
Report To:	Education & Communities Committee	Date:	1 November 2022
Report By:	Corporate Director Education, Communities & Organisational Development	Report No:	EDUCOM/55/22/YG
Contact Officer:	Yvonne Gallacher	Contact No:	01475 712850
Subject:	Setting a Sustainable Rate for Early Learning and Childcare Partner Providers		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The Purpose of this report is to ask members of the Education and Communities Committee to agree an increase to the hourly rate paid to funded providers for the delivery of Early Learning and Childcare (ELC).

1.3 Under Funding Follows the Child, local authorities are required to set an hourly rate that is paid to funded providers in the private and voluntary sectors, including childminders, to deliver the funded entitlement. This rate should be sustainable and reflect national policy priorities, including funding to enable payment of the Real Living Wage to all childcare workers delivering the funded entitlement.

1.4 Scottish Government conducted an exercise on sustainable rates in 2016 and this was repeated for the West Partnership in 2019. A further review was carried out in February 2022 and the results of this survey were published in May 2022.

2.0 RECOMMENDATIONS

2.1 The Education and Communities Committee are asked to:

- (i) Approve an increase to the hourly rate paid to all Early Years Funded Providers including Childminders, from the current rate of £5.31 per child to £5.69 per child.
- (ii) Agree to backdate a new rate from the 18 August 2022.
- (iii) Agree the rate will be implemented for all eligible children, aged two to five years who are accessing ELC within a funded provider setting.

3.0 BACKGROUND AND CONTEXT

- 3.1 Under section 47(1) of the Children and Young People (Scotland) Act 2014, Education Section 48 of the 2014 Act provides the statutory entitlement as 1140 hours of funded ELC in line with the school year, which starts in August.
- 3.2 The Scottish Government and COSLA published, National Guidance; Funding Follows the Child and the National Standard for Funded ELC Providers in December 2018.

[Funding follows the child and the national standard for early learning and childcare providers: principles and practice](#)

- 3.3 The National Standard sets out the principles and practice for early year's providers seeking to enter into partnership status with a local authority. The standard also sets out the need for a locally determined sustainable rate for all funded providers.
- 3.4 Scottish Government conducted an exercise on sustainable rates in 2016 and this was repeated for the West Partnership in 2019. Taking account of this information, the rate for Inverclyde was set at £5.31 per hour per child. This was paid to funded providers providing ELC for all eligible children aged two to five years.
- 3.5 In February 2022, a further review was commissioned by the West Partnership through Ipsos Mori. The purpose of this review was to produce up to date estimates of the actual cost to providers of providing an hour of ELC, in order to inform planning, modelling and discussions about rate setting. The results of this survey were published in May 2022.

[Supporting documents - Cost of early learning and childcare provision in partner provider settings - gov.scot \(www.gov.scot\)](#)

- 3.6 The final survey was signed off following consultation with COSLA, ADES and Directors of finance representatives, scripted by Ipsos Mori's specialist scripting team and tested by the research team to ensure that all routing worked correctly
- 3.7 The Ipsos Mori report provided local authorities with specific technical data when they had returns of more than ten. Unfortunately, as Inverclyde has only eight funded providers, localised data was not available. Data from across the West partnership has been shared with the eight partner authorities and this has informed the review of the sustainable rate.
- 3.8 As part of the robust planning process, the Council seeks to determine a sustainable rate which, whilst providing best value for the council, also supports funded providers to work towards delivering a provider neutral approach for families across Inverclyde.
- 3.9 A number of key factors have been built into the review of sustainable rate:
 - Supporting partners to pay the Scottish Living Wage
 - Reflecting the cost pressures facing providers
 - Consideration of the seasonality of provision
 - Providing an appropriate margin to provide support for reinvestment
- 3.10 As part of the Council's commitment to provide high quality ELC, payment of an increased sustainable rate will ensure funded providers can continue to deliver a high quality service.
- 3.11 The Council has engaged with all partner providers throughout the rate setting process. Officers were proactive in encouraging providers to complete the Ipsos Mori survey, Inverclyde funded providers submitted a 100% return.

Further engagement has taken place through online partner meetings where the sustainable rate was a standing agenda item. An information bulletin was also issued in August 2022, providing an update on the process. Following this update, the council met with funded providers to discuss the Ipsos Mori process, the findings and information regarding the methodology used to propose a sustainable rate for 2022/23.

