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<b>Report To:</b>	<b>Education &amp; Communities Committee</b>	<b>Date:</b>	<b>3 September 2024</b>
<b>Report By:</b>	<b>Ruth Binks Corporate Director Education, Communities &amp; Organisational Development</b>	<b>Report No:</b>	<b>EDUCOM/36/24/YG</b>
<b>Contact Officer:</b>	<b>Yvonne Gallacher Quality Improvement Manager</b>	<b>Contact No:</b>	<b>01475 712812</b>
<b>Subject:</b>	<b>Increase of Sustainable Rate for Early Learning and Childcare Funded Providers</b>		

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## **1.0 PURPOSE AND SUMMARY**

- 1.1  For Decision  For Information/Noting
- 1.2 The Purpose of this report is to provide an update on a further review of the sustainable rate paid to Funded Providers for the provision of Early Learning and Childcare (ELC) and ask members of the Education and Communities Committee to agree the payment of a new rate backdated to 1<sup>st</sup> April 2024.
- 1.3 In line with the National Guidance, Funding Follows the Child and the National Standard for Funded ELC Providers in December 2018 (updated in December 2023), 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 In November 2023, Education and Communities Committee approved an increase in the sustainable rate to £5.87 per hour. This paper proposes an increase in that rate to £6.32 per hour. The Scottish Government's Programme for Government, published in September 2023, set out a commitment to deliver funding to enable childcare workers delivering the statutory entitlement in Funded Providers to be paid at least £12 per hour from April 2024. Local authorities were provided with £16 million of additional funding in 2024/25 to support the delivery of this commitment, with an expectation that the rate be lifted by at least 7.6%.
- 1.5 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 £58.2p 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 healthy snack for each child attending.

## **2.0 RECOMMENDATIONS**

2.1 The Education and Communities Committee are asked to:

Approve an increase in the hourly rate paid to all Early Years Funded Providers including Childminders, from the current rate of £5.87 per child to £6.32 per child.

2.2 Agree to backdate the new rate to the 1<sup>st</sup> April 2024.

2.3 Agree the rate will be implemented for all eligible children, aged two to five years who are accessing ELC within a funded provider setting.

**Ruth Binks**  
**Corporate Director**  
**Education, Communities &**  
**Organisational Development**

### **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.
- 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. 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.
- 3.5 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.
- 3.6 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 was shared with the eight partner authorities and informed the sustainable rate set for 2023/24.
- 3.7 Throughout 2023, a joint review of the sustainable rate setting process was undertaken by COSLA and the Scottish Government, published in December 2023. This review was informed through evidence gathered from a range of different stakeholders, including local government, professional associations and the private, voluntary and independent sectors. Through the review, concerns around the ongoing funding, affordability of provision and availability of staff within the private, voluntary and independent sectors continued to emerge.
- 3.8 The Scottish Government's Programme for Government, published in September 2023, set out a commitment to deliver funding to enable childcare workers delivering the statutory entitlement in Funded Providers to be paid at least £12 per hour from April 2024. This position was confirmed in the Scottish Government's budget set out in late 2023, confirming that local authorities were to be provided with £16 million of additional funding in 2024/25 to support the delivery of this commitment.
- 3.9 Given the commitment that staff in Funded Provider settings and Childminders will receive £12 per hour from 1 April 2024, it has been necessary to introduce an increase during the academic year to the sustainable rate. This represents a departure from the usual process whereby any increase in the rate paid to Funded Providers has been agreed from the start of the school session in August.
- 3.10 Through national agreement between the Scottish Government and COSLA, it has been determined that all local authorities should apply a minimum uplift of 7.6% on their existing 2023/24 rate, effective from 1 April 2024. This level of uplift (7.6%) has been calculated to reflect the estimated increase in the average staff cost element of the sustainable rate required to enable payment of the increased real Living Wage. Per the agreement, overall staff costs will be uplifted by 10.1% to reflect the increase from the real Living Wage rate that applied during 2023/24

(£10.90 per hour) to the current real Living Wage rate of £12 per hour. The calculation assumes that, on average, staff costs account for 75% of overall funded Provider costs (and therefore around 75% of the sustainable rate) and so the 10.1% uplift translates to a 7.6% “blended” uplift when the remaining 25% non-staffing costs are included in the base hourly rate prior to the uplift ( $10.1\% \times 75\% \approx 7.6\%$ ).

- 3.11 It should be noted however that Inverclyde’s rate from August 2023 was based on a Real Living Wage rate of £11.16 (estimated at time of setting the rate) and therefore an increase of 7.6% on the 2023/24 rate brings the staffing element of the rate in excess of the £12 rate.
- 3.12 The national agreement requires that the remainder of the sustainable rate, that is, the non-staffing element (assumed to account for, on average, 25% of the sustainable rate), is set in line with the requirements of the existing sustainable rates guidance.
- 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 2024/25 financial year. It can be difficult to predict exact usage of partner providers from year to year because of parental choice and any changes of partnership. Given the continued financial pressures the Education Department will continue to carefully consider the financial impact of sustainable rates going forward this will be met from existing financial resources.
- 3.14 As the increase is linked to the commitment to pay staff £12 per hour, Funded Providers will continue to receive £3 per meal for any eligible child in accordance with the 1140 hours of ELC entitlement and in addition to the hourly rate. They will also continue to be paid £0.582 for each child, per session as part of the Scottish Milk and Health Snack Scheme.
- 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, Early Years Development Officers and support from the Quality Improvement Manager. 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 pay employees the Scottish Living Wage.

#### **4.0 PROPOSALS**

- 4.1 Education Services are proposing a rate of £6.32 per hour for each eligible funded child aged two to five years. It is proposed that the rate will be backdated to 1<sup>st</sup> April of the financial year 2024/25. This approach is in line with the approach taken by other authorities in the West Partnership. In supporting the continued review of the sustainable rate, the Scottish Government have advised that they are committed to updating the data collection process annually.
- 4.2 The figure represents an uplift of £0.45 per hour per funded child on the current £5.87 hourly rate which has been in place since August 2023.
- 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. This rate is £0.50 per hour up to a maximum of £3.00 per day and is in addition to the new proposed rate of £6.32 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 £0.582 per day per child.
- 4.5 The financial impact of the cost uplift for the financial year 2024/25 is £105,000, based on current admission trends, but these can fluctuate.
- 4.6 The uplift cost of increasing the rate for 2024/25 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	•	
Legal/Risk		•
Human Resources		•
Strategic (Partnership Plan/Council 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
Early Years	Partner Provider Payments	01/04/2024	£105,000	N/A	Will be contained within existing budgets.

## 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 be required to be updated to reflect the new rate.

**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 on the local authority’s ability to continue to pay the service long term. It also highlights the wider package of ‘in kind benefits’ as outlined in paragraph 4.5, 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**

(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.

**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/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 [Sustainable rates - guidance for 2024-25 \(including 12 per hour pay commitment\) - 8 March 2024 \(003\).pdf](#)

7.2 [Funding Follows the Child and the National Standard for Early Learning and Childcare Providers: Operating Guidance \(www.gov.scot\)](#)