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# NORTH AYRSHIRE COUNCIL

30 April 2024

## Cabinet

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**Title:** Review of early learning and childcare (ELC) hourly rate for funded providers (update paper)

**Purpose:** To seek approval from Cabinet to further increase the sustainable rate of payment to funded providers of early learning and childcare (ELC) in North Ayrshire, following the allocation of new additional funding from Scottish Government since the previous Cabinet decision on 20 February 2024.

**Recommendation:** It is recommended Cabinet:  
a) Agrees to a revised increase in the current hourly rate paid by the Council to funded providers from 1st of April 2024; and  
b) Agrees to receive a further report in advance of the next annual review of the sustainable rate for funded providers.

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## 1. Executive Summary

- 1.1 Cabinet approved on the 20<sup>th</sup> of February 2024 an increase in the hourly rate paid to funded providers in the financial year 2024-25. This increased the rate from £5.76 for all eligible 2-5 year olds to £6.05 for eligible 3-5 year olds and £6.33 for eligible 2 year olds.
- 1.2 Subsequent to the Cabinet decision on 20 February 2024, confirmation has been received from the Scottish Government that an additional £16 million that will be allocated to local authorities on a recurring basis from 2024-25 to fully fund the Scottish Government policy of ensuring a minimum £12 per hour rate of pay for ELC employees working in the funded provider sector.
- 1.3 North Ayrshire Council will receive £394k from the £16m Scottish Government allocation to fully fund the estimated additional costs associated with enabling funded ELC workers in private and third sector services to be paid at least £12 per hour. It is proposed a 7.6% uplift is paid on the rates set by Cabinet for 2024-25 outlined in section 1.1. This will further increase the rates for 2024-25 to £6.51 for eligible 3-5 year olds and £6.81 for eligible 2 year old children.

## 2. Background

- 2.1 Since August 2021, all 3 and 4-year-old children and eligible 2-year-old children have been entitled to 1140 hours of funded early learning and childcare per annum. To deliver this across Scotland, Councils work with both Council-run services and local partner providers in the private and not-for-profit sectors, including childminders, to ensure there is sufficient capacity to deliver 1140 hours to all eligible families in their local areas. In

addition to the 43 Council establishments, North Ayrshire Council currently contracts with 15 funded provider nurseries and 66 childminders to deliver ELC entitlement to families across the authority. Funded providers enter a contract with North Ayrshire Council which requires them to meet the National Standard for Early Learning and Childcare Providers and in return NAC pay an hourly (sustainable) rate for up to a maximum of 1140 hours per annum for each child in their care.

- 2.2 On the 20<sup>th</sup> February 2024, Cabinet approved an increase to the sustainable rate from £5.76 for all eligible 2-5 years olds to new rates from 1<sup>st</sup> of April 2024. The new rates are £6.05 for eligible 3-5 year olds and £6.33 for eligible 2 year olds. This paper is appended and contains further information on the policy landscape, in-kind benefits provided by North Ayrshire Council, and national guidance used to inform the planned increase in rates for 2024-25. Cabinet's decision on 20 February 2024 was taken prior to the funding referenced in section 2.3 being confirmed.
- 2.3 On 8<sup>th</sup> of March 2024, Scottish Government published funded early learning and childcare (ELC) – setting sustainable rates 2024 to 2025: guidance. This provides further clarity on the distribution of the £16m to fully fund the estimated additional costs associated with enabling funded ELC workers in private and third sector services to be paid at least £12 per hour (the new real Living Wage rate) from April 2024. This commitment will also be applied in a fair and sustainable way for all childminders who deliver funded ELC and will be recurring funding.
- 2.4 This distribution method that has been endorsed by COSLA directs local authorities to apply a minimum 7.6% uplift to 2023-24 rates to reflect the estimated increase in the average staff cost element of the sustainable rate required to meet the £12 per hour (real Living Wage) pay commitment in 2024-25.
- 2.5 North Ayrshire Council will receive £394k from the £16m to apply this increase on sustainable rates. In recognition of the vital role North Ayrshire's funded providers have in the delivery of ELC, it is proposed the sustainable rates set for 2024-25 are uplifted by 7.6%. This will increase the rates for 2024-25 to £6.51 for eligible 3-5 year olds and £6.81 for eligible 2 year old children. When considered together, the increase approved on 20 February and the proposed additional increase in this paper will provide a cumulative uplift of 13% for 3-5 year olds and 18% for eligible 2 year olds compared to the 2023-24 rate.
- 2.6 North Ayrshire Council will engage with funded providers to ensure they are committed to paying staff delivering funded childcare at least £12 per hour from April 2024. Delivery on this commitment will be included as part of North Ayrshire Council's ongoing engagement and contract monitoring processes with funded providers.
- 2.7 It is proposed that this revised increase in rates be backdated to 1<sup>st</sup> of April 2024 to enable funded providers to subsequently backdate the £12 per hour pay commitment from 1<sup>st</sup> of April 2024.

### **3. Proposals**

- 3.1 It is recommended Cabinet:
  - a) Agrees a revised increase in the current hourly rate paid by the Council to funded providers from 1st of April 2024;

- b) Agrees to receive a further report in advance of the next annual review of the sustainable rate for funded providers.

#### **4. Implications/Socio-economic Duty**

##### **Financial**

- 4.1 North Ayrshire Council will receive £394k as part of the £16m allocated by Scottish Government to add a minimum of 7.6% uplift to 2023-24 sustainable rates. It is proposed this is fully allocated to the partner providers budget to ensure the revised uplift is funded for children registered to access their ELC entitlement via a funded provider.

##### **Human Resources**

- 4.2 None.

##### **Legal**

- 4.3 None.

##### **Equality/Socio-economic**

- 4.4 In supporting a sustainable ELC provision within the private, not for profit and childminding sectors, we aim to reduce any inequalities of provision and quality of ELC services. We aim to ensure all children experience the best start in life, and families are supported into work, thus reducing poverty.

##### **Climate Change and Carbon**

- 4.5 Ensuring sustainable access to ELC provision within the private, voluntary and independent sector ensures that parents / carers are able to access a range of ELC services within their local community. Consequently, this encourages the use of active travel to access provision and will encourage reduction in greenhouse gas emissions in North Ayrshire.

##### **Key Priorities**

- 4.6 Proposals outlined in this report support the Council Plan 2023-28 strategic aim to “transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people” and more specifically “improving educational attainment and achievement and closing the attainment gap” activities.

##### **Community Wealth Building**

- 4.7 The proposals support the following pillars of community wealth building:

- Advancing community enterprises
- Supporting local business activities and increasing the variety of ownership models.

## 5. Consultation

- 5.1 North Ayrshire Council's ELC leadership team meet regularly with funded providers, including private and partner nurseries as well as childminders, and have considered views expressed in relation to the need for enhanced rates in light of the current financial challenges faced by funded providers associated with the cost of living.

Andrew McClelland  
Head of Service (Education)

For further information please contact **Andrew McClelland, Head of Service (Education)**, on **(01294) 324413**.

### Background Papers

- 1) [Review of Early Learning and Childcare Hourly Rate for Funded Providers Cabinet paper - 20<sup>th</sup> of February 2024](#)