

EXECUTIVE COUNCIL

PUBLIC

Title: Childcare (Day Care and Child-Minding) Capital Project

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Responsible Director: Director of Education

Report Author: Director of Education

Portfolio Holder: MLA Stacy Bragger

Reason for paper: This paper is submitted to Executive Council:
For policy decision

Publication: Yes with redactions as highlighted.

Not recommended

Under Executive Council Standing Order 23 (2). Executive Council must have regard to the categories of exempt information in Schedule 3 to the Committees (Public Access) Ordinance when determining if information should be withheld.

The category which is potentially relevant to this paper is paragraph 9: Information about others' financial and business affairs

Previous papers: 123/17 Child Minding and Day Care Bill 2017
01/17 Regulation of Nursery Provision
226/15 Nursery and Childminding Provision in the Falkland Islands
94/15 Nursery Provision in the Falkland Islands May 2015
118/14 Early Years Childcare Strategy June 2014
08/05 CE - Childcare Facilities
162/05 CE - Childcare Facility
256/04 CE - Childcare Facilities
329/03 CE Childcare Facilities
130/02 Childcare Provision for working parents May 2002
203/01 CE Childcare Provisions for Working Parents

List of Documents: Appendix - Impact of nursery provision on FS1 baseline results

1. Recommendations

Honourable Members are recommended to approve:

- 1.1 The form and structure of the “Capital Development Fund – Childcare (Day Care and Child-minding)” scheme as summarised in paragraph 5, and in Option 1 (paragraph 6.1);
- 1.2 The preparation and finalisation of documents required to support and implement that scheme (as summarised in paragraph 5.3); and
- 1.3 That all childcare providers and child-minders be invited to submit their applications by the 30th November 2018.
- 1.4 That the Director of Education produces a report setting out the outcome from the above and seeking approval of Members to proceed with the process.

2. Additional Budgetary Implications

- 2.1 ExCo Minute 6/2 approved up to £200,000 being made available per year over a five-year period in the form of capital support to enable the redevelopment and improvement of childcare facilities; and requested FIDC and Treasury to develop an appropriate scheme, subject to approval of funding being referred to the Budget Select Committee.
- 2.2 Instead of funds being made available over a five year period, it is now proposed to make the whole £1 million of the funds available from November 2018. Childcare providers will be invited to submit applications for up to £200,000 of capital support per facility, by 30th November 2018. Additional funds may be made available on a case by case basis. The Project Board referred to in paragraph 5.2.1 will consider and approve applications and will make awards (in single or staged payments as appropriate) and then administer the scheme for the duration of the capital works and thereafter to allow providers of childcare services to move forward and meet the new regulations referred to below in as soon as possible..

3. Executive Summary

- 3.1 For clarification, throughout this paper the term ‘**childminder**’ will refer to a provider of childcare within domestic premises; ‘**day care provider**’ will refer to organisations that provide full or part time nursery care (ie to babies and infants) and / or wrap around care (to primary school age children). Finally, the holistic term, ‘**childcare provider**’ refers to anyone on the childcare register and encompasses both types of provider outlined above.
- 3.2 As described in ExCo papers 123/17 and 01/17, new legislation is in preparation aimed at raising standards within, and to regulate, the childcare sector in the Falkland Islands. To enable childcare providers to meet the new regulatory requirements under that legislation, Executive Council has agreed that FIG will need to provide support. The proposed “Capital Development Fund – Childcare (Day Care and Childminding)” scheme outlined in this paper is intended to contribute to meeting this need.

