

**UPDATE ON THE FINANCIAL CONSEQUENCES ON THE CHILDREN AND YOUNG PEOPLE'S (SCOTLAND) ACT 2014**

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**1.0 EXECUTIVE SUMMARY**

The Children and Young People's (Scotland) Act 2014 introduces new legislative requirements for early learning and childcare, enshrines elements of the Getting it Right for Every Child (GIRFEC) approach in law, introduced new children's rights and children's service planning, increases the provision of support to those in care and care leavers and introduces free school meals for primary 1 – 3 pupils.

This report provides members with an update on the cost estimates and the allocation of funding to support the proposals introduced within the Act. Since the Bill was first published, officers have been preparing for implementation and quantifying the capital and revenue costs which would be incurred. The Scottish Government has made a commitment to local government to fully fund the agreed additional costs arising from the Children and Young People Act to local authorities. COSLA is negotiating on the distribution methodologies and funding allocations. This report provides members with the latest estimates regarding cost and the confirmed allocations from the Scottish Government. We are still awaiting agreement on the distribution mechanism and confirmation of the capital allocation for the introduction of free school meals for primary 1 – 3 pupils and the capital allocation for the increase to 600 hours childcare for vulnerable 2 year olds. Members should be aware that any aspect of the Act not fully funded on a recurring basis could introduce a potential cost or demand pressure to the Council.

It is recommended that the Community Services Committee:

- a) Note the cost estimates and Scottish Government funding allocations as detailed in appendix 1
- b) Note that the remaining financial consequences of the Act are currently the subject of detailed negotiation between the Scottish Government and COSLA. Any aspect of the act not fully funded on a recurring basis could introduce a cost or demand pressure to the Council.

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**2.0 INTRODUCTION**

- 2.1 The Children and Young People Bill was introduced to Parliament on 17 April 2013. The Bill was passed by the Scottish Parliament on 19 February 2014, and it received Royal Assent on 27 March 2014, making the Bill an Act of the Scottish Parliament.
- 2.2 The Act will further the Scottish Government's ambition for Scotland to be the best place to grow up in by putting children and young people at the heart of planning and services and ensuring their rights are respected across the public sector. The Act includes provisions that will:
- From August 2014 increase the amount and flexibility of free Early Learning and Childcare from 475 to a minimum of 600 hours per year for 3 and 4 year olds, and 15% of Scotland's most vulnerable 2 year olds. From August 2015 this will extend to 27% of the most vulnerable 2 year olds;
  - Provide Free School Lunches to all children in primary 1–3 by January 2015;
  - Ensure better permanence planning for looked after children by giving all 16 year olds in care the right to stay in care until the age of 21 from 2015; extend the support available to young people leaving care up to the age of 25, and support the parenting role of kinship carers;
  - Enshrine elements of the Getting it Right for Every Child (GIRFEC) approach in law, ensuring there is a single planning approach for children who need additional support from services, providing a single point of contact for every child and providing a holistic understanding of wellbeing;
  - Create new duties in relation to the United Nations Convention on the Rights of the Child and strengthen the Children's Commissioner role; and
  - Strengthen existing legislation that affects children, including a number of amendments to the process for school closure proposals under the Schools (Consultation) (Scotland) Act 2010.
- 2.3 Reconfiguring our services to meet the requirements of the Act will have cost implications for the Council. This report provides members with an update on the cost estimates and the allocation of funding to support delivery.

### **3.0 RECOMMENDATIONS**

3.1 It is recommended that the Community Services Committee:

- a) Note the cost estimates and Scottish Government funding allocations as detailed in appendix 1
- b) Note that the remaining financial consequences of the Act are currently the subject of detailed negotiation between the Scottish Government and COSLA. Any aspect of the act not fully funded on a recurring basis could introduce a cost or demand pressure to the Council.

