

**ANGUS COUNCIL**

**CHILDREN AND LEARNING COMMITTEE – 17 NOVEMBER 2020**

**FUNDED EARLY LEARNING & CHILDCARE FRAMEWORK COSTS REVIEW**

**REPORT BY KELLY MCINTOSH, DIRECTOR OF EDUCATION AND LIFELONG LEARNING**

**ABSTRACT**

This report provides Committee with information regarding the increased costs of delivering funded early learning and childcare (ELC) in the context of COVID-19, and seeks approval to implement a process for increased financial support to contracted providers of this service.

**1. RECOMMENDATION**

It is recommended that the Committee:

- (i) Notes the results of the consultation exercise undertaken to assess the ongoing additional costs of delivering funded ELC in the context of COVID-19;
- (ii) Approves the implementation of a quarterly grant scheme to provide financial support to providers of funded ELC in Angus throughout the first year of the framework agreement.
- (iii) Notes that the cost and funding implications of the scheme will be reviewed as part of the upcoming budget setting process, taking account of any emerging COVID-19 information / guidance to ensure sustainability of the scheme.

**2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN**

This report contributes to the following local outcome(s) contained within the Angus Local Outcomes Improvement Plan:

The best start in life for children  
Improved physical, mental and emotional health and wellbeing  
More opportunities for people to achieve success

**3. BACKGROUND**

Reference is made to Committee Report 354/19, approved by the Children and Learning Committee on 5 November 2019, which outlined the procurement strategy for the provision of funded ELC in non-local authority settings from August 2020, and sought approval to implement the strategy through a major procurement exercise.

**4. CURRENT POSITION**

- 4.1 Further to the approval of Report 354/19, a strategic procurement exercise was undertaken to implement a new contract for the provision of funded ELC in Angus from August 2020. Report 354/19 also sought approval for a suite of sustainable hourly rates to be paid to providers through the contract which vary according to the type of provider, the provider's accommodation status and the age of the child receiving the service. The new framework agreement and associated hourly rates commenced on 1 August 2020.
- 4.2 National guidance on the safe provision of ELC during the ongoing pandemic requires providers to implement a range of measures such as enhanced cleaning of surfaces, increased outdoor play and learning, and physical distancing between groups of children where possible. These requirements have resulted in increased material and staff costs for providers, which had not been considered at the time the sustainable rates were developed.

- 4.3 Scottish Government have made additional funding available to private and voluntary providers and out of school care clubs to offset some of these costs, in the form of the Transitional Support Fund. This fund opened for applications on 3 September and was administered locally, with grants awarded based on registered capacities. The maximum grant available to the largest providers was £8,000.
- 4.4 In Angus, an additional grant scheme was implemented for childminders, with grants totalling £29,000 awarded to the 28 active childminders on the Angus framework in September.
- 4.5 In addition to these grants, a commitment was made to providers to review their additional costs to ensure that the remuneration available through the framework continues to be enough to provide safe, high quality ELC. A consultation was therefore undertaken, with providers on the framework asked to submit evidence of their additional costs between 1 August and 30 September.
- 4.6 The results of the consultation are summarised in Appendix 1. It is clear that the varying capacities, staffing structures and accommodation types across the framework mean that the measures required affect each provider differently. For example, where some have significant additional staffing and material costs, others are affected only by a slight increase in the quantity of cleaning products required.
- 4.7 It is clear therefore that a blanket increase to the hourly rates on the framework would not be the most appropriate method of administering additional financial support. Instead, a process which allows the council to continuously review costs throughout the ongoing pandemic, and to provide reimbursement for actual costs accrued, will ensure a more effective use of funds.

## **5. PROPOSALS**

- 5.1 Note the results of the consultation exercise undertaken to assess the ongoing additional costs of delivering funded ELC in the context of COVID-19.
- 5.2 Approve the implementation of a quarterly grant scheme to provide financial support to providers of funded ELC in Angus throughout the first year of the framework agreement. Providers will submit an invoice to the council which details additional costs accrued and deducts any other sources of funding obtained either nationally or locally.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The first quarterly payments, covering the period from 1 August to 31 October, will be mitigated by a deduction of any funds already paid to providers through the national and local schemes referred to in 4.3 and 4.4. It is anticipated that only the largest providers will require any additional support from the council for this period.
- 6.2 Further quarterly grants would be subject to additional reviews of the costs accrued by providers during those quarters. It is not anticipated that the costs will vary significantly from quarter to quarter. Any further grants awarded to providers under national schemes like the Transitional Support Fund will be considered deductible when determining future payment amounts, and a process will be created to ensure that the council funds only the proportion of the additional costs attributable to funded hours.
- 6.3 The cost of the grants in the current year will be met from within the unspent revenue allocation of the Scottish Government grant awarded to Angus for the expansion of ELC.
- 6.4 At this stage it cannot be known for how long the scheme will be needed, as this is dependent on the success of tackling COVID-19. The cost and funding impact beyond the current year will therefore be reviewed as part of the upcoming budget setting process to ensure that the scheme remains sustainable during whatever period of time it is ultimately required.

## **7. OTHER IMPLICATIONS**

An Equality Impact Assessment is not required for this report.

