



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

**SUBJECT: INFORMATION REPORT: EARLY LEARNING AND CHILDCARE
CORE FUNDING**

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

1. REASON FOR REPORT

- 1.1 To inform the Committee of Early Learning and Childcare (ELC) current core funding payment processes for developmental nurseries and the application to developmental nurseries of the council's agreed methodology to determine sustainable rates for ELC including the procedure for applying Real Living Wage (RLW) and inflationary increases to the core funding rate.
- 1.2 To inform the Committee of the in budget uplift to the ELC core funding rate for developmental nurseries.
- 1.3 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 Early Learning and Childcare (ELC) has gone through a period of substantial change due to the commitment from the Scottish Government to offer 3-5 year olds 1140 hours of funded childcare.
- 2.2 This increase has seen a shift in the nature of the service which has resulted in some charity partner nurseries (PVI) being unable to apply for as much charitable funding as this would be classed as double funding.
- 2.3 In Moray, a fully inclusive approach to Education is taken and although there are no special schools, there are three developmental nurseries. These services, Ladybird Developmental Nursery in Lossiemouth, Noah's Ark in Forres and Teddy Bear in Cullen, provide developmental services to an average of 20-30 children at a time depending on the intake period.
- 2.4 These three developmental nurseries get paid the same way as other partner nurseries and receive a sustainable rate of £6.90 per child for 3-5s and £8.28

for 2s; however, they also receive a core payment three times a year in line with each intake period for those children receiving developmental services.

- 2.5 The core payment rate since 2017/2018, per child, was £3.50 for 3-5s, £4.00 for 2s and £4.50 for 0-2s. For those children that are funded 2s or 3-5s, this core payment is in addition to the sustainable rate but only for those children receiving developmental services.
- 2.6 As part of the review of the sustainable rate, a survey of costs approach was established as the basis for setting a yearly rate by applying Real Living Wage (RLW) increases to staffing costs and inflationary increases to non-staffing costs.
- 2.7 Following the sustainable rate review, a similar review process has taken place at the service level to assess the core funding rate for developmental services. As part of this core funding review, the following points were identified:
- Although the ELC core funding budget for developmental nurseries was uplifted yearly to account for inflationary increases, the rate being paid for core funding payments has remained the same since 2017/18.
 - Along with a reduction in access to charitable funding, the lack of uplift to the core funding rate has put pressure on the financial sustainability of the nurseries.
 - Payment of the core funding is currently made three times a year, which affects the cash flow of the groups.
 - In order for the core funding rate to be in line with current RLW and inflationary levels, the core funding rate for developmental nurseries should be increased in line with the methods used to increase the ELC sustainable rate.
- 2.8 On reviewing the budget for the core funding, it was identified that sufficient budget is in place to accommodate the required uplifts to meet the RLW and inflationary increases from 2017/18 to the current financial year. This has allowed the operational decision to be made at the service level to uplift the core funding rate to meet these increases.
- 2.9 A breakdown of how the uplifted rates were estimated can be found in **Appendix 1**. This is based on the same principles outlined in the survey of costs approach which is the standard methodology for setting the ELC funded hours sustainable rate from April 2024.
- 2.10 The figures indicated that a 43% overall increase to each rate (3-5s, 2s and 0-2s) should be applied. This uplifted the core funding rates for developmental nurseries as follows:
- 3-5s rate increased from £3.50 to £5.00
 - 2s rate increased from £4.00 to £5.72
 - 0-2s rate increased from £4.50 to £6.44

- 2.11 The core funding rate will be reviewed annually moving forward to ensure it remains in line with the RLW and inflationary increases applied to the ELC sustainable rate.
- 2.12 Furthermore, in order to ease financial pressures for the three developmental services, the payment process will shift from three times yearly to monthly in arrears to follow the same procedure as the ELC sustainable rate payments. Final payments under current arrangements will be made for April – July 2024 with new monthly payment arrangements to be in place from August 2024.

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

(c) Financial implications

The current budget for core funding payments for developmental nurseries is £61,732. This is sufficient budget to allow for the 43% uplift required to meet RLW and inflationary increases accordingly.

(d) Risk Implications

There is a risk that developmental nurseries will struggle to remain financially sustainable. By increasing the core funding rate and making monthly payments instead of three payments yearly, this should help to mitigate the risk.

(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

There are no implications arising directly from this report.

(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, and Caroline O'Connor, Committee Services Officer have been consulted.

4. CONCLUSION

4.1 Committee is asked to note the core funding payment processes for developmental nurseries, which is now consistent with the costs approach applied to all ELC providers, including and the procedure for applying Real Living Wage (RLW) and inflationary increases to the core funding rate.

4.2 Committee is asked to note the uplift to the ELC core funding rate for developmental nurseries.

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