### **4.0 DETAIL**

- 4.1 The Scottish Government has made a commitment to local government to fully fund the agreed additional costs arising from the Children and Young People Act to local authorities. In the budget announcement in September 2013 it was confirmed that an additional £186 million would be made available to local authorities over the next two years to meet the implementation costs. The distribution methodologies and funding allocations for the capital and revenue costs are being negotiated through COSLA Leaders.
- 4.2 Since the Bill was first published officers have been reviewing existing policies and practice and using this information to estimate both the revenue and capital implications of compliance with the Act, this information has been passed to COSLA. Some aspects of the bill such as calculating the number of 2 year olds from workless households, the future requirements and the increased demand for through care and after care and the uptake of free school meals for primary 1-3 are difficult to accurately predict and as such there is an increased risk of financial uncertainty leading to potential cost pressures associated with the implementation of the Act.
- 4.3 The Scottish Government have announced the funding allocation for Early Learning and Childcare for 3 and 4 year olds including an allocation for looked after 2 year olds, the additional revenue funding for additional 2 year olds from workless households, the revenue funding to expand and develop the early learning and childcare workforce and the revenue funding for the provision of free school meals for primary 1-3. The estimated costs and the confirmed funding allocation are detailed in appendix 1.
- 4.4 The Council is still awaiting confirmation from the Scottish Government on the capital allocation for free school meals for primary 1-3 and the capital allocation for 2 year olds in workless households. The distribution mechanism for 2 year olds is still being negotiated as a proposal to link this to 25% road length and 75% number of 2 years olds in families receiving out of work benefit was rejected at a special meeting of COSLA Leaders on 27 June.
- 4.5 The distribution of the revenue funding for free school meals for primary 1-3 has been calculated from the overall number of primary school pupils not registered for free school meals using the 2014 Healthy Living Survey data. The Scottish

Government is yet to reach agreement with COSLA Leaders on the capital costs.

- 4.7 The Scottish Government have confirmed funding for 2014/15 and 2015/16 within their present budget. Future years' funding will be considered within the context of the budget setting process by Scottish ministers and incorporated in the GAE allocation. This however introduces a degree of financial risk for the Council as this resource will need to be funded on a recurring basis
- 4.8 The costs associated with the extension of entitlement to throughcare and aftercare support are anticipated to be potentially very significant (see appendix 1 to this report). Negotiations on the resource allocation to cover these costs are ongoing through CoSLA

## **5.0 CONCLUSION**

- 5.1 The Children and Young Person (Scotland) Act 2014 will transform services for children, young people and families in Argyll and Bute. The Act will have implications for and present challenges to our Children and Families Social Work, Education and School Meals Services. The services will continue to plan for implementation and monitor closely any demand or cost pressures arising from changes that are not fully funded on a recurring basis.

## **6.0 IMPLICATIONS**

- 6.1 Policy – Policy and guidance notes will continue to be reviewed and developed in preparation for implementation
- 6.2 Financial – the financial distribution and allocation is being negotiated with the Scottish Government by COSLA Leaders. The Council is awaiting confirmation of the settlement for the capital allocation for free school meals for P1-3 and for 600 hours of childcare for 2 year olds in workless households for 2016/17.
- 6.3 Legal – the Children and Young People (Scotland) Act 2014 will impose additional / extended duties with financial implications for the Council
- 6.4 HR – as a result of the implementation planning there may be a requirement for additional staffing
- 6.5 Equalities – equality impact assessments will be considered within the implementation plans
- 6.6 Risk – there is a significant financial risk to the Council from changes that are not fully funded on a recurring basis
- 6.7 Customer Service – preparing and publicising clear guidance for the separate elements of the Act will assist young people and families to better understand the changes within the Act and how these will apply in Argyll and Bute.

Appendix 1

Estimate of Costs Associated with the Implementation of Children and Young People  
(Scotland) Act 2014

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**APPENDIX 1 - ESTIMATE OF COSTS ASSOCIATED WITH IMPLEMENTATION OF CHILDREN AND YOUNG PEOPLE (SCOTLAND) ACT 2014**

