section 5, with provision in the new contract to review rates annually to ensure alignment with the latest published inflationary measures;
- (iv) approves a nominal reduction in the funded rate of £0.10 per hour of funded ELC from August 2020 to voluntary playgroups who operate from within council buildings, as no ongoing building costs are incurred by these providers, as a contribution to the council's ongoing building costs;
- (v) delegates authority to the Director of Children, Families & Justice, or their nominated representative, to award contracts for the provision of funded ELC, initially to providers who submit successful bids by the stated deadline for a contract start on 1 August 2020, and subsequently to providers who submit successful bids to join the open framework after the stated deadline;
- (vi) delegates authority to the Director of Children, Families & Justice, or their nominated representative, following consultation with the Director of Legal and Democratic Services, to agree and sign the individual contracts and any associated variations to contract thereafter;
- (vii) approves this procurement authority report as sufficient for the planned major procurement exercise to proceed to a conclusion.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN 2017-2030

High quality funded ELC will help the council deliver the following local outcomes contained within the Local Outcomes Improvement Plan 2017-2030:

- Children are given the best start in life
- Physical, mental and emotional health and wellbeing is improved
- There are more opportunities for people to achieve success

3. BACKGROUND

- 3.1 Reference is made to Committee Report [128/18](#), approved by the Children and Learning Committee on 19 April 2018, which provided Committee with details of local plans to implement the Scottish Government's commitment to expand the provision of funded ELC to 1140 hours per child per year by August 2020.
- 3.2 Reference is made to Committee Report [127/19](#), approved by the Children and Learning Committee on 25 April 2019, which sought to increase the hourly rates paid to private and voluntary ELC providers to £4.92 (from £3.92) for three and four year olds and £6.51 (unchanged) for eligible two year olds.

4. CURRENT POSITION

Private and voluntary sector nurseries and playgroups

- 4.1 Ten nurseries and nineteen voluntary playgroups currently contract with the council for the provision of up to 600 hours of funded ELC per eligible child per year. The terms and conditions of these contracts have been refreshed and renewed annually, subject each year to approval of hourly rates by Committee. These contracts will expire on 31 July 2020.
- 4.2 Approximately 800 Angus children access their funded entitlement in these settings each year. The cost to the council in academic year 2018/19 was £1.52m. With the introduction of a free snack and a free meal for those children who meet eligibility criteria, the cost to the council is expected to rise to £1.98m in academic year 2019/20.
- 4.3 With the near doubling of funded entitlement to up to 1140 hours and the requirement for councils to pay a sustainable rate that enables payment of the real Living Wage (RLW) to staff for the funded hours they deliver, in academic year 2020/21 the cost to the council is expected to reach £5.80m, rising to £6.37m by 2024/25. This includes £642,750 per year for meals.
- 4.4 There are five nurseries in Angus not currently contracting with the council. One was a new business in 2017 and is in the process of applying to become a funded ELC provider for academic year 2019/20.

Childminders

- 4.5 The number of childminders in Angus with active Care Inspectorate registrations is approximately 150. All are self-employed individuals required to file a self-assessment tax return with HMRC annually.
- 4.6 As part of a trial in Forfar in April 2018, which was extended to all of Angus in April 2019, childminders have been given the opportunity to deliver up to 540 hours of funded ELC to eligible two year-olds. At the time of writing, the council is contracting with eight childminders with whom 13 eligible two year-olds have been placed. The cost to the council is up to a maximum of £3,500 per child per year. These contracts will also expire on 31 July 2020.
- 4.7 The council contracts with 18 local childminders for the provision of a community childminding service in Angus. This service is available to families at times of crisis in order to help prevent circumstances deteriorating. These contracts will continue to roll forward each year in April and are not considered to be in scope for this procurement exercise.