- 3.3 Under this scheme, FIG would be able to assist providers of day care by providing funding (via a non-repayable loan, secured by a mortgage) to improve or acquire premises.
- 3.4 In return, the provider would be expected to obtain registration as a Childcare provider under the new childcare legislation and to develop childcare premises and operations compliant with that legislation; and then for a period of not less than 20 years (or such longer period as Executive Council may decide) to maintain that registration and to provide day care services in accordance with that legislation and the requirements of the scheme. Failure to do so would entitle FIG to take possession of the property charged under the mortgage and/or terminate any lease. Businesses could be sold on within the 20 year period as long as the new owners take on the existing obligations.
- 3.5 At the end of the 20 year minimum period of day care provision and assuming the provider has complied with its obligations in full, the matter would be referred back to Executive Council to decide whether FIG would write off the loan (in effect converting it into a grant) and release its mortgage, or grant a new lease which would be on commercial terms but not terminable by reference to breach of day care obligations.
- 3.6 The total capital amount available is £1,000,000. Support for each day care provider would be limited to £200,000 (subject as provided in paragraph 5). Further details about the Scheme (in particular, its administration by a Project Board, the criteria for, and obligations to be assumed by applicants, the form of support, the application process and documentation required) are set out in paragraph 5 below.
- 3.7 Of the £1million total amount referred to above, a fund of £50,000 would be set aside to support child- minding provision. Each child minder would be able to apply for capital grants of up to £5,000 each towards health and safety improvement costs. In return, the applicant would enter into a short-form undertaking to utilise the funds in the manner proposed in the application. Failure to do so would entitle FIG to require repayment of the grant (in whole or part). They would also be required to provide childminding services for a minimum of 5 years.
- 3.8 The recommended option is to adopt a scheme along the lines set out in paragraph 5. Alternative options involving matched-funding from the applicant or outright grants (rather than loans which, subject to compliance by the borrower, would be converted into grants) are also discussed in paragraph 6 below.

4. Background and Links to Islands Plan and Directorate Business Plan/s

- 4.1 The childcare sector in the Falkland Islands has been an area for concern for some time, both in terms of the safety of children and also the stability of the sector where many businesses have faced persistent financial and operational challenges.
- 4.2 A recent study carried out by the Childcare Advisory Teacher identified that, in a single cohort of Falkland Islands children, “24 out of 46 children entering FS1 are below or considerably below their age-related expectation in the area of understanding, within Communication and Language” and identified that “poor adult and child interaction

within the nursery settings” was one of many factors influencing this. A summary of this study is included as an appendix for completeness.

4.3 As part of the Islands Plan 2018-22, the Legislative Assembly confirmed its commitment to improving early years provision and childcare regulation. “We will continually raise standards, ensuring better outcomes for every child from early years learning through to further and higher education”. “During this assembly, we will invest in improved early years provision, including the introduction of regulations for the nursery sector.”

4.4 Honourable Members have received reports on the current state of the childcare sector and have requested that proposals for regulation and other means of improvement be made to enable them to decide on actions to be taken in the childcare sector and to deliver on their commitment in the Islands Plan.

4.5 In order to regulate the childcare and child-minding sectors in the Falkland Islands and according to ExCo papers 123/17 and 01/17, the following legislation is currently under development (together with the Guide referred to below, the “**Childcare Regulations**”):-

- Child Minding and Day Care Bill 2018
- Draft Child Minding and Day Care Regulations 2018
- Draft Child Minding and Day Care (Exemptions) Order 2018

In addition, a draft “Professional’s Guide to Implementing National Minimum Standards in Childcare” is being finalised. This would take effect under regulation 21 of the draft Child Minding and Day Care Regulations 2018.

4.6 Day care businesses and child-minding providers in the Falklands operate in a number of ways. One current provider operates as a charity registered in the Falkland Islands. Other operators are partnerships or sole traders while most child-minders operate their own businesses on an owner/operator basis. Other than one day care provider that already occupies an FIG-owned building, all other current operators have indicated that they will need to leave their current premises in order to meet the new legislative requirements.

4.7 ExCo Minute EDU 36/2 (ExCo paper 01/17) approved the provision of direct capital support to day care providers and child-minders to facilitate the investment required to meet the increased standards of provision to be laid down in the Childcare Regulation, and requested FIDC and Treasury to revert to ExCo with an appropriate scheme with which to administer a £1 million capital fund. In addition, work within both the sector and the Development Corporation has highlighted that childcare subsidy in some form is inextricably linked to the on-going development of the sector. A separate paper will be submitted to Executive Council, seeking support for a Childcare Subsidy scheme.