	Estimated Start Date	2014/15	2015/16	2016/17	2014/15	2015/16	2016/17
Early Learning and Childcare – increase 3 and 4 year-old provision to 600 hours (includes 2 year-old LAC)	2014	903,437	1,271,709	1,271,709	569,000	356,000	tbc
Scottish Govt Funding for Early Learning and Childcare for 3 and 4 year-olds (including LAC 2 yo allocation)		(842,000)	(1,265,505)	(1,265,305)	(503,000)	(514,814)	tbc
Early Learning and Childcare – extension to certain 2 year-olds	2014	216,163	451,955	530,202	385,714	771,429	771,429
Scottish Govt Funding for Early Learning and Childcare for additional 2 year-olds		(158,849)	(465,957)	(465,957)	(846,383)	tbc	tbc
Scottish Govt Funding for Workforce Development		(37,065)	0	0	0	0	0
<b>Net Position for Early Learning and Childcare</b>		<b>81,686</b>	<b>(7,798)</b>	<b>70,489</b>	<b>(394,669)</b>	<b>612,615</b>	<b>771,429</b>
Kinship Care Orders	2015	0	584,000	527,000	0	0	0
Demand Pressure agreed		0	(584,000)	(527,000)	0	0	0
<b>Net Position for Kinship Care Orders</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Throughcare and Aftercare Support	2015	0	3,268,187	3,268,187	0	0	0
Demand Pressure agreed		0	(171,000)	(171,000)	0	0	0
<b>Net Position for Throughcare and Aftercare</b>		<b>0</b>	<b>3,097,187</b>	<b>3,097,187</b>	<b>0</b>	<b>0</b>	<b>0</b>
Free School Meals	2014	345,375	768,900	768,900	669,000	500,000	0
Scottish Govt Funding for Free School Meals		(264,000)	(863,000)	(863,000)	tbc	tbc	tbc
<b>Net Position for Free School Meals</b>		<b>81,375</b>	<b>(94,100)</b>	<b>(94,100)</b>			
<b>Children’s Rights</b>	<b>2015</b>	<b>0</b>	<b>93,334</b>	<b>93,334</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Getting it Right for Every Child (GIRFEC)</b>	<b>2016</b>	<b>20,000</b>	<b>38,000</b>	<b>17,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Net Position</b>		<b>183,061</b>	<b>3,126,623</b>	<b>3,183,910</b>	<b>tbc</b>	<b>tbc</b>	<b>tbc</b>

In relation to the revenue budget implications a shortfall in funding is estimated for 2014/15 at £183,061 and this will be carefully monitored through budget monitoring. For 2015/16 and 2016/17 the overall net cost estimated at £3,126,623 and £3,183,910 is slightly less than the estimated cost on throughcare and aftercare which there is a Scottish Government commitment to fund. The extent to which these net costs materialise is really dependent on the level of Scottish Government funding.

The capital cost implications in net terms still remain unclear. Whilst initial costs have been estimated by the Council the Scottish Government funding has still to be agreed and confirmed for most aspects of capital. Estimated capital costs are significant £1,627,714 (2014/15), £1,627,429 (2015/16) and still to be estimated for 2016/17. Capital funding has only been awarded so far for some aspects so the financial implications for the Council are largely dependent on the COSLA and Scottish Government finalising the levels of funding and basis of distribution.

### Assumptions

Due to the level of uncertainty surrounding the impact of the individual elements of the Bill, the above figures are underpinned by a number of assumptions. Key assumptions are:

- 1 Calculations based on current workless households ( adjusted for 70% take-up)  
Estimated take-up of places 2015/16 (when service is expanded to those eligible for free school meals) is based on assumption that current numbers are 15% of population and this increasing to 27%  
Assumed that capacity in local authority units would be built up over a number of years as capital works are completed, with approx. 40% being supported in LA units by 2017/18  
Assumption that 75% of affected LA units would require adaptations. Outline costings provided by Design team.
- 2 Increase in service demand has been estimated at 40%. This increase has been applied to the likely number of care leavers at February 2014. Client base is mixed, low cost to high cost, depending on specific package requirements. Average cost per package x potential / eligible clients. There is a commitment for Scottish Government to fund this but details of funding have still to be agreed so the full cost is shown at this stage.
- 3 Client base moving to fostering rates and estimated additional support
- 4 It is assumed that revenue funding is base lined into the financial settlement and continues until 2016/17. If this were not to be the then the net position would be a much higher funding gap.