

## Moray Council - Sustainable Hourly Rate Setting

### Worked Example - rate set in Feb 2021 to take effect from August 2021

This worked example is provided in two parts. The first part is the straight reading of the data.

The second part results from an issue that developed around use of a maximum data point. The reliability of the maximum data point was questioned and the potential for some measurement error was recognised. A modified method was therefore used to accommodate the measurement error. This modified method was a short-term measure (at the time) and agreed with partners that it would be subject to gathering improved future data for future rate setting exercises.

## PART 1

### 1. Establish Scottish Living Wage

Year	Scottish Living Wage	Increment	Salary Full Time Practitioner	Comments
FY11/12	£7.20			
FY12/13	£7.45	3.5%		
FY13/14	£7.65	2.7%		
FY14/15	£7.85	2.6%		
FY15/16	£8.25	5.1%	£17,160	
FY16/17	£8.45	2.4%	£17,576	
FY17/18	£8.75	3.6%	£18,200	
FY18/19	£9.00	2.9%	£18,720	
FY19/20	£9.30	3.3%	£19,344	
FY20/21	£9.50	2.2%	£19,760	
FY21/22 (est)	£9.80	3.1%	£20,379	estimate Nov '21
<a href="https://www.livingwage.org.uk/what-real-living-wage">https://www.livingwage.org.uk/what-real-living-wage</a>				

- PVI dominant operating model 40 hrs pw.
- Aug '21 to Oct 21 SLW = £19,760
- SLW uplifts in November '21
- Nov '21 to July '22 SLW = £20,379 (estimated)

## 2. Use Salary Data Table (from Ipsos Mori)

Decile	Full-time manager	Full-time early years supervisor	Full-time early years practitioner	Trainee
Minimum	£14,720	£14,097	£12,600	£2,839
25th	£19,872	£16,380	£14,942	£5,943
50th (median)	£23,700	£18,483	£16,016	£9,000
75th	£27,750	£21,893	£18,564	£11,278
Maximum	£47,000	£31,000	£24,000	£18,336
Sample size	26	18	23	14

- Establish that SLW (£20,379) sits between 75<sup>th</sup> and Maximum Decile.

## 3. Use Total Cost to Provide Table (from Ipsos Mori)

Total costs per hour of ELC provided to 0-5s - quartiles by area			
Quartile	All	Aberdeenshire	Moray
Minimum	£1.70	£1.72	£1.70
25th	£3.07	£3.33	£2.76
50th (median)	£4.11	£4.33	£3.29
75th	£4.77	£5.00	£4.31
Maximum	£10.35	£10.24	£10.35
Sample size	59	31	28

data gathered in January/March 2020 for use in late 20 early 21. One year assumed inflation

- Establish that PVI total **Cost to Provide** sits between £4.77 and £10.35 (i.e. between 75<sup>th</sup> and Maximum Decile).

## 4. Use a 'straight line' increment to gain the detail between 75<sup>th</sup> and Maximum Decile

Percentile				
75th	£18,564		£4.77	
76th		£18,781		£5.00
77th		£18,999		£5.22
78th		£19,216		£5.44
79th		£19,434		£5.67
80th		£19,651		£5.89
81st		£19,869		£6.11
82nd		£20,086		£6.33
83rd		£20,304		£6.56
84th		£20,521		£6.78
85th		£20,738		£7.00
86th		£20,956		£7.23
87th		£21,173		£7.45
88th		£21,391		£7.67
89th		£21,608		£7.89
90th		£21,826		£8.12
91st		£22,043		£8.34
92nd		£22,260		£8.56
93rd		£22,478		£8.79
94th		£22,695		£9.01
95th		£22,913		£9.23
96th		£23,130		£9.46
97th		£23,348		£9.68
98th		£23,565		£9.90
99th		£23,783		£10.12
100th	£24,000	£24,000	£10.35	£10.35

- Ipsos Mori were consulted about use of straight-line increments to map from 75<sup>th</sup> decile to maximum decile and agreed
- Cost to Provide (excluding margin) as at August 2021 would be between £5.89 & £6.11 and £6.00 assumed
- Cost to Provide (excluding margin) as at November 2021 would be between £6.56 & £6.78 and £6.63 assumed.

## 6. Establish Sustainable Rate

- FY 20/21 a £6.00 cost to provide plus margin for investment @ 8% = £6.48
- FY 21/22 a £6.63 cost to provide plus margin for investment @ 8% = £7.16

## PART 2

Use of the Maximum percentile was questioned and jointly discussed with partners.

- Ipsos Mori were consulted on 25<sup>th</sup> Nov 2020 as follows:
  - o **Question:** How safe /reliable are the maximum data points... might they be wildly out or are they as safe as any other?
  - o **Answer:** They are unlikely to be wildly out, but I'd urge a little bit of caution. Quite a bit of data cleaning had to be undertaken. For example, all costs in one nursery were out by a factor of 1,000 – "5" recorded rather than "5,000", and annual salaries reported as monthly (£20,000 per month for example). So likely to be reasonable but best recognise potential for measurement error.

Following this feedback, an alternate method was proposed and agreed with partners as a short-term measure. The alternate method is based in the same method as above but provided a sense check against the influence of the maximum data point. Essentially the method used a previous year's (2019/20) Cost to Provide then applied inflation.

The disadvantage of this alternative method is that it ignores the (real life) cost data provided by those settings who were actually paying living wage at the rate that is now required.

Using the same method as above as the starting point this gives a cost to provide of £5.60 for 2019/20 (i.e. between 78<sup>th</sup> and 79<sup>th</sup> decile). SLW increase by 2.2% in 2020/21 giving a rate of £5.72. This was further inflated by an assumption of 2% to give a rate of £5.83 from August '21 (to accommodate SLW uplift in Nov '21 – the actual SLW inflation was 4%). With an 8% allowance for reinvestment this provided a rate of £6.30.