



**Renfrewshire**  
Council

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**To: Education and Children's Services Policy Board**

**On: 23 May 2024**

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**Report by: Director of Children's Services**

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**Heading: Early Learning and Childcare – Payment of Sustainable Rates to Funded Providers**

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## **1. Summary**

- 1.1 Renfrewshire Council has a statutory duty to provide early learning and childcare (ELC) places to all eligible children. The Council continues to observe this duty through the provision of places in local authority, private and voluntary sector nurseries and with childminders. Renfrewshire Council's Flexible Framework for Early Learning and Childcare Places, reference RC-CPU-20-113 ("Council's Framework") enables the Council to purchase placements in private and voluntary sector nurseries and with childminders (these private and voluntary services and childminders are identified as Approved Funded Providers or AFP).
  - 1.2 The purpose of this report is to provide an update on a further review of the sustainable rate paid to AFP for the provision of ELC and to seek approval for the payment of the new rate from 1 April 2024.
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## **2. Recommendations**

- 2.1 The Education and Children's Services Policy Board is asked to:
  - (i) Note the position of COSLA and the Scottish Government with regards to the sustainable rate paid to AFP;
  - (ii) approve an increase in the sustainable hourly rate paid to Renfrewshire Council's AFP for the provision of funded early learning and childcare from £5.97 to £6.45 effective from 1 April 2024 for any child aged 3 to 5 years accepted for funding under the Council's Framework; and
  - (iii) approve the continuation of the existing hourly rate of £8.50 paid to AFP for

early learning and childcare for any eligible child aged 2 to 3 years accepted for funding under the Council's Framework.

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### **3. Background**

- 3.1 Section 1 of the Education (Scotland) Act 1980, as amended by the Standards in Schools etc. Act 2000 and The Children and Young People (Scotland) Act 2014 ("2014 Act"), directs authorities on their duty to provide pre-school education. Renfrewshire Council has continued to observe this duty through the provision of places in local authority, private and voluntary sector nurseries and with childminders.
- 3.2 All 3- and 4-year-old children and eligible 2-year-old children have a statutory entitlement of up to 1,140 hours of funded ELC each academic session.
- 3.3 The Scottish Government's Funding Follows the Child Policy tasks Councils with the responsibility of ensuring flexibility and choice, ensuring that there is a range of options for families in their area. The National Standard sets out the required standards for Funded Providers; with Councils required to be guarantors of quality in ensuring the provision of a quality early learning and childcare.
- 3.4 The National Standard also sets out a requirement for Funded Providers to have a financially sustainable setting and to pay those staff delivering funded ELC the real Living Wage, with the aim of supporting recruitment and retention of staff, professional learning and investment in their services.
- 3.5 The Scottish Government published updated guidance on the Funding Follows the Child and National Standard for Early Learning and Childcare Providers: Operating Guidance in December 2023.
- 3.6 Renfrewshire Council's Framework for ELC and Childcare provides a robust scrutiny and assessment process to ensure quality ELC provision and AFP commitment to meeting the National Standards in relation to quality of provision, payment of the real Living Wage, quality staffing and staff retention.
- 3.7 In line with the Scottish's Government's Funding Follows the Child policy, families have flexibility in how they wish to access their child's entitlement to ELC. In each geographical area parents can choose from a range of Providers, including Council and AFP; and a range of options such as term time and 52 weeks per year, full day, and part-time places.
- 3.8 In Renfrewshire, approximately 1600 eligible children currently access their funded ELC placement in an AFP setting. The Council is dependent on AFP to fulfil its statutory duty to deliver high quality ELC to all eligible children. Private, voluntary sector nurseries and childminders settings in this sector need to remain financially viable and meet the required standards set to ensure the provision of high-quality ELC services.
- 3.9 The rate paid for the provision of the statutory entitlement to ELC is known as the sustainable rate. Each local authority is responsible for setting their own rate and national guidance is produced by the Scottish Government to support local authorities with this exercise.