4.8 The purpose of the proposed “Capital Development Fund – Childcare (Day Care and Childminding)” scheme outlined in this paper [(and of the scheme of “Childcare Subsidy”)] is to provide financial and logistical support to day care providers and child minders to enable them to meet the new regulatory requirements to be laid down in the Childcare Regulations.

5. The Structure of the Proposed Capital Development Fund - Childcare (Day Care and Childminding)

5.1 GENERAL DESCRIPTION

5.1.1 Day Care Providers

Under the Capital Development Fund scheme (the “**Scheme**”), FIG would be able to assist providers of day care by either:-

- (a) funding improvements to the provider’s existing or newly acquired premises by way of a loan. This would be provided on an interest-free basis and without a capital repayment obligation on the part of the provider unless/until the provider is in default (i.e. in breach of their regulatory requirements or the terms of the loan or mortgage or if the applicant fails to obtain registration within 12 months). In return FIG would take a mortgage over those premises to secure and protect its loan; or
- (b) providing a site, funding in addition as necessary its development as day care premises by means of a loan (on the terms referred to above) and then leasing the premises to the applicant/provider; or
- (c) contributing towards the cost of a site (which would be acquired in the provider’s name, subject to the provider paying a specified minimum percentage of the aggregate cost), that contribution to be in the form of a loan (on the terms referred to above).

In return, the provider would undertake, within a period not exceeding 12 months, to secure registration as a day care provider under the new Childcare Regulations; and then to maintain that registration and to provide day care services in accordance with the Childcare Regulations and scheme requirements. These obligations would be enforced:

- under (a) and (c) above, according to the terms of the loan and mortgage, breach of which would entitle FIG to enforce its rights to take possession of the property charged; and/or
- under (b) above, by the same means if a loan was provided, and also as a term of the lease, breach of which would entitle FIG to terminate that lease and retake possession.

At the end of a minimum period of day care provision (a minimum of 20 years is proposed) and assuming the provider has complied with its obligations in full, the matter would be referred to Executive Council to decide whether FIG would:-

- under (a) and (c) above, write off the loan and release its mortgage; and/or
- under (b) above, write off any loan and release its mortgage on the same basis, and grant a new lease which would be on commercial terms but not terminable by reference to breach of childcare obligations.

5.1.2 Child-minders

Under the Scheme, FIG would be able to assist child-minders by making small grants of up to £5,000 in total per applicant for capital projects. In return, the applicant would enter into a short-form undertaking to utilise the funds in the manner proposed in the application. Failure to do so would entitle FIG to require repayment of the grant (in whole or part).

5.2 RULES OF THE SCHEME

5.2.1 General Parameters of Scheme

- The maximum amount available under the Scheme is £1,000,000. Applications from childcare providers would need to be submitted on or before 30th November 2018.
- The maximum amount available to each day care applicant would, in the first instance, be limited to £200,000; and the maximum per child-minder is £5,000. However, the Project Board would have discretion to increase that limit in cases it regarded as particularly deserving.
- Capital support under the Scheme would be provided in the form of land and/or loans in the case of day care providers; and cash payments for child-minders.
- The Scheme would be administered, applications assessed, and awards made by a Project Board. Its composition, role, powers and responsibilities would be set out in the rules of the Scheme. It is currently proposed that its membership would comprise representatives of:-
 - Education – Director (or delegate) and Childcare Advisory Teacher
 - Treasury – Financial Secretary (or delegate)
 - Public Works Department – Director (or delegate)
 - Government Legal Services – Head of Legal Services
- The proportion of money to be made available to applicant child-minders would comprise a ring-fenced pot of £50,000 in total (forming part of the total £1,000,000 referred to above), which would also be administered by the Project Board. Applications for what are expected to be small amounts towards premises improvement costs would be assessed as and when made (which would be on an *ad hoc* basis).
- Advice would be sought from FIDC on the decision making process, as FIDC have a wealth of experience in reviewing business cases and awarding grants.
- The project board would collate all applications and make recommendations for approval to Honourable Members in the form of an ExCo Paper in January 2019.

