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# NORTH AYRSHIRE COUNCIL

2 May 2023

## Cabinet

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**Title:** Review of Early Learning and Childcare (ELC) Hourly Rate for Funded Providers

**Purpose:** To seek approval from Cabinet to increase the 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:** That Cabinet:

- Agrees to increase the hourly rate paid by the Council to funded providers for provision of ELC to all entitled children aged 2-5 years from £5.31 to £5.76 for session 2022-23;
  - Agrees that this rate should be paid retrospectively from 1 August 2022, to be in place until 31 March 2024;
  - Agrees to receive a further report on proposed changes to be implemented from 01 April 2024 following a further review of the sustainable rate following the national review of the Real Living Wage in November 2023.
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## 1. Executive Summary

- 1.1 North Ayrshire Council currently contracts with 16 funded provider nurseries and 58 childminders to deliver ELC entitlement to families across the authority. Funded providers - those in the private and not-for-profit sector and childminders - enter a contract with NAC which requires them to meet the National Standard for Early Learning and Childcare Providers. In return the Council pays an hourly (sustainable) rate for up to a maximum of 1140 hours per annum for each child in their care.
- 1.2 Since 2018, the hourly rate paid to funded providers, including childminders, has been £5.31. In addition and following the introduction of free meals and snacks as part of the 1140 expansion programme, funded providers receive a payment of £3 per meal (£2.50 for childminders) and 58.2p per snack provided. In some cases, funded providers have opted for NAC to provide meals through the school meals service.
- 1.3 Non-financial assistance is also provided by NAC staff to funded providers in the form of teacher support, professional learning for staff and managers and quality improvement support.

- 1.4 Guidance has been provided by Scottish Government in 2019 and again in 2022 to support local authorities to review and set the hourly rate paid to funded providers. This is to take account of additional funding pressures caused by the Covid 19 Pandemic and the current costs crisis. The Scottish Government expectation is that local authorities would undertake a review of the sustainable rate for implementation in August 2022.
- 1.5 North Ayrshire Council has undertaken ELC cost analysis with three funded providers who volunteered to be part of the exercise. The providers were asked to provide data relating to the costs of running their ELC business. Once collated, the data was analysed, an hourly cost calculated and a recommendation of what the hourly rate should be was provided by the cost analyst.
- 1.6 The proposed hourly rate of £5.76 takes account of the current budget pressures within ELC funding, the rate offered by neighbouring local authorities, the requirement for high quality ELC learning environments for all children in North Ayrshire, regardless of provider, and the need to sustain a high quality and vibrant funded provider and child-minding sector for the future.

## **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 areas. In addition to the 41 Council establishments, North Ayrshire Council currently contracts with 16 funded provider nurseries and 58 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 A report to Cabinet on 19 June 2018 detailed the plan for the phased implementation of 1140 ELC hours during the period 2018 – 2020. This included the planned increase in the hourly rate paid to funded providers, including childminders, from £3.58 per hour to £5.31 per hour.
- 2.3 In addition to the hourly rate paid to providers and with the introduction of free meals and snacks for all early years' children as part of the 1140 hours expansion programme, as per Scottish Government guidance, funded providers receive an additional payment of £3 per meal (or the provision of a meal through the North Ayrshire Council School Meals Service). Childminders receive £2.50 for each meal provided. 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 national current rate of 58.2p per day.
- 2.4 In April 2019, Scotland Excel provided guidance for local authorities which set out the following key principles for setting sustainable rates for the delivery of funded early learning and childcare (ELC):

- Local authorities and providers should approach the sustainable rate setting process with a focus on a high-quality ELC experience;
- The rate should be evidence-based;
- Local authorities and funded providers should work together to be as transparent and open as commercially reasonable when discussing rates and costs;
- Local authorities should clearly set out what is included (and not included) in the support package in addition to the hourly rate, at the point of application; and
- Inflationary and real Living Wage increases should be reviewed on a regular basis, to understand any changes to these and their impact on costs.

2.5 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.

2.6 The Guidance sets out that inflationary and Real Living Wage increases should be reviewed on a regular basis, to understand any changes to these and their impact on costs. As the Real Living Wage changes each year, in November, and the sustainable rate should reflect up-to-date information, an annual review of the sustainable rate is effectively required.

2.7 North Ayrshire Council provides a range of in-kind benefits to funded provider partners which include the following measures:

- Funded provider staff are included in all professional learning that is delivered by NAC staff to early years practitioners;
- Funded provider managers and business owners are included in all ELC Head Teacher meetings and in all relevant professional learning opportunities; and
- Teacher access is provided by the Council and each funded provider nursery has an allocated teacher who provides learning and development and quality improvement support for staff and managers.