- 3.10 In November 2023 the Education and Children's Service's Policy Board approved an increase in the sustainable rate to £5.97 per hour for any eligible child aged 3 to 5 years and agreed the continuation of the hourly rate of £8.50 paid for eligible 2-year-olds. The increase in the rate for eligible 3- to 5-year-olds represented a 5% uplift on staffing costs and 3% on non-staffing cost (including inflation, seasonality and re-investment). The payment of the revised rate was backdated to the 16 August 2023, the start of the academic session 2023/24. The Policy Board also agreed to a review of the 2-year rate for future years.
- 3.11 The revised rate was set in line with the Scottish Government guidance on rate setting (published May 2022). In line with national guidance, the Council worked collaboratively with AFP on the rate setting process.
- 3.12 In addition to the rates noted in paragraph 3.10, AFP receive £3 per meal for an eligible child in line with the 1140 hours of ELC entitlement, this is in addition to the hourly rate and the separate £0.58 per session per child as part of the Scottish Milk and Health Snack Scheme.
- 3.13 In addition to the rate paid to AFP, the Council continues to provide additional services as part of the Council's Framework. The additional benefits include high quality continued professional learning; a designated link Partnership Support Officer; professional advice and support on quality improvement; access to an Early Years Graduate (in line with SIMD status) and to an Early Years Teacher; financial support towards external workforce training costs to assist in the compliance with SSSC requirements; and other support services such as Educational Psychology. This in-kind support enables the Council to discharge its duty as guarantor of quality.

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#### **4. Payment of a Sustainable Rate**

- 4.1 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. The findings of the review align with the issues raised by AFP within Renfrewshire.
- 4.2 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 AFP 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.
- 4.3 Given the commitment that staff in AFP settings will receive £12 per hour from 1 April 2024, it has been necessary to introduce a mid-year increase to the sustainable rate.

This represents a departure from the usual process whereby any increase in the rate paid to AFP has been agreed from the start of the school session in August.

- 4.4 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 AFP 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 ( $10.1\% \times 75\% \approx 7.6\%$ ).
- 4.5 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.
- 4.6 A proposed uplift from 1 April 2024 for Renfrewshire Council’s AFP, from £5.97 to £6.45 per hour, reflects the requirements detailed at 4.4 and 4.5 above; specifically a 10.1% uplift to the **staff cost element** of the 2023-24 rate and a 2% uplift to the **non-staffing element**, yielding a blended uplift of the overall rate of 8.04%.
- 4.7 An overview of sustainable rates paid to AFP across Scotland for session 2023-24 was published by the Scottish Government in January 2024. A review of the sustainable rate paid for funded ELC for eligible 2-year-olds noted that the rates varied from £5.50 to £8.50, with Renfrewshire paying the highest rate at £8.50. The average rate paid for eligible 2-year-olds across local authorities for session 2023-24 was reported to be £6.68 per hour.
- 4.8 Renfrewshire Council’s existing rate for eligible 2-year-olds continues to be the highest across Scotland. No change is proposed to this rate, currently £8.50 per hour for an eligible 2-year-old child accepted for funding under the Council’s Framework.
- 4.9 As the increase is linked to the commitment to pay staff £12 per hour, AFP 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 £0.58 for each child, per session as part of the Scottish Milk and Health Snack Scheme.
- 4.10 Council officers have continued to work collaboratively with a representative group of AFP on the sustainable rate setting process. The AFP representative group were consulted on the proposal for the sustainable rate for session 2023/24 and agreed to proposals being presented to this May 2024 policy board.
- 4.11 The other additional in-kind services the Council provides to AFP, as outlined in paragraph 3.13, will continue to be provided, this is also in addition to the hourly rate paid to AFP.

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## Implications of this report

### 1. Financial

The overall cost of the proposed increase to the hourly rate payable to AFP for ELC is expected to be in the region of £804,000 per year.

An additional £16 million has been provided for 2024/25 nationally by the Scottish Government to fund the increase in the sustainable rate required to meet the commitment to pay at least £12 per hour from 1 April 2024. Renfrewshire Council's estimated share of this funding is £574,500.

