



**Renfrewshire
Council**

To: Education and Children's Services Policy Board

On: 27 October 2022

Report by: Director of Children's Services

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

1. Summary

- 1.1 Renfrewshire Council has a statutory duty to provide early learning and childcare (ELC) places to all eligible children. The Council has continued to observe this duty through the provision of places in local authority and in private and voluntary sector nurseries and with childminders. The Flexible Framework Agreement for Renfrewshire Council Early Learning and Childcare Places Framework enables the Council to commission placements in private and voluntary sector nurseries and with childminders (Approved Funded Providers or AFP).
- 1.2 The purpose of this report is to propose an increase in the hourly rate paid by Renfrewshire Council to AFP on the Council's Framework to deliver funded ELC.
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2. Recommendations

- 2.1 The Education and Children's Services Policy Board is asked to:
- (i) Approve an increase to the hourly rate paid to AFP for the provision of funded ELC from £5.31 to £5.71 for children aged 3 to 5 years from 16 August 2022;
 - (ii) Approve the continuation of the existing hourly rate of £8.50 paid for ELC to AFP for eligible children aged 2 to 3 years.
- 2.2 The Education and Children's Services Policy Board is also asked to note the external factors influencing the sustainability of the hourly rates paid to AFP, including inflationary increases and salary costs and agree to a further report being presented to the Education and Children's Services Policy Board for proposed rates for future years to ensure that the Council commissioned rates remain sustainable.
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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 childminders.
- 3.2 The Council’s expansion of ELC to 1140 hours ensured that parents were offered a range of options for accessing their child’s free ELC entitlement across each geographical area. In each area parents are able to 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.
- 3.3 Within Renfrewshire, approximately one third of children eligible for a funded ELC access their placement in an AFP setting. The Council is dependent on these AFP to fulfil its statutory duty to deliver ELC to all eligible children, therefore settings in this sector need to remain financially viable and meet the required standards in the provision of a quality service.
- 3.4 Scottish Government guidance is that Councils establish and pay a rate that ensures sustainability for AFP. Due to continuing concerns regarding financial sustainability of these AFP, the Scottish Government carried out work to review the sustainability of the sector and in August 2021 published the Financial Sustainability Health Check of the Childcare Sector in Scotland. The report highlighted that although Councils work closely with their AFP to agree rates in line with the principles of the Sustainable Rates Guidance (published April 2019), it also highlighted that in some areas rates have not matched expectations of sustainability and inflationary pressures. The report also confirmed that a national rate would not be set. Also noted in the report was that a number of local authorities continued to pay £5.31 per hour, commenting that no credence had been paid to an inflation uplift which was built into the quantum.
- 3.5 To support Councils in the process of setting a sustainable rate the Scottish Government and COSLA commissioned the independent body Ipsos MORI to conduct a national costs collection exercise in early 2022. A similar exercise was conducted in 2016 (and in 2019 by West Partnership Regional Improvement Collaborative), to support Councils in the rate setting exercise for the 1140 expansion.
- 3.6 The main aim of this most recent Ipsos MORI consultation exercise was to:
- produce up to date estimates of the actual costs to AFP to deliver ELC; and
 - to inform planning, modelling and discussions at a local level to help with the setting of local sustainable rates for session 2022-23.
- 3.7 Data from the consultation exercise was provided to each Regional Improvement Collaborative area and individual local authority areas where the achieved sample size allowed, with 10 or more responses required for each authority area. There were 113 usable responses across the West Regional Improvement Collaborative, which included 17 usable responses from Renfrewshire. All 38 Funded Provider nurseries from Renfrewshire were invited to participate in the consultation. A link to the Ipsos MORI technical report and Renfrewshire cost collection results is available in the background section of this report.

- 38 There is an expectation from the Scottish Government that the hourly rate paid to AFP for session 2022-23 is reflective of the cost to deliver and takes cognisance of inflationary increases, payment of the real Living Wage and to provide scope for reinvestment, which will reflect a measure of profit in a private sector setting.
- 39 If a sustainable rate is not paid, there is a risk of services in the independent sector closing. If services were to close in Renfrewshire this could reduce choice and local provision for parents and impact on the Council's ability to fulfil its statutory duty in some local areas.