4.0 PROPOSALS

- 4.1 Education Services is proposing a rate of £5.69 per hour for each eligible funded child aged two to five years. It is proposed that the rate will be payable from 18 August of the financial year 2022/23. In supporting the continued review of the sustainable rate, it has been confirmed in the Financial Sustainability Health Check that the Scottish Government are committed to updating the data collection exercise annually. This will see updated information published by the end of August each year to support future reviews. In this context, the proposed rate is for one year only and any future rates will be subject to review.
- 4.2 The figure represents an uplift of £0.38 per hour per funded child on the current £5.31 hourly rate which has been in place since August 2019.
- 4.3 In addition to the rate per hour, all funded children are also entitled to a free meal each day as part of their statutory entitlement. Presently this rate is £0.50 per hour in addition to the current £5.31 rate.
- 4.4 All ELC providers also have access to the Scottish Milk and Healthy Snack Scheme (SMHSS) funding, for any child who attends their setting for more than two hours per day. This funding equates to £0.58 per day per child.
- 4.5 The financial cost impact of the cost uplift for the financial year 2022.23 is £45,000. For 2023.24 this would be £77,500 based on current admission trends.
- 4.6 The uplift cost of increasing the rate for 2022/23 will be contained within the ELC Revenue budget.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial	•		
Legal/Risk		•	
Human Resources		•	
Strategic (LOIP/Corporate Plan)		•	
Equalities & Fairer Scotland Duty		•	
Children & Young People's Rights & Wellbeing		•	
Environmental & Sustainability		•	
Data Protection		•	

5.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A	ELC 1140 hours	18/08/2022	£77,500	N/A	In 2022/23 the additional cost is £45,000 due to the rate being implemented from 18 August 2022.

Financial implications of the increase the sustainable rate are included within the additional ring fenced Scottish Government funding for expansion.

5.3 Legal/Risk

Under Funding Follows the Child, local authorities are required to set an hourly rate that is paid to funded providers in the private and voluntary sectors, including childminders, to deliver the funded element. This rate should be sustainable and reflect the national policy priorities, including funding to enable the payment of the real living wage to all childcare workers delivering the funded element.

Funded provider contracts will required to be updated to reflect the new rate.

[Funding follows the child and the national standard for early learning and childcare providers: guidance for setting sustainable rates from August 2020 - gov.scot \(www.gov.scot\).](https://www.gov.scot/publications/funding-follows-the-child-and-the-national-standard-for-early-learning-and-childcare-providers/guidance-for-setting-sustainable-rates-from-august-2020/pages/11.aspx)

5.4 Human Resources

N/A.

5.5 Strategic

The rate must also be sustainable for the local authority in terms of the budgets available. The Scottish Government guidance on setting a sustainable rate states the rate paid to partners to deliver funded ELC should not have a detrimental effect in the local authority's ability to continue to pay the service long term. It also highlights the wider package of 'in kind benefits' which are separate to the sustainable rate and are available to the funded provider as part of the contract with the authority.

5.6 Equalities and Fairer Scotland Duty

N/A.

(a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

	YES – Assessed as relevant and an EqIA is required.
x	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement.

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
x	NO – Assessed as not relevant under the Fairer Scotland Duty for the following reasons: Provide reasons why the report has been assessed as not relevant.

5.7 Children and Young People

Has a Children's Rights and Wellbeing Impact Assessment been carried out?

	YES – Assessed as relevant and a CRWIA is required.
x	NO – Assessed as not relevant as this report does not involve a new policy, function or strategy or recommends a substantive change to an existing policy, function or strategy which will have an impact on children's rights.

5.8 Environmental/Sustainability

Has a Strategic Environmental Assessment been carried out?

	YES – assessed as relevant and a Strategic Environmental Assessment is required.
x	NO – This report does not propose or seek approval for a plan, policy, programme, strategy or document which is like to have significant environmental effects, if implemented.

5.9 Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
x	NO – Assessed as not relevant as this report does not involve data processing which may result in a high risk to the rights and freedoms of individuals.

6.0 CONSULTATION

6.1 This rate has been informed by the IPSOS/Moray survey undertaken and officers have been in dialogue with local partner providers about the methodology used to set the rate.

7.0 BACKGROUND PAPERS

- 7.1 [Supporting documents - Cost of early learning and childcare provision in partner provider settings - gov.scot \(www.gov.scot\)](http://www.gov.scot)
- 7.2 [Funding follows the child and the national standard for early learning and childcare providers: principles and practice](http://www.gov.scot)
- 7.3 [Funding follows the child and the national standard for early learning and childcare providers: guidance for setting sustainable rates from August 2020 - gov.scot \(www.gov.scot\)](http://www.gov.scot)