



**REPORT TO: EDUCATION, CHILDREN'S AND LEISURE SERVICES
COMMITTEE ON 14 MAY 2024**

**SUBJECT: INFORMATION REPORT: EARLY LEARNING AND CHILDCARE –
SUSTAINABLE RATE**

**BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND
ORGANISATIONAL DEVELOPMENT)**

1. REASON FOR REPORT

- 1.1 To inform the Committee of the updated guidance issued by Scottish Government on 8 March 2024 for setting sustainable rates in the 2024/25 financial year.
- 1.2 To inform Committee of the additional funding provided by Scottish Government to meet the £12 Real Living Wage (RLW) commitment in 2024/25.
- 1.3 To inform Committee that the uplift will be backdated to April 2024 as per the agreement with COSLA.
- 1.4 To inform Committee that the standard methodology for setting the sustainable rate for Early Learning and Childcare (ELC) funded hours in future financial years will continue to be based on the Survey (Costs) method as agreed at Full Council on 12 December 2023 (para 11 of the minute refers) while taking account of any further guidance issued by Scottish Government.
- 1.5 This report is submitted to Committee in terms of Section III (B) (1) of the Council's Scheme of Administration relating to the consideration of financial and budgetary policy of the Council.

2. BACKGROUND

- 2.1 A report was submitted to Full Council on 12 December 2023 where it was agreed (para 11 of the minute refers) to use the Survey (Costs) approach in current and subsequent financial years as the standard methodology for setting the sustainable rate for partner providers in partnership with Moray Council to provide funded ELC hours. This approach included allowance for the £12 real living wage (RLW) commitment within the agreed sustainable rate calculations. It was further agreed that setting the sustainable rate would be reviewed annually as part of Moray Council's yearly budget planning with any uplifts to be applied in April at the start of each new financial year.

- 2.2 Subsequent to this report, further [guidance](#) was issued by Scottish Government on 8 March 2024 which outlined requirements for setting the sustainable rate in the 2024/25 financial year.
- 2.3 This guidance was agreed by COSLA leaders, on the advice of the Settlement and Distribution Group, and requires all local authorities to apply a minimum 7.6% uplift to the 2023/24 sustainable rates with the uplift to take effect from April 2024. This relates to the Scottish Government commitment for childcare workers delivering funded ELC in private and third sector services to be paid at least £12 per hour from April 2024.
- 2.4 Additional funding of £16 million for the 2024/25 financial year will be provided by Scottish Government to local authorities throughout Scotland. **Appendix 1** indicates the additional uplifts required to the rates agreed in December by Full Council to meet the 7.6% uplift stipulation. For Moray there is a significant shortfall in funding, with the bulk of the funding towards the 7.6% coming from Council provision for the 4.2% uplift agreed by the Council in December 2023.
- 2.5 As noted in **Appendix 1**, a further 22p/hour uplift is required to the 3-5s rate of £6.90 taking the revised rate to a total of £7.12. There is an additional 27p/hour uplift to the 2s rate taking it from £8.28 to a revised total of £8.55. It is estimated that this further uplift to meet the 7.6% requirement from SG would cost approximately £277,000 which is within the total confirmed SG funding allocation of £284,400 to Moray Council. However, this equates to an estimated 3.4% increase in the hourly rate. Therefore, it is only possible to deliver on the whole 7.6% because the Council had already agreed to fund an increase of 4.2%. Had this not been in place there would have been a significant funding shortfall. Additionally, a comparison chart has been included in **Appendix 2** to outline how the updated guidance would affect other local authorities if a minimum 7.6% uplift is applied assuming current reinvestment percentages are maintained.
- 2.6 **Appendix 2** highlights the wide ranging rates throughout Scotland. The lowest rate based on the updated guidance would be in East Ayrshire with £5.92 for both 3-5s and 2s if only a straight uplift of 7.6% is applied with the highest rates being in Argyll & Bute for 3-5s at £7.41 and £9.15 in Renfrewshire for 2s. Moray Council's rate would be third highest for both 3-5s and 2s if only a straight 7.6% uplift is applied.
- 2.7 Clarification has been sought from the Scottish Government and COSLA concerning the approach recommended in the updated guidance in terms of how the varying rates can ensure the RLW £12 commitment is achieved within all authorities. There has been no account taken of the position of each authority before applying the 7.6% uplift and whether or not councils, like Moray, had already made provision for the £12 RLW within their sustainable rate. The result is that rates continue to vary significantly across Scotland with no consistent methodology.
- 2.8 While the updated guidance does alter from the Survey (Costs) approach agreed at Full Council in December for 2024/25, it is recommended that the

Council reverts to the Survey (Costs) as the standard approach in subsequent financial years while taking into account any further guidance that may be issued by Scottish Government.

