

Report

Report to:	Education Resources Committee
Date of Meeting:	21 May 2024
Report by:	Executive Director (Education Resources)

Subject:	2024/2025 Early Learning and Childcare (ELC) Sustainable Rate Price Review
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1. Purpose of this Report

1.1. The purpose of the report is to:-

- ◆ outline the work undertaken on setting the Early Learning and Childcare (ELC) sustainable rate for funded providers for implementation from 1 April 2024

2. Recommendation(s)

2.1. The committee is asked to approve the following recommendation(s):-

- (1) that the content of the report and the outcome of the sustainable rate review is noted;
- (2) that the recommendation for the proposed sustainable rate, as outlined in section 5.2, is approved; and
- (3) that the requirements of the Procured Service Agreement (PSA) for ELC to secure funded providers agreement is progressed in line with the framework terms.

3. Background

- 3.1. The Education Resources Committee meeting on 27 June 2023 approved an increase to the ELC sustainable rate from the new school session in August 2023 following a review and consultation exercise with ELC funded providers. This saw an increase in the hourly rate to £5.88 and £6.53, plus £0.50 per hour for lunch, for 3-5 year olds and 2 year olds respectively – (a 3% increase).
- 3.2. The Council's Procured Service Agreement (PSA) introduced in June 2019 for ELC for the delivery of 1,140 for all funded providers, requires a review of the rate annually.
- 3.3. The Scottish Government announced as part of its 2024/2025 budget that it will provide local authorities with an additional £16 million in 2024/2025 to fully fund the estimated additional costs associated with enabling funded ELC workers in private and third sector services to be paid at least £12 per hour (the new real Living Wage rate) from April 2024.

This commitment will also be applied to all childminders who deliver funded ELC and the funding will be recurring.

- 3.4. The additional funding has been distributed to local authorities using the current needs-based ELC funding distribution formula. This follows the recommendation made by the Settlement and Distribution Group and was agreed by COSLA Leaders at their meeting on 26 January 2024.
- 3.5. South Lanarkshire's allocation from the additional £16 million provided in 2024/2025 to fully fund the estimated additional costs associated with the commitment from April 2024 is **£994,200**.
- 3.6. The hourly rate to funded providers for statutory 1,140 ELC provision, is in addition to the funded programme of Milk and Healthy Snack Scheme Scotland Regulations 2021; the Council's investment to support Early Access for 3 year olds and the zero based support for training and development and quality assurance available to funded providers.
- 3.7. Funded providers deliver early learning and childcare to 31% of South Lanarkshire's eligible children. (2,554 children as at February 2024)

4. Guidance for Setting the Sustainable Rate 2024/2025

- 4.1. On 8 March 2024, the Scottish Government and COSLA published [Guidance for setting sustainable rates for the delivery of funded early learning and childcare \(ELC\) in 2024-25](#).
- 4.2. The guidance confirms the agreed approach for passing on the additional funding to providers as part of the 2024/2025 sustainable rates setting process:-
 - ◆ a minimum 7.6% uplift will be applied to 2023/2024 rates to reflect the estimated increase in the average staff cost element of the sustainable rate required to meet the £12 per hour (real Living Wage) pay commitment in 2024/2025
 - ◆ the minimum 7.6% uplift will also be applied to the sustainable rates paid to all childminders delivering funded ELC
 - ◆ the remainder of the sustainable rate is set in-line with the requirements of the sustainable rates guidance
 - ◆ if sustainable rates for 2024/2025 are set after April 2024, then any payments that reflect the increased real Living Wage will be backdated to 1 April 2024
- 4.3. The guidance also states it is the responsibility of the local authority to set a sustainable rate for the delivery of the funded hours in their area and it is for funded providers to determine whether the rate set is suitable for their business and whether they wish to enter into a contract on this basis.

5. Application of the Guidance

- 5.1. Having given consideration to the guidance and its application to the Council funded provider rate; the proposed change to the hourly rate for funded providers based on the guidance is an increase of +7.6% on 2023/24 rates.

This reflects anticipated cost of £1.215m based on the expected number of funded hours from April 2024 to March 2025 to funded providers.

- 5.2. This proposal will see the ELC funded provider rate for 1,140 hours increase as outlined below. There is no funding provided, or increase proposed, for the lunch rate for 2024/25, with this remaining at £0.50 per hour.