Additional financial support for voluntary playgroups

- 4.8 Historically the council has provided financial support to voluntary playgroups who operate from privately rented premises in the form of a full rent subsidy paid in addition to the hourly rate for funded ELC.
- 4.9 The cost of the rent subsidy in financial year 2018/19, when providers delivered up to 600 hours of funded ELC, was £45,000. Between 2017/18 and 2018/19 these rents increased by an average of 17%. Due to expansion of funded ELC hours to 1140, in 2020/21 the cost to the council is projected to increase even more significantly.

- 4.10 From August 2020 a cost component for premises will be incorporated into the new hourly rate for funded ELC and a full rent subsidy will cease to be paid separately. This change is being introduced on the back of significant increases in hourly rates over the last two years, with the rate for three and four year olds increased by 40% since the beginning of the expansion programme.
- 4.11 From 1 August 2020, assuming their success in joining the new open framework, ten voluntary playgroups will be operating from within council buildings for which they do not currently pay any premises costs. With a view to more equitable treatment of funded ELC providers, it is proposed that a nominal rate reduction of £0.10 per hour is applied to these playgroups, as no ongoing building costs are incurred by these providers. This nominal rate reduction will result in a net reduction in the hourly rate they receive for funded ELC.
- 4.12 The impact of the process change outlined in 4.10 and the net reduction described in 4.11 will be monitored and reviewed in line with the contract price adjustment clause within the contract.
- 4.13 A voluntary playgroup in council premises that has not been able to demonstrate to the satisfaction of the council that they meet the National Standard, will be offered 'targeted support' and invited to resubmit their tender when sufficient improvement can be evidenced. If after six months from the date of their first tender submission the playgroup remains unsuccessful, at its discretion, the council may commence charging rent.

5. PROPOSALS

- 5.1 To note the background information in sections 3 and 4.
- 5.2 To approve the undertaking of a major procurement exercise to establish an open framework for funded ELC provision in non-local authority settings from August 2020, in line with the procurement strategy summary at Appendix 1.
- 5.3 To approve the implementation of new hourly rates from August 2020 as follows, with provision in the contract to review these rates annually to ensure they align with the latest published inflationary measures –

Provider type	3 and 4 year-olds	Eligible 2 year-olds
P&V (own premises or private rental)	£5.15	£6.57
P&V (council premises)	£5.05	£6.47
Childminders	£5.01	£5.51

- 5.4 To approve a nominal reduction in funded rate of £0.10 per hour of funded ELC from August 2020 to voluntary playgroups who operate from within council buildings, as no ongoing building costs are incurred by these providers, as a contribution to the council's ongoing building costs.
- 5.5 To delegate authority to the Director of Children, Families & Justice, or their nominated representative, to award contracts for the provision of funded ELC, initially to providers who submit successful bids by the stated deadline for a contract start on 1 August 2020, and subsequently to providers who submit successful bids to join the open framework after the stated deadline.
- 5.6 To delegate authority to the Director of Children, Families & Justice, or their nominated representative, following consultation with the Director of Legal and Democratic Services, to agree and sign the individual contracts and any associated variations to contract thereafter.
- 5.7 To approve this procurement authority report as sufficient in terms of context and detail for the planned major procurement exercise to proceed to a conclusion.

6. FINANCIAL IMPLICATIONS

- 6.1 The estimated annual value of the contract is £5.80m, rising to £6.37m in 2024/25. The ongoing costs of the contract will be met from within the Early Years budget, subject to confirmation of ongoing revenue funding from Scottish Government. At present the Angus allocation of the expansion funding is confirmed until the end of financial year 2020/21.
- 6.2 This is considered a 'major procurement', in the context of section 16.8.4 of the Financial Regulations.

7. OTHER IMPLICATIONS

An Equality Impact Assessment has been completed and is appended to this report.

8. CONSULTATION

The Director of Finance and the Director of Legal and Democratic Services have been consulted in the preparation of this report.

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List of Appendices: Appendix 1 – Procurement Strategy Summary
 Appendix 2 – Equality Impact Assessment