
Report To:	Education & Communities Committee	Date:	7 November 2023
Report By:	Ruth Binks, Corporate Director, Education, Communities and Organisational Development	Report No:	EDUCOM/47/23/YG
Contact Officer:	Yvonne Gallacher, Early Years Manager	Contact No:	01475 712812
Subject:	Setting a Sustainable Rate for Early Learning and Childcare Funded 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 the Funding Follows the Child policy, 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.
- 1.5 In November 2022, the Education and Communities Committee approved an increase in the sustainable rate to £5.69 per hour. This was an increase on the previous rate of £5.31. The new rate was established through a comprehensive review, based on regional data provided from a national cost collection exercise undertaken with Ipsos. The review focused on supporting the payment of the Scottish Living Wage; reflecting the cost pressures facing funded providers; consideration of the seasonality of provision; and providing an appropriate margin to provide support and reinvestment.
- 1.6 In addition to the sustainable rate, the meal rate continued to be paid at £0.50 an hour, up to a maximum of £3.00 per day. Providers also receive a payment of £0.582 per session as part of the Scottish Milk and Healthy Snack Scheme. This scheme is administered by the council on behalf of the Scottish Government and provides additional support to providers for the provision of serving milk, or milk alternative, and a health snack for each child attending.

2.0 RECOMMENDATIONS

2.1 The Education and Communities Committee are asked to:

- Approve an increase to the hourly rate paid to all Early Years Funded Providers including Childminders, from the current rate of £5.69 per child to £5.87 per child.
- Agree to backdate a new rate from the 18th August 2023.
- Agree the rate will be implemented for all eligible children, aged two to five years who are accessing ELC within a funded provider setting.

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Corporate Director, Education, Communities and OD

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 The 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. 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 specialist scripting team and tested by the research team to ensure that all routing worked correctly.
- 3.7 The Ipsos 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 was shared with the eight partner authorities and informed the review of the sustainable rate for 2022/2023.
- 3.8 In setting the existing rate, the council agreed to review the rate for 2023/24 session, ensuring it remained sustainable for both providers and the authority in line with the Scottish Government's national approach. Whilst initially advised of the Scottish Government's commitment to updating the data collection process annually, this exercise has not progressed for this review.
- 3.9 In reviewing the rate for 2023/24, the council has engaged with providers to consider the current cost pressures facing providers. This was specifically focussed on supporting providers to continue to pay the Scottish Living Wage and meet the increased costs as a result of inflationary pressures. Following the review undertaken for last year, both seasonality and margin are already included within the existing base rate and, as such have not been included for the further increase.
- 3.10 From April 2023, the Scottish Living Wage has been set at £10.90 per hour. As detailed in the National Standard, all funded providers are expected to pay the Scottish Living Wage for staff providing the statutory entitlement, and this new rate was included in the review for 2022/23. The Scottish Living Wage rate from April 2024 has not yet been confirmed, however, in line with recently published research from the Low Pay Commission, it is estimated as likely to be set at

between £10.90 and £11.43. The midpoint of this range represents an increase of 2.4% on the existing rate and this increase will be added to the staffing element of the previous baseline figure.

- 3.11 Given the continued uncertainty regarding inflation, with projections for the rate to begin to fall over the coming months, an estimate of 5% has been determined as appropriate to uplift the non-staff cost element of the baseline figure.
- 3.12 Following the review, combining both the staff and non-staff increases on the previous baseline figure, provides a new rate of £5.87 per hour. This rate will continue to apply for all 2-5 provision. This represents a 3.11% increase on the existing rate of £5.69 and is in line with increases approved in those other local authorities who have, so far, uplifted their own sustainable rate.
- 3.13 The proposal to increase the sustainable rate paid to funded providers will result in additional costs being incurred for the provision of the statutory entitlement. For 2023/24 financial year this will be met from existing financial resources.
- 3.14 Given the continued financial pressures the Education Department will continue to carefully consider the financial impact of sustainable rates going forward.
- 3.15 In addition to the sustainable rate, funded providers within Inverclyde continue to have access to a wide range of additional high-quality supports, including access to professional learning, access to a teacher, support from the department's Educational Psychology Service and Early Years Development Officer. The department continues to work alongside providers to ensure access to the most appropriate support is available.
- 3.16 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.

4.0 PROPOSALS

- 4.1 Education Services is proposing a rate of £5.87 per hour for each eligible funded child aged two to five years. It is proposed that the rate will be payable from 18th August of the financial year 2023/24. In supporting the continued review of the sustainable rate, it has been advised that Scottish Government are committed to updating the data collection process annually. This will see updated information published by the end of 2023 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 £0.18 per hour per funded child on the current £5.69 hourly rate which has been in place since November 2022.
- 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 £5.69 rate.
- 4.4 All ELC providers also continue to 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 58.2p per day per child.
- 4.5 The financial cost impact of the cost uplift for the financial year 2023/24 is £30,000. For 2024/25 this would be £44,000 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
Financial	X	
Legal/Risk		X
Human Resources		X
Strategic (Partnership Plan/Council Plan)		X
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

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	£44,000	N/A	In 2023/24 the additional cost is £30,000 due to the rate being implemented from 18 th August 2023.

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/resources/documents/2020/08/20200820_funding_follows_the_child_and_the_national_standard_for_early_learning_and_childcare_providers_guidance_for_setting_sustainable_rates_from_august_2020.pdf)

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, Fairer Scotland Duty & Children/Young People

(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

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.

(c) 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.

5.7 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.

5.8 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 Mori 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](#)

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 \(www.gov.scot\).](#)