	Current Rate	Revised Rate	Lunch Rate	Total Rate	Increase	Increase
	Aug-23	Apr-24	Apr-24	Apr-24	£	%
3-5 year olds	5.88	6.33	0.50	6.83	0.45	7.6%
2 year olds	6.53	7.03	0.50	7.53	0.50	7.6%

- 5.3. The PSA requires a change control notice be sent to each funded provider and for funded providers to respond within 30 days with acceptance to the revised rate or notify intention to be removed from the PSA.

This process will be adopted for implementation of the new sustainable rate and it is anticipated this will be a positive outcome given the proposed increase.

6. Consultation Process

- 6.1. A protocol for consultation on the sustainable rate was established over the last few years with funded providers. Regular meetings with funded providers take place six weekly on ELC related matters and a special meeting of the Funded Providers Sustainable Rate Sub-Group took place on 14 February 2024 to discuss and consider the £12 per hour living wage commitment. This meeting took place before the funding level and guidance was issued by the Scottish Government.
- 6.2. A further meeting of the Sub-Group took place on 16 April 2024 and interim rates were outlined to the group at the meeting. Several follow up questions were raised and answered following the meeting. Further work and refinement has been undertaken and there is a full meeting of the funded providers to discuss the final proposal for the sustainable rate planned for mid-May 2024.
- 6.3. In line with the requirements of the PSA and linked to 4.3 above, all funded providers will be invited to agree to the rate change applicable from 1 April 2024. The arrangements for this are outlined in section 7 below.

7. Implementation timeline

- 7.1. Based on the requirement of the PSA and change control process; the following high level implementation timeline is outlined:

May 24	Procurement lead in time to start following committee approval (2 weeks) Procurement activity supporting the PSA requirements to begin
June 24 – July 24	Funded providers to confirm agreement to the revised sustainable rate and price review
June – August 24	Payment process to update rate change Consider funded providers who have not responded & action plan

- 7.2. It is anticipated the revised rate will be paid from June through to August 2024 with backdating arrangement in place from 1 April 2024.

8. Employee Implications

8.1. There are no employee implications associated with this report.

9. Financial Implications

9.1. An additional £16m has been provided for 2024/2025 nationally by the Scottish Government to fund the increase in the sustainable rate required to meet the national commitment in the ELC sector to pay the real living wage of £12 per hour. £994,200 was allocated to the Council.

9.2. Based on the current demand, and the requirement to increase the whole rate by 7.6% from the 2023/2024 rate the anticipated additional costs associated with the nationally agreed fixed uplift is £1.215m

10. Climate Change, Sustainability and Environmental Implications

10.1. There are no implications for climate change, sustainability or environment in terms of the information contained in the report.

11. Other Implications

11.1. The main risk associated with setting the sustainable rate is affordability within funding levels as well as expectations for continuous provision within early years in other areas including deferrals and additional manifesto commitments for eligible children. ELC provision is part of ongoing review in line with all other Education services based on current financial challengers. Expectations for continued increases in the sustainable rate, without appropriate levels of funding cannot be maintained. Further increases to the sustainable rate is not sustainable for the council without appropriate financial support.

12. Equality Impact Assessment and Consultation Arrangements

12.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

12.2. Consultation has been and continues to be ongoing with the relevant stakeholders as outlined within the report. Early Years will continue to engage with funded providers across South Lanarkshire to inform future reviews of the sustainable rate, however, there is no guarantee of annual increases.

Carole McKenzie

Executive Director (Education Resources)

2 May 2024

Link(s) to Council Values/Priorities/Outcomes

- ◆ Education and Learning: Inspiring learners, transforming learning, strengthening partnerships
- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ 23/24 Early Learning & Childcare (ELC) Sustainable Rate Price Review – Education Committee 27 June 2023
- ◆ 22/23 Early Learning & Childcare (ELC) Sustainable Rate Price Review – Education Committee 15 November 2022

List of Background Papers

- ◆ [Guidance for setting sustainable rates for the delivery of funded early learning and childcare \(ELC\) in 2024-25.](#)
- ◆ [Interim Guidance on Setting Sustainable Rates for August 2022,](#)
- ◆ Ipsos MORI ELC Cost Collection Exercise

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Jacqueline Wallace, Head of Education (Early Years and Primary)

Ext: 4468 (Tel: 01698 454468)

E-mail: jacqueline.wallace@southlanarkshire.gov.uk