5.2.2 Criteria for Applications

- (a) *In the case of providers of day care, these would include:-*
- the applicant satisfying the Project Board that, with the support of a capital grant under the Scheme, it would be able to satisfy the requirements to register (including the application requirements), become suitable for registration, and not be disqualified from registering, as a day care provider under the Childcare Regulations; the applicant's track record and experience in the sector;
 - the applicant's own available resources;

- the applicant's business plan (including income and profit projections for the following three years), accounts/financial history, proposals for staffing, equipment, premises etc, and quotations and cost breakdowns for the works intended to be undertaken;
- a summary of the applicant's plans (including regular milestones) for achieving full compliance with meeting the requirements of the Childcare Regulations going forward;
- the applicant's location: providers/potential providers would need to operate in the Falkland Islands;
- individual applicants would require the right to live and work in the Falkland Islands (with the applicant having Falkland Island Status, a Permanent Residence Permit (PRP) or a valid work permit); and
- form of business: There would be no requirement for the applicant's business to take any particular form *per se*. Applications could be made by a company, partnership or other unincorporated association, or sole trader or owner/manager. Charitable status would not be necessary. However, any charity or company applying for a grant would need to be registered in the Falkland Islands.

(b) *In the case of child-minders, these would include:-*

- the applicant being registered as a child-minder under the Childcare Regulations, or satisfying the Project Board that, with the support of a grant under the Scheme, it would be able to satisfy the requirements to register (including the application requirements), become suitable for registration, and not be disqualified from registering, as a child-minder under the Childcare Regulations; the applicant's track record and experience in the sector
- the applicant's own available resources;
- the applicant's business plan, accounts/financial history, and proposals for use of the grant and quotations and cost breakdowns for the works intended to be undertaken;
- a summary of the applicant's plans for meeting the requirements of the Childcare Regulations going forward;
- Applicants would need to operate in the Falkland Islands;
- individual applicants would require the right to live and work in the Falkland Islands (with the applicant having Falkland Island Status, a Permanent Residence Permit (PRP) or a valid work permit); and
- Applications could be made by a company, partnership or other unincorporated association, sole trader or owner/manager or any other form of business. Charitable status would not be necessary. However, any charity or company applying for a grant would need to be registered in the Falkland Islands.

5.2.3 Continuing Obligations of Applicants/Providers

(a) *In the case of providers of day care, these would apply in stages:-*

- Within an initial period of up to 12 months from the date of the Childcare Regulations coming into force, applicants would need to have:-
 - registered as a day care provider under the Childcare Regulations;
 - acquired/developed premises, or upgraded existing premises which

- meet the standards set out in the new Childcare Regulations – or have started a timebound, fully costed plan to do so.
- For a minimum period of 20 years (or such other period as may be specified for the purpose) from the completion and approval by the Director of Education of the premises, the applicant would be required to:-
 - provide day care in accordance with the Childcare Regulations for at least 40 hours per week;
 - maintain its registration as a day care provider under the Childcare Regulations; comply with any conditions of registration in force from time to time; and not have its registration suspended or cancelled;
 - comply with all continuing obligations and general requirements under the Childcare Regulations, including with respect to the appointment of a suitable person in charge, the provision of a statement of purpose, quality of care, assessment of service, safeguarding and promotion of health and welfare, behaviour management, health and safety, fire precautions, staffing, quality of premises, the inspection of premises, documents and materials, the provision of information and reports, maintenance of records and complaints procedures; and not being [charged or] convicted of any offence under the Childcare Regulations. In this respect, the Scheme requirements would cross-refer to the Childcare Regulations. If an applicant fails to observe any of those obligations, its lease could be terminated and/or FIG's rights under its loan and mortgage exercised;
 - engage with the FIG Childcare Advisory Teacher for inspection purposes; and
 - provide to FIG annual audited accounts.