The implementation of this uplift will therefore represent, *ceteris paribus*, an estimated additional net cost pressure to Renfrewshire Council Children's Services of £229,500 per year.

As the number of families choosing to access their child's entitlement in AFP settings varies on an annual basis, the service will continue to closely monitor ongoing affordability.

The findings of the joint review of the sustainable rate setting process notes the continued challenges facing the sector. It also notes that any sustainable rate must also be financially sustainable from the perspective of the local authority. Council officers will continue to engage with AFP across Renfrewshire to inform future reviews of the sustainable rate.

### 2. HR and Organisational Development

None

### 3. Community/Council Planning

Our Renfrewshire is thriving	Ensuring the best start in life for children and young people.
Our Renfrewshire is well	Early intervention will lead to healthier outcomes for children and young people.
Our Renfrewshire is safe	Local services will benefit children, young people and members of the community.
Building strong, safe and resilient communities	The quality of community life is enhanced by supporting parents, children and young people.
Tackling inequality, ensuring opportunities for all	Effective governance arrangements ensure that the organisations receiving funding comply with legislative requirements.

Creating a sustainable  
Renfrewshire for all to enjoy

Support to families and flexible  
childcare placements will support  
parents into and sustain  
employment, training or enter  
education.

**4. Legal**

Services from AFP will continue to be procured in accordance with the Council's Framework and the Council's Standing Orders Relating to Contracts.

**5. Property/Assets**

None

**6. Information Technology**

None

**7. Equality and Human Rights**

No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because the service is being extended. If required, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

**8. Health and Safety**

None

**9. Procurement**

Services from AFP will continue to be procured in accordance with the Council's Framework and the Council's Standing Orders Relating to Contracts. The process for the proposed variation to the rate will be dealt with in accordance with the Flexible Framework for Early Learning and Childcare Places and formal letter issued by the Corporate Procurement Unit to each of the appointed Providers for their agreement.

**10. Risk**

If the Council does not increase the hourly rate to a level that enables AFP to be sustainable and to fulfil the commitment to pay staff £12 per hour, there is the risk that:

- i. There will be a reduction in the level of choice and local provision for parents and possibly impact on the Council's ability to fulfil its statutory duty and compliance with the Funding Follows the Child Policy and National Standard of ensuring sufficient places, which could result in additional cost for the Council as it will need to expand existing Council ELC services and/or open new Council operated ELC services.
- ii. There may be reputational damage to the Council if ELC services close due to not being sustainable, leading to disruption to children and families lives, loss of local provision, choice and flexibility for families, loss of employment and community-based services.
- iii. Providers in the private, voluntary and independent sector may not be able to meet the National Standard, recruit and retain staff they are not able to pay the real Living Wage.

iv. Potential reduction in the quality of service provided if qualified and experienced staff cannot be recruited.

**11. Privacy Impact**

None

**12. COSLA Policy Position**

The joint review of the sustainable rate setting process was undertaken by COSLA and the Scottish Government. COSLA and the Scottish Government jointly agreed on the sustainable rate setting process as outlined in this report.

**13. Climate Risk**

None

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### List of Background Papers

- Funding Follows the Child and the National Standard for ELC Providers: Operating Guidance, Scottish Government, December 2023. Link - [Funding Follows The Child and The National Standard for Early Learning and Childcare Providers: Operating Guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/guidance-setting-sustainable-rates-delivery-funded-early-learning-childcare-elc-2024-25/).
- Funding Follows the Child and the National Standard for Early Learning and Childcare Providers - Guidance for setting sustainable rates for the delivery of funded early learning and childcare (ELC) in 2024-25, Scottish government and COSLA, March 2024. Link - <https://www.gov.scot/publications/guidance-setting-sustainable-rates-delivery-funded-early-learning-childcare-elc-2024-25/>
- Early Learning and Childcare – Payment of Sustainable Rates to Funded Providers, Education and Children Policy Board, November 2023. Link - [Early Learning and Childcare – Payment of Sustainable Rates to Funded Providers](#)

The foregoing background papers will be retained within children’s services for inspection by the public for the prescribed period of four years from the date of the meeting.

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