3. **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The report links to the 'Tackle Poverty and Inequality' priority as referred to in the Moray Council Corporate Plan.

The report links to 'Building a better future for our children and young people in Moray' from the LOIP.

(b) Policy and Legal

There are no policy or legal implications arising directly from this report; however, it is important to note that the current contract agreement between Moray Council and partner providers highlights the following points regarding the sustainable rate:

- inflationary and RLW increases will be reviewed on an annual basis;
- the extent to which any inflationary and RLW changes are reflected in the price for future years of the contract is subject to the overall level of funding agreed between Scottish Government and local government for the expanded ELC hours;
- in relation to the sustainable rate setting process, the Council will take into consideration statutory and non-statutory Guidance including as published by Scottish Government and COSLA;
- the Council may, as a result of the sustainable rate setting process, elect to amend the price during the period of contract and shall be the sole judge of whether the price is amended and is under no obligation to implement any price amendment at any stage;
- the process for setting the price will be conducted in line with [Funding Follows the Child and the National Standard for Early Learning and Childcare Providers: Guidance for Setting Sustainable Rates from August 2020](#); and
- the sustainable rate and daily lunch rate will be determined annually by the Council.

The full contract agreement can be viewed on the [Public Contracts Scotland](#) site.

(c) Financial implications

The sustainable rate takes account of the full costs of providing funded ELC. Providers entering into contract with Moray Council must accept the offered rate.

The updated guidance from Scottish Government issued on 8 March 2024 continues to stipulate that the rates should be sustainable for local

authorities in terms of the budgets available while also incorporating the following elements:

- The rate will support delivery of a high quality ELC experience for all children;
- It will be a rate that reflects the cost of delivery, including the delivery of national policy objectives;
- The rate will allow for investment in the setting – staff, resources and physical environment; and,
- It will enable payment of the RLW for those childcare workers delivering the funded entitlement.

The updated guidance stipulates that a minimum 7.6% uplift to the 2023/24 rates should be applied from April 2024. The 4.2% rate uplift agreed at Full Council on 12 December 2023 (para 11 of the minute refers) of £6.90 for 3-5s and £8.28 for 2s required an additional budget commitment of £342,130. The further 3.4% uplift required by Scottish Government to the 2023/24 rates will cost an estimated £276,963 with additional funding from Scottish Government confirmed at £284,400.

(d) Risk Implications

There are two inherent risks when considering the sustainable hourly rate:

- If the rate is set too low, there is a risk that providers would not be able to remain financially viable if paying the RLW. Should this be the case then some providers may seek to alter their service offer to manage business costs.
- If the rate is set too high, there is a risk that this would not be sustainable for the Council to maintain in the 2024/25 financial year and subsequent years.

The process for setting the hourly rate aims to allow both factors to be balanced; however, there is a risk to the reputation of the Council as an accredited RLW employer if the sustainable rate is set too low for providers to continue paying the RLW.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

An Integrated Impact Assessment (IIA) was completed previously as part of the report submitted to Full Council on 12 December 2023.

(h) Climate Change and Biodiversity Impacts

There are no climate change or biodiversity implications arising directly from this report.

(i) Consultations

Depute Chief Executive (Education, Communities and Organisational Development), Head of Education (Chief Education Officer), Head of Governance, Strategy and Performance, Chief Financial Officer, Nicky Gosling, Accountant, Equal Opportunities Officer and Caroline O'Connor, Committee Services Officer have been consulted.

4. CONCLUSION

4.1 Committee is asked to note the updated guidance for setting sustainable rates issued by Scottish Government on 8 March 2024.

4.2 Committee is asked to note the additional funding provided by Scottish Government to meet the £12 Real Living Wage commitment in 2024/25;

4.3 Committee is asked to note the additional uplift required to meet the updated guidance as per the agreement with COSLA and note the uplift will be backdated to April 2024; and

4.4 Committee is asked to note that the standard methodology for setting the sustainable rate for ELC funded hours in future financial years will continue to be based on the Survey (Costs) method as agreed at Full Council on 12 December 2023 (para 11 of the minute refers) while taking account of any further guidance issued by Scottish Government.

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Background Papers: SPMAN-1315769894-39 / SPMAN-1315769894-346 /
SPMAN-1315769894-353 / SPMAN-1315769894-360 /
SPMAN-1315769894-391 / SPMAN-1315769894-422
SPMAN-1315769894-457
Ref: SPMAN-1315769894-519 / SPMAN-1315769894-520 /
SPMAN-1315769894-521