(b) *In the case of child-minders:-*

- If not already registered as a child-minder under the Childcare Regulations, the applicant would be expected to achieve such registration within 12 months from the date of any grant under the Scheme.
- For a minimum period of 5 years (or such other period as may be specified for the purpose) from the date of the grant under the Scheme, the applicant would be required to:-
 - provide child-minding services for children in accordance with the Childcare Regulations for at least 20 hours per week;
 - maintain its registration as a child-minder under the Childcare Regulations; comply with any conditions of registration in force from time to time; and not have its registration suspended or cancelled;
 - comply with all continuing obligations and general requirements applicable to child-minders under the Childcare Regulations. The Scheme requirements would cross-refer to the Childcare Regulations. If an applicant fails to observe any of those obligations, FIG would be entitled to claim repayment of the grant (in whole or part);
 - engage with the FIG Childcare Advisory Teacher for inspection purposes; and
 - provide to FIG annual accounts.
 - In a regular inspection framework, any deviation from the childminders' responsibilities will quickly be identified and default sanctions imposed.

5.2.4 Loans

- In the case of day care providers, FIG's contribution would be by way of long-term loan (rather than in the form of an outright grant). As mentioned above, the loan would be provided on an interest-free basis and without a capital repayment obligation on the part of the provider unless/until the provider was in default. It would be secured by a mortgage in favour of FIG.
 - At the end of the minimum periods referred to above and assuming the provider has been fully compliant, the matter would be referred back to Executive Council to decide whether that loan would be written off.
 - If the provider is in default (i.e., in breach of their regulatory requirements or the terms of the loan or mortgage, or if the applicant fails to obtain registration within 12 months), FIG will be entitled to repossess the premises under the mortgage and to require repayment of the loan (in whole or part). The repayment amount will correspond to a schedule which will be provided as part of the mortgage agreement so that it is transparent. The providers' responsibilities in this regard will be made very clear to them at the outset and this should avoid any likelihood of the property being re-designated.
- Under option 1 (as summarised in paragraph 6.1 below), it would not be required that matched-funding would be required from applicants. However, this proposal is included in option 2 (paragraph 6.2 below).
- The permitted categories of expenditure for which loan monies may be used will be set out in detail. They would be in the nature of capital, rather than revenue expenditure, comprising items such as building costs (including material, labour and project management where required) or equipment. Operating expenses (such as salary costs, training, utilities, insurance etc.) would not be eligible expenditure. While the Project Board will require a degree of discretion, the parameters of that discretion will be specified under the Scheme rules.
- Loan support could be given on a one-off basis or in stages. For example, it may be that an applicant applies for funding in principle. When it is awarded an aggregate amount, the applicant is then in a position to provide further detail of premises, select a builder, incur substantial expenditure, etc., according to their fully costed plan.
- To ensure loan monies are used for eligible purposes, those monies could be released to the applicant in:-
 - a lump sum with the applicant obliged to report on that expenditure at regular intervals; or
 - in tranches (for example, on the production of invoices, receipts or other evidence of expenditure)

5.2.5 Premises

- In the case of day care providers without premises, FIG's contribution would take the form of land to be leased to the applicant to develop a facility as well

as a long-term loan to support the building of the premises. The latter would be provided on the terms outlined above.

- The site would be leased to the applicant for the minimum 20 year period of day care provision. Breach by the provider of its regulatory requirements or the terms of any loan or mortgage or of the lease would entitle FIG to terminate that lease as well as exercise its rights under the loan and mortgage. If the provider complied with its obligations in full, the matter would revert to Executive Council to decide whether FIG would write off any loan and release its mortgage on the same basis as mentioned above, and in addition grant a new lease which would be on commercial terms but not be terminable by reference to breach of Childcare Regulations.
- If a day care provider currently without premises was prepared to contribute its own capital to the acquisition of such premises at a level at least equal to a specified minimum percentage of the aggregate cost, the purchase would be made in the name of the provider rather than FIG. Accordingly, FIG would not lease those premises to the provider; instead FIG's contribution would be in the form of a loan on the terms set out above.
- Loans may be made available to build new premises or convert an existing property. The applicant would apply accordingly. The Project Board would provide its views on whether it might be more economic to convert rather than to buy (or vice versa), on the identity/nature of the premises selected, and any other issues arising, in assessing the application.