## **8. CONSULTATION**

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

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List of Appendices:

Appendix 1 Summary of ELC Costs Consultation, Options Appraisal and Recommendation

## Appendix 1 Summary of ELC Costs Consultation, Options Appraisal and Recommendation

<b>Responses Received</b>	14 (23% of all contracted providers)
<b>Respondent Breakdown</b>	9 private nurseries and playgroups, five childminders

Providers were asked to provide details and evidence of costs accrued on a range of essential products and services between 1 August and 30 September 2020, along with evidence where possible of the costs accrued on those same products and services during the same period in 2019 for comparison.

The cost categories used were:

Additional personal protective equipment (PPE) or cleaning materials  
Additional cleaning staff or ELC staff  
Additional outdoor or indoor resources  
Other

### General Feedback

It is clear from many responses that costs can be further divided into two types:

- One-off costs, such as outdoor furniture or cleaning equipment
- Recurring costs for consumable items and additional staff hours

Generally speaking, the costs of one-off resources have been met by the Transitional Support Fund and the Angus childminder grants. The grants provided under these schemes should also be sufficient to cover the recurring costs for cleaning products, PPE and staff time for many providers in the first quarter of the new contract (from 1 August to 31 October), with only the largest providers requiring any additional support during this quarter.

The recurring costs accrued for consumables and staff time from 1 November onwards will create a requirement for further financial support, as the hourly rates paid under the framework are no longer sustainable due to these additional costs.

### Recurring Costs Summary

<b>Private nurseries and playgroups</b>		
<b>Cost category</b>	<b>Summary of costs (Aug/Sept 2020)</b>	<b>Comments</b>
Additional PPE	Highest increase - £641.82 Lowest increase - £19.45 Average increase - £188.09	No easily identifiable trends, recommend reimbursement of actual costs in arrears.
Additional cleaning materials	Highest increase - £514.49 Lowest increase - £25.00 Average increase - £188.68	No easily identifiable trends, recommend reimbursement of actual costs in arrears.
Additional cleaning staff	Highest increase - £872 Lowest increase - £200 Average increase - £464.05	Only four respondents noted increased cleaning hours, with significant cost differences between providers. Recommend reimbursement of actual costs in arrears.
Additional ELC staff	Highest increase - £5,831.86 Lowest increase - £379.71 Average increase - £2,824.66	Only four respondents noted increased ELC staffing, with significant cost differences between providers. Recommend reimbursement of actual costs in arrears.

<b>Childminders</b>		
<b>Cost category</b>	<b>Summary of costs (Aug/Sept 2020)</b>	<b>Comments</b>
Additional PPE	Increase of £16.99	Only one response.
Additional cleaning materials	Highest increase - £98.79 Lowest increase - £0 Average increase - £57.04	One childminder noted no significant increase in any costs. No easily identifiable trends, recommend reimbursement of actual costs in arrears.

Additional cleaning staff	Highest increase - £399.90 Lowest increase - £399.90 Average increase - £399.90	One childminder noted no significant increase in any costs. No easily identifiable trends, recommend reimbursement of actual costs in arrears.
Additional ELC staff	Highest increase - £0 Lowest increase - £0 Average increase - £0	No additional staff costs noted.

### Options Appraisal and Recommendation

Option	Description	Advantages	Disadvantages	Rank
<b>A</b>	A blanket increase to the hourly rates in the framework agreement	<ul style="list-style-type: none"> <li>• Easy to administer</li> </ul>	<ul style="list-style-type: none"> <li>• Doesn't acknowledge differences in cost bases</li> <li>• Impossible to determine a small set of new rates which are appropriate for everyone</li> <li>• Would not represent best value</li> <li>• Difficult to readjust rates back down later</li> </ul>	4
<b>B</b>	Individual rate increases for providers or groups of providers	<ul style="list-style-type: none"> <li>• Ensures providers are given accurate financial support</li> </ul>	<ul style="list-style-type: none"> <li>• Time consuming to administer</li> <li>• Difficult to readjust rates back down later</li> </ul>	2
<b>C</b>	One-off grants to cover the whole of 2020/21	<ul style="list-style-type: none"> <li>• Easy to administer</li> </ul>	<ul style="list-style-type: none"> <li>• Doesn't acknowledge that the current measures are under continuous review and may not go on for all of 2020/21</li> <li>• Doesn't allow the council to react to changes in cost bases throughout the year</li> <li>• Difficult to claim money back from providers if measures come to an end during the year</li> </ul>	3
<b>D</b>	Quarterly grants in arrears, based on actual additional costs submitted and evidenced by the provider	<ul style="list-style-type: none"> <li>• Allows the council to continuously review true costs to determine grant amounts each quarter</li> <li>• Easy to end support when appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• Providers must wait to be paid in arrears</li> </ul>	1

As there are few easily identifiable trends in the data provided, the recommended approach to providing financial support to providers is through the submission of an invoice by the provider to the council at three-monthly intervals, including evidence of actual, additional costs accrued.

For the first period (1 August 2020 to 31 October 2020), any grants awarded to the provider through the Transitional Support Fund or the Angus childminder grants must be deducted before any further funds are released. Later invoice submissions should also take account of any further national or local grant schemes, as appropriate.

Consideration must also be given to the proportion of the additional costs which are attributable to funded ELC hours, as opposed to private hours paid for by parents and carers.