

**REPORT TO:** Education & Children’s Services Committee

**MEETING DATE:** 18 June 2024

**BY:** Executive Director, Education and Children’s Services

**SUBJECT:** Sustainable Hourly Rate for Funded Providers delivering Early Learning and Childcare in East Lothian

---

**1 PURPOSE**

- 1.1 To note the increase in the sustainable hourly rate paid by East Lothian Council to early learning and childcare (ELCC) funded providers in the private and third sector to deliver funded early learning and childcare from 1 April 2024.
- 1.2 To note a further local review of the sustainable rate paid by East Lothian Council to early learning and childcare (ELCC) funded providers in the private and third sector to deliver funded early learning and childcare by August 2024.
- 1.3 To note the review of the partnership agreement process for new funded providers in East Lothian by March 2025.

**2 RECOMMENDATIONS**

The Committee is asked to:

- i. Note the funding commitment from Scottish Government to ensure funded providers pay the real living wage of £12 per hour from April 2024. The Scottish Government provided East Lothian Council with additional funding to enable ELCC workers delivering funded hours in the private and third sector to be paid at least £12 per hour (the new real living wage rate from April 2024). A 7.6% uplift has been applied to 2023/24 rates to reflect the increase in staffing costs.
- ii. Note East Lothian Council increased the hourly rate by 7.6% as follows from 1 April 2024.

	Hourly Rate 2023/24 (including meal allowance of 35p per hour)	Hourly Rate from 1 April 2024 (including meal allowance of 35p per hour)
Eligible 2-year-olds	£7.90 per hour	£8.47 per hour
3 – 5-year-olds	£6.39 per hour	£6.85 per hour

- iii. Note the local review of the hourly rate to be paid to funded providers delivering early learning and childcare as outlined in this report.
- iv. Note the review of the partnership process by March 2025 for new funded providers wishing to enter an agreement with the local authority to deliver funded early learning and childcare. We do not plan to enter into a partnership agreement with any new providers until after August 2025.

### **3 BACKGROUND**

- 3.1 Under section 47(1) of the Children and Young People (Scotland) Act 2014, education authorities must ensure that the statutory amount of funded early learning and childcare entitlement is made available for each eligible child.
- 3.2 Section 48 of the 2014 Act provides the statutory entitlement as 1140 hours of funded early learning and childcare in line with the school year, starting in August. Children eligible from January and April receive a pro-rata amount of funded hours for part of a year of which a child is eligible i.e. the term after their third birthday.
- 3.3 East Lothian currently has a variety of funded early learning and childcare providers.
  - 13 private and third sector settings
  - 34 council settings
  - 33 childminders
- 3.4 As set out in the [Funded early learning and childcare \(ELC\) - setting sustainable rates 2024 to 2025: guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/funded-early-learning-and-childcare-2024-25/guidance/html/index.html). In setting sustainable rates for 2024-25, the Scottish Government require councils to reflect the following elements:
  - a fixed minimum percentage uplift to reflect the estimated average increase in staffing costs required to enable delivery of the £12 per hour pay commitment (this is assumed to account for, on average, 75% of the sustainable rate).
  - the remainder of the sustainable rate is set in line with the requirements of the sustainable rates guidance (assumed to account on average, 25% of the sustainable rate, and reflecting the non-staffing cost elements of the rate, including providing scope for reinvestment).
- 3.5 East Lothian Council is proposing that the remainder of the sustainable rate (25%) is reviewed using Section 5: Options for Local Rate Setting in the Scottish Government guidance. [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/html/index.html).

The proposed local hourly rate review would also take account of the following.

- the current rates charged by private nursery providers in the local area
- a cost data collection exercise, developed with Finance, gathering information from our current funded providers – 13 private nurseries and third sector services, and 6 childminders
- the existing hourly rates of £8.47 for Eligible 2-year-olds and £6.85 for 3–5-year-olds increased from 1 April 2024
- the staffing ratios of 1:5 to provide early learning and childcare for 2-year-olds compared to 1:8 for 3 – 5-year-olds in nursery settings
- benchmarking against neighbouring authorities

The hourly rate must be affordable and sustainable to the Council in terms of the budget available whilst enabling funded providers to be sustainable, pay employees the real living wage, reinvest in their service and provide high quality ELCC in line with the National Standards and East Lothian Council's contractual conditions.

Cabinet agreed on 8 November 2022, that the rate would be reviewed annually. The review did not take place in November 2023 due to an ongoing process review with the Scottish Government Improvement Service. The local review for 2024/2025 will take this into account.

#### **4 POLICY IMPLICATIONS**

None

#### **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – from financial year 2024/25, early learning and childcare funding is no longer ringfenced and is now included within the General Revenue Grant (GRG). The 7.6% increase will be met from Scottish Government funding of £346,500. There is no additional funding available for the non-staffing element (25% of the rate) and any increase in costs will need to be met from the Early Years budget for 2024/2025.
- 6.2 Personnel - none
- 6.3 Other - none

## 7 BACKGROUND PAPERS

7.1 None.

<b>AUTHOR'S NAME</b>	Kelly Weir
<b>DESIGNATION</b>	Senior Officer, Early Years
<b>CONTACT INFO</b>	kweir@eastlothian.gov.uk
<b>DATE</b>	18 June 2024