5.2.6 Application Process

As well as the other requirements referred to in paragraph 5.2, the Scheme rules will lay down:

- the form of application;
- the decision-making body to whom the application would be made (i.e., the Project Board);
- the timescales for decisions;
- the need to provide further information/clarification as and when requested;
- the need to notify the Project Board promptly upon any change in the detail of the application; and
- in the case of day care providers, the requirement to enter into a loan agreement (with mortgage and lease, if required) in the prescribed form within 28 days after the recommendations of the Project Board have been approved by ExCo.

5.2.7 Rights of Appeal/Challenge

Under the Scheme rules, these would be available to:-

- an applicant whose application was unsuccessful in whole or part;
- a childcare provider in breach of the Childcare Regulations or in default under the terms of its loan, mortgage or lease; and/or
- a child-minder in breach of the Childcare Regulations or terms of the grant.

5.2.8 Enforcement

Compliance with the rules of the Scheme would be ensured by the following:-

- regular inspections of the day care or child-minding operations (as provided for in the Childcare Regulations);
- financial and other regular reporting; and
- enforcement of the terms and conditions of the loans to day care providers (including the right to terminate any lease or enforce the loan or mortgage) and of any grant to child-minders.

5.3 PRINCIPAL DOCUMENTS

5.3.1 **Scheme rules and criteria** (reflecting the above).

5.3.2 **Application Form:** this would set out the information to be included (accounts, business plan, track record etc.).

5.3.3 **Guidance Notes** which would summarise the Scheme in clear, comprehensible terms.

5.3.4 **Loan Agreement** between FIG and the day care provider which would be legally-binding and confirm the terms of the loan, the borrower's continuing obligations and the requirements on default.

5.3.5 **Mortgage:** if the day care provider is upgrading its own existing premises, it would grant a mortgage over those premises to secure repayment of the loan.

5.3.6 **Lease:** if new land or premises is provided to the day care provider, this would be according to a lease granted by FIG as landlord of the new premises. If the provider was contributing in part to the cost of acquiring new premises (with FIG contributing the balance by way of loan, secured by mortgage), the premises would be acquired in the provider's own name rather than leased from FIG (subject to the provider paying a specified minimum percentage of the aggregate cost).

5.3.7 **Child-minder's Undertaking:** In return for receiving small grants under the Scheme of up to £5,000 in total per applicant, the applicant would enter into a short-form undertaking to utilise the funds in the manner proposed in the application. Failure to do so would entitle FIG to require repayment of the grant (in whole or part).

6. Options and Reasons for Recommending Relevant Option

6.1 Option 1 (Preferred Option)

6.1.1 Option 1 is to establish a Capital Development Fund scheme for day care and child-minding providers in the form summarised in paragraph 5; under this, childcare providers' existing or newly acquired premises can be upgraded with FIG support to meet the new Childcare Regulations or FIG can provide land or premises for the construction of bespoke childcare facilities for that purpose. In

addition, a separate fund would be available to child-minders for small capital grants to make improvements in their operations.

6.1.2 If adopted, a target date of 30th November 2018 would be set as the deadline for the submission of all applications from childcare providers. The Project Board would then meet to consider those applications and make recommendations to ExCo accordingly. Subject to funds remaining, a further tranche of applications would be considered at a later date.