2.8 These measures are in place to support high quality ELC experiences for all children in North Ayrshire. The Scottish Government Blueprint 2020: Funding Follows the Child and the National Standard for Early Learning and Childcare (ELC) introduced a new service model for funded ELC. The approach is 'provider neutral:' all settings must be able to meet the National Standards and deliver quality funded ELC, regardless of whether they are in the public, private or not-for-profit sectors, or are childminders.

2.9 Further joint guidance was provided for local authorities by the Scottish Government and COSLA in May 2022 to take account of additional funding pressures caused by the Covid 19 Pandemic and the current costs crisis, with an expectation that local authorities would undertake a review of the sustainable rate, and where a change was required, for implementation in August 2022. In Spring 2022, the Scottish Government commissioned Ipsos MORI to carry out an independent survey of all childcare partner

providers to collect data on the costs of delivering funded ELC in private, not-for-profit, and childminding sectors. It was intended that this exercise would inform the rate setting by local authorities for August 2022.

2.10 Whilst the output of the national Ipsos MORI cost collection survey, provided in May 2022, was helpful, it could only be considered as part of a rate setting process. Across our SWEIC region (North, South and East Ayrshire and Dumfries and Galloway Councils) there was low uptake by providers and so, to avoid potential identification and tracking of data to individual businesses, outputs were provided across the SWEIC region, leading to inconclusive data at local level.

### **Funded Provider Engagement**

2.11 North Ayrshire Council has undertaken a schedule of regular network meetings with both funded provider nursery owners and managers and childminders throughout the 1140 Expansion programme. These engagement sessions have helped build strong collaborative relationships and ensured NAC understands the importance of the provision of a competitive and sustainable hourly rate for ELC.

2.12 Following discussion with funded providers on the results of the Ipsos MORI survey and the need for NAC to have a better understanding of the cost of ELC delivery across the funded provider nursery and childminder sectors in NAC, three funded provider nurseries agreed to be part of a confidential costs analysis exercise, to be undertaken by NAC's Finance Business Partner team. The need for commercial sensitivity to data privacy and the confidential nature of this work was clearly understood by all involved.

2.13 The exercise followed the format of the Ipsos MORI survey with respondents asked to provide data relating to the costs of running their ELC business. Once collated, the data was analysed, and a recommendation was formulated based on a holistic understanding of the business running costs of funded providers.

2.14 The proposed hourly rate takes account of the current budget pressures within ELC funding, the rate offered by neighbouring local authorities, the requirement for a high quality ELC learning environments for all children in North Ayrshire regardless of provider, and the need to sustain a high quality and vibrant funded provider and childminding sector for the future.

## **3. Proposals**

3.1 It is proposed that Cabinet:

- Agrees to increase the hourly rate paid by the Council to funded providers for provision of ELC to all entitled children aged 2-5 years from £5.31 to £5.76 for session 2022-23;
- Agrees that this rate should be paid retrospectively from 1 August 2022, to be in place until 31 March 2024;
- Agrees to receive a further report on proposed changes to be implemented from 01 April 2024 following a further review of the sustainable rate following the national review of the Real Living Wage in November 2023.

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

### **Financial**

4.1 The additional cost of the increased payment over a 52-week period will be approximately £265,000 based on existing numbers of children. The cost of backdating payments to 01 August 2022 will be approximately £177,000, with provision previously made within early learning and childcare earmarked funds. Based on current numbers of children, this can be accommodated within the existing budget.

### **Human Resources**

4.2 None.

### **Legal**

4.3 In April 2019, Scotland Excel provided guidance for local authorities which set out key principles for setting sustainable rates for the delivery of funded early learning and childcare (ELC). These are detailed at 2.3 above. Scottish Government Guidance requires that rates are reviewed on an annual basis and processes will be put in place to ensure this takes place.

### **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 None.

### **Key Priorities**

4.6 The following Council Plan priorities will be addressed by the current proposals:

- Active and strong communities;
- Children and young people experience the best start in life; and
- Inclusive, growing, and enterprising local economy.

### **Community Wealth Building**

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

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

## 5. Consultation

5.1 The following stakeholders have been engaged throughout this process:

- Funded provider nursery owners and managers
- Childminders
- Neighbouring local authorities.

5.2 A meeting took place with the funded provider network on 27 April 2023 to advise them of these proposals. If approved, communications with the funded provider and childminder network groups will be put in place immediately to advise them of the new hourly rate and the arrangements to backdate payments to 01 August 2022.

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

## Background Papers

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