4. Renfrewshire Council - Sustainable Rate Position

- 4.1 Currently the hourly rate paid by the Council to AFP is £5.31 for children aged 3 to 5 years and £8.50 for eligible children aged 2 to 3 years.
- 4.2 In preparation for the expansion of ELC to 1140 hours the rates paid to AFP increased as follows:

	2017/18	2018/19	2019/20	2020/21 to current period
2 to 3 year olds:	£5.56	£6.50	£8.00	£8.50
3 to 5 year olds:	£3.45	£4.00	£5.00	£5.31

NB. The increased rate for children aged 2 to 3 years reflects the higher staff ratio required for this age group.

- 4.3 The current (and previous) hourly rate paid to AFP does not represent the other additional services the Council provides as part of the Framework. The additional benefits to the AFP include:
- 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;
 - Free access to high quality continued professional learning;
 - Financial support towards external workforce training costs to assist in the compliance with SSSC requirements; and
 - Other support services such as Educational Psychology.
- 4.4 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. In addition, Councils are required to be guarantors of quality in enabling Providers to meet the requirements of the National Standards. This includes the provision of a quality service to support children to develop, learn and attain. There are also requirements in the National Standard for Providers to pay staff the real Living Wage and to be able to recruit and retain staff, support professional learning and invest in their services.
- 4.5 The Council's Framework provides a robust scrutiny and assessment process to ensure that quality ELC provision and AFP commitment to meeting the National Standards in relation to the real Living Wage, quality staffing and staff retention.

- 4.6 To establish a revised hourly rate officers from the Council worked collaboratively with the West Regional Improvement Collaborative to streamline the approach and agree a methodology which takes cognisance of inflationary increases, payment of the real Living Wage, seasonality and reinvestment, whilst at the same time ensuring the rate is reflective of the cost to deliver ELC.
- 4.7 The proposed hourly rate to AFP for the provision of funded ELC is £5.71 for 3 to 5 year olds. There is no proposal to increase the rate paid for eligible children aged 2 to 3 year olds as Renfrewshire's rate for this age group is one of the highest in Scotland. It is proposed that the rate increase for children aged 3 to 5 years is backdated for the entirety of the current session, with all hours provided since 16 August 2022 updated. These proposed rates reflect the cost to deliver ELC and takes cognisance of inflationary increases as outlined in paragraph 4.6 above.
- 4.8 In addition to the rates noted above, AFP will continue to receive £3 per meal for children eligible for ELC who are in attendance during the lunch time period and £0.58 per session as part of the Scottish Milk and Health Snack Scheme.
- 4.9 In considering any new rate, it is essential that the service remains mindful of the financial pressures facing the Council and ensures it remains affordable within the current financial year, and into future financial years. The proposed increase in the hourly rate for 3 to 5 year olds represents a significant cost pressure to the Council, estimated to be in the region of £657,000 per year, with approximately £430,000 of cost falling within the current financial year to 31 March 2023. In addition to this specific cost pressure, there remains uncertainty more widely regarding the funding available to the Council beyond the current year for the provision of ELC. The service continues to raise this nationally with the Scottish Government.

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 £657,000 per year, with an estimated £430,000 of cost falling within the current financial year to 31 March 2023. This will require to be met within the Council's existing budget available for ELC.

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 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 Framework and the Council's Standing Orders Relating to Contracts.

10. Risk

If the Council does not increase the hourly rate to a level that enables AFP to be sustainable, 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 services and/or open new services;
- ii. There may be reputational damage to the Council if 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 and voluntary sector may not be able to recruit and retain staff or meet the National Standard, if 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

COSLA has been involved in discussions relating to ELC Funded Providers sustainable rates and along with the Scottish Government jointly agreed to the commissioning of Ipsos MORI cost collection exercise.

13. Climate Risk

None

List of Background Papers

- Funding Follows the Child and the National Standard for ELC Providers - Updated Interim Guidance on Setting Sustainable Rates Annex A of the Interim Guidance provides updated guidance on setting sustainable rates for August 2022, Scottish Government, May 2022
- Financial sustainability health check of the childcare sector in Scotland, Scottish Government – August 2021.
- [Technical Report - Estimating the Costs of ELC Provision in Partner Provider Settings 2022 v3.pdf](#)
- [ELC Cost Collection Results Renfrewshire - Renfrewshire data only.xlsx](#)

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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