6.1.3 **REDACTED**

6.1.4 Benefits of this option are that;

- It is likely to permit day care premises and operations to be upgraded in compliance with the new Childcare Regulations in a relatively short timeframe and within the budget;
- FIG would be able to protect its investment by retaining ownership of any property it acquires, by exercising the right to recover any loan not used for the intended purposes or with the intended effect, and by enforcing the compliance by the childcare provider with its obligations under the Childcare Regulations.
- FIG would be able to retain such control as it thinks fit of the design and construction/renovation of the childcare premises while permitting the applicant such input as it wishes.
- In a market where childcare providers have few resources of their own and where other sources of capital are limited, the Scheme is not reliant on matched-funding.
- Childcare providers will be able to 'get on' with the work at hand without impacting too greatly on the day-to-day running of their businesses.

6.1.5 The downside of this option is the degree of intervention required by FIG both financially and also, potentially, in the design and construction of premises, etc. However, this is within FIG's power to control and is a necessary consequence of the market's failure to self-regulate, self-finance and raise standards.

6.2 **Option 2**

6.2.1 Option 2 would follow the model set out in paragraph 5 with the exception that, instead of FIG potentially funding up to 100% of the proposed capital costs, applicants would apply for support under the Scheme on a matched-funding basis: ie, as a condition of the capital grant, applicants would be required to provide 50% of the aggregate costs.

6.2.2 Given the matched-funding nature of this option, FIG would not retain any lease over properties purchased or developed but would provide its contribution in the form of a loan, secured by a mortgage in the manner described in paragraph 5.

6.2.3 As an alternative to matched-funding on a 50-50 basis, other proportions could be offered with a higher or lower contribution required from the applicant according to the latter's circumstances. A lower contribution would at least demonstrate some commitment on their part to the project.

6.2.4 Benefits of this option are that it may provide:

- a greater ‘spread’ of funds across more businesses;
- increased ‘buy in’ from childcare providers given that they are committing their own funds to the project;
- greater flexibility for organisations in deciding how to spend the money granted to them through the scheme; and
- through the loan and mortgage arrangement, FIG would still be able to exert some control over the development of the premises and the compliance by the provider with its obligations.

6.2.5 The downsides of this option are:

- it is unlikely at this stage that childcare operators would have sufficient capital to offer matched- funding or a sufficiently strong business plan to apply to attract third party finance for any matched-funding;
- FIG would not retain ownership of any properties going forward, once any mortgages have been discharged; and
- FIG is likely to enjoy less control in practice over the manner in which capital grants are used and properties developed.

6.3 Option 3

6.3.1 Option 3 would follow the model set out in paragraph 5 with the exception that, instead of FIG’s funding being provided by way of loan, it would take the form of grants to childcare providers to develop their own facilities and operations in accordance with the requirements of the Childcare Regulations. (Option 1 does envisage grants being provided to child-minders but these would be limited to small amounts and subject to a right to reimbursement where the grant is not used for the approved purpose. Under this option, grants would be the general method of provision to both day care providers and child-minders.)

6.3.2 FIG would not retain any lease over properties purchased or developed by day care providers. While it would be able to enforce the Childcare Regulations against those providers and child-minders in accordance with their terms, it would not have the additional means of enforcement against recipients in breach of their obligations in the form of the right to terminate any lease, or seek the recovery of a secured loan.

6.3.3 The Benefits of this option are that:

- it would give greater freedom to providers to spend the monies as they want without FIG interference; and
- childcare providers would still be subject to obligations to comply with the Childcare Regulations.

6.3.4 The downsides of this option are:

- there would be no financial ‘buy in’ or commitment from the recipient;
- while retaining enforcement powers under the Childcare Regulations, FIG would lose the direct means of control provided by the lease/loan methods of support;
- FIG would not retain any interest in the properties developed; and

- if the monies were mis-spent, FIG may be subject to criticism for a lack of adequate supervision. FIG would be reliant to a large degree on the recipient using the monies as intended.

7 Resource Implications

7.1 Financial Implications

Executive Council has approved funding in the 2018/2019 budget for capital grants to childcare businesses. No further financial commitments over and above the £1,000,000 already earmarked are anticipated (other than any cash flow implications in releasing the entirety of that fund in a single tranche rather than over three or five year periods).

