
NORTH AYRSHIRE COUNCIL

2 June 2026

Cabinet (Education)

Title: Review of ELC Sustainable Rates for Funded Providers

Purpose: To seek approval from Cabinet to increase the sustainable rate of payment to funded providers of early learning and childcare (ELC) in North Ayrshire who are contracted by the Council to deliver funded ELC to eligible 2–5-year-olds.

Recommendation: It is recommended that Cabinet:

- a) Agrees an increase of 6.2% in the current hourly rate paid by the Council to funded providers, backdated to 1 April 2026.
- b) Agrees to an increase to all funded providers (including childminders) in the amount paid per meal to £3.22, and for this to be backdated to 1 April 2026.
- c) Agrees to receive a further report at the time of the next annual review of the sustainable rate for funded providers.

1. Executive Summary

- 1.1 Cabinet approved in June 2025 an increase in the hourly rate paid to funded providers in the financial year 2025-26. This increased the rate from £6.51 for eligible 3–5-year-olds and £6.81 for eligible 2-year-olds to £6.77 and £7.08 respectively and included a commitment to enable funded providers to pay at least the Real Living Wage of £12.60 per hour in 2025-26.
- 1.2 The Real Living Wage for 2026 has been set at £13.45. National Guidance requires local authorities to uplift sustainable rates by a minimum of 5.2%. It is proposed that North Ayrshire Council applies a slightly greater uplift of 6.2% to the sustainable rate, in recognition of the above and the variations in cost circumstances across our partner funded providers. This will lead to rates of £7.19 per hour for 3-5-year-olds and £7.52 for eligible 2-year-olds.
- 1.3 North Ayrshire Council will receive an additional £317k from Scottish Government to fund this uplift.
- 1.4 In addition to the hourly rate, it is proposed that the payments for meal costs are also increased. Taking account of food inflation and to consolidate payments for meals into a single figure across all providers in North Ayrshire, it is proposed that payments per meal should increase by 4.2% from £3.09 to £3.22 and that this rate should apply to all funded providers, including childminders.
- 1.5 It is proposed that all rate increases be backdated to 1 April 2026.

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 44 council establishments, North Ayrshire Council currently contracts with 16 funded provider nurseries and 51 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 In February 2026, Scottish Government published updated [Funded early learning and childcare 2026-2027: guidance for setting sustainable rates](#) which outlines key principles for setting sustainable rates. In addition to the key principles, the document sets out the characteristics of a sustainable rate, which include:
- 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 real Living Wage for those childcare workers delivering the funded entitlement.
- 2.3 The guidance also highlights that, from a local authority perspective, the following points should also be considered:
- The rate should not have a detrimental effect on the local authority's ability to continue to pay for the service in the long-term.
 - The wider package of 'in-kind benefits,' which are separate to the sustainable rate, available to the funded provider as part of their contract with the local authority; and
 - The rate does not need to be cross subsidised by parents and carers through charges for non-funded hours.
- 2.4 Cabinet approved an increase in the sustainable rate in June 2025. An increase was agreed for the financial year 2025-26 from £6.51 per hour to £6.77 per hour for all eligible 3–5-year-olds. Similarly, the rate for eligible 2-year-olds was increased from £6.81 per hour to £7.08 per hour. The increased rates in North Ayrshire represented an overall uplift in 2025-26 of 4% for 3-5-year-olds and 4% for eligible 2-year-olds compared to the 2024-25 rate. On a national level, the average reported rate across local authorities for 3-5 year olds was £6.87 per hour and for eligible 2 year olds the average rate was £7.26 per hour.
- 2.5 National guidance for the setting of sustainable rates in 2025-26 contains a commitment that will enable funded providers to pay at least the new Real Living Wage rate of £13.45 per hour from April 2026. Local authorities are asked to apply a minimum uplift of 5.2% to 2025-26 sustainable rates to enable this to be achieved. North Ayrshire Council will receive additional funding of £317k in 2026-27 from Scottish Government to support this.

2.6 In line with national guidance, North Ayrshire Council has applied an assumption that staff costs account for, on average, 77% of total costs. The change in the Real Living Wage in 2026 from £12.60 to £13.45 represents a 6.7% increase. Uprating the total staff cost element (77%) of the sustainable rate by 6.7% would result in an increase in the overall rate of 5.52%.

2.6 Following review, it is proposed that an uplift of 6.2% be applied to the sustainable rate in North Ayrshire for financial year 2026-27, going beyond the minimum required increase. This recognises individual variations in cost circumstances across our local partners and continues our commitment to ensuring that funded providers are able to pay a minimum of the Real Living Wage to their employees. Based on our current projections, the funding received from Scottish Government will be sufficient to cover this increase. The proposed rates for 2026-27 are set out in the table below:

	2025-26 (until March 2026)	2026-27 (from April 2026)	Uplift rate (%)
3-5-year-olds	£6.81	£7.19	6.2%
Eligible 2-year-olds	£7.08	£7.52	6.2%

2.7 In addition to the hourly rate paid to providers, funded providers receive an additional payment per meal (or the provision of a meal through the North Ayrshire Council School Meals Service). In 2025-26, funded providers and childminders received £3.09 per meal. In addition to this, all registered childcare providers have access to funding through the Scottish Milk and Healthy Snack Scheme to provide milk and a portion of fruit or vegetables for every child each day at the current national rate of 58.2p per day.

2.8 Taking account of food inflation, it is proposed that payments per meal should increase by 4.2% from £3.09 to £3.22 from 1 April 2026 onwards. The existing option to have meals provided by North Ayrshire Council Facilities Management Team will continue to apply as at present to funded providers (excluding childminders). The proposed rates are set out in the table below:

Payments per meal	2025-26 (until March 2026)	2026-27 (from April 2026)	Uplift rate (%)
Funded providers (nursery settings)	£3.09	£3.22	4.2%
Childminders	£3.09	£3.22	4.2%

2.9 In addition to the sustainable rate, North Ayrshire Council provides a range of non-financial benefits and supports to funded providers, including professional learning/training, targeted support, quality improvement support visits, advice from our Early Years team, pre- and post-inspection support and workforce support.

2.10 North Ayrshire Council has recently reviewed, refreshed and confirmed all contracts for funded providers and childminders. These reviews have included consideration of funding requirements. Delivery on the commitment for funded providers to pay at least the Real Living Wage is included as part of North Ayrshire Council's ongoing engagement and contract monitoring processes with funded providers.

2.11 It is proposed that the proposed increase in rates be backdated to 1 April 2026.

3. Proposals

3.1 It is recommended Cabinet:

- a) Agrees an increase of 6.2% in the current hourly rate paid by the Council to funded providers from 1 April 2026.
- b) Agrees to an increase to all funded providers (including childminders) in the amount paid per meal to £3.22, and for this to be backdated to 1 April 2026.
- c) Agrees to receive a further report at the time 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 £317k as part of the £11m allocated by Scottish Government to add a minimum of 5.2% uplift to 2025-26 sustainable rates.

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.

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

Background Papers

None