7.2 Human Resource Implications

The implications for the FIG staffing required to implement the Scheme are limited. Treasury, AG's Chambers and the Department for Education will need to support the Scheme but it is not envisaged that new staff would be required for this purpose.

8 Legal Implications

8.1 The legal effects of the Scheme and the rights and obligations of FIG and any recipients of capital support are discussed in paragraph 5.

8.2 Legal support will be required to prepare the documents required for the Scheme (as summarised in paragraph 5.3 above). This will be a substantial piece of work for AG's Chambers.

9 Environmental & Sustainability Implications

9.1 None anticipated

10 Significant Risks

10.1 The Appendix highlights work undertaken by Department of Education staff members on the impact of nursery provision on FS1 Baseline results. While it should be noted that this study deals with a single cohort in a single year and as such may not reflect the true nature of the impact of childcare provision on FS1 results, the salient points are;

10.1.1 "24 out of 46 children in a recent cohort entering FS1 are below or considerably below their age-related expectation in the area of understanding, within Communication and Language."

10.1.2 "Factors that may have contributed to more than half the class being below age related expectations include children being bilingual, speaking English as an additional language and the result of poor adult and child interaction within the nursery settings."

From this, it can be seen that a previous failure to invest appropriately in the childcare sector may have had a direct, negative impact on children's FS1 baseline results, with adverse implications for their longer-term education as a whole.

- 10.2 In approving the implementation of new Childcare Regulations, Executive Council has recognised the need to raise standards in the sector. However, as noted in ExCo paper 01/17, there is also a need to support and assist the sector in meeting those standards. If no capital scheme along the lines of the Capital Development Fund is agreed, there will likely be little or no progress towards the improvement of childcare facilities in the Falkland Islands and the objectives set out in the Islands Plan are unlikely to be achieved. Further, the proposed implementation of the new Childcare Regulations might stall as the higher standards they are designed to effect will prove unattainable for most, if not all, childcare operators
- 10.3 As mentioned, the “Capital Development Fund – Childcare” outlined in this paper is one element of the support proposed for the sector. In addition, a scheme of Childcare Subsidy is also proposed to address matters such as the shortage within existing businesses of leadership and management skills and capacity. Without some form of subsidy, any capital investment is likely to fall short in its aim of raising sector standards.
- 10.4 There is a further risk of partial project failure in that a recipient of capital grants may cease to trade or may lose momentum mid-project. This risk will be mitigated through the structure of the Capital Development Fund which, as proposed, should secure and protect FIG’s investment in individual projects.

11 Consultation

- 11.1 This paper has been widely consulted on within the childcare sector (including all current providers).
- 11.2 There has been extensive internal consultation with the Department of Education, Treasury, AG’s Chambers and FIDC.



APPENDIX 1



Report on impact of nursery

provision on FS1 baseline results

On analysis of the FS1 baseline results from September 2017, it is evident that 24 out of 46 children were below or considerably below their age related expectation in the area of understanding, within Communication and Language. Out of 24 of these children, 22 of them attend one of the childcare providers in Stanley. All of the EAL and bilingual children in FS1 attend a nursery. In the area of speaking, 21 out of 24 children that are below or considerably below attend a day nursery.

Factors that may have contributed to more than half the class being below age related expectations include children being bilingual, speaking English as an additional language, living in Camp and the result of poor adult and child interaction within the nursery settings. As the majority of staff have historically lacked training and motivation, the role of the adult in play and effective communication with children has not always been considered as important.

In response to this, the Childcare Advisory Team plan to provide specific early years training that caters to the need of each nursery. In addition to this, the team will model activities that demonstrate positive and appropriate language that develop the communication skills of the children. These activities, as well as the additional support that the advisory team will provide should hopefully have a positive effect on the early language skills of the children.

PRIME AREA OF LEARNING	Considerably Below (16-26 or below)	Below (E or D 22-36)
Communication and Language Understanding	5 children – all attend nursery	19 children – 17 children attend nursery
Communication and Language Speaking	4 children – all attend nursery	20 children – 17 children attend nursery

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