

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Education Officer****Education Services Committee: 27 September 2023**

Subject: Increase Sustainable Rate paid to Funded Early Learning and Childcare Providers

1. Purpose

- 1.1** This report proposes an increase in the hourly rate paid by West Dunbartonshire Council to contracted private providers for funded Early Learning and Childcare (ELC).

2. Recommendations

- 2.1** It is recommended that Committee:

- (a) Agrees to increase the hourly rate paid to ELC private providers including childminders for the provision of funded ELC from £5.67 to £5.84 for 3 & 4 year olds from 1 August 2023;
- (b) Notes the external factors influencing the sustainability of the hourly rates paid to contracted providers of funded ELC in West Dunbartonshire, including rising costs and wages.

3. Background

- 3.1** Approximately one quarter of children eligible for a funded Early Learning and Childcare place, access their place in the private sector in West Dunbartonshire Council. The Council is dependent on these places to fulfil its statutory duty. Therefore, settings in this sector need to remain financially viable and the Scottish Government requires Councils to establish and pay a rate that ensures this sustainability.
- 3.2** If a sustainable rate is not paid, there is a risk of services in the private sector closing which would incur capital and revenue costs for the Council, and would reduce choice and local provision for parents. The closure of services who also provide childcare which is paid for by the parents would have a negative impact on the local economy, with parents not being able to access work or training.
- 3.3** As a result of continuing concerns regarding financial sustainability by funded providers, the Scottish Government carried out work to review the sustainability of the sector and published the Financial Sustainability Health Check of the Childcare Sector in Scotland, August 2021. The report highlighted that although Councils work closely with their funded providers to agree rates in line with the principles of the Sustainable Rates Guidance (published in April 2019), this report also highlighted that in some areas rates have not matched expectations of sustainability and inflationary pressures.

The Financial sustainability health check confirmed that a national rate will not be set, stated that a number of local authorities continue to pay £5.31 an hour with no credence paid to an inflation uplift which was built into the quantum.

- 3.4** Within the funding envelope available for ELC, we are expected to uplift rates to ensure that they reflect the costs of delivery (including inflationary increases), provide scope for reinvestment which will reflect a measure of profit in a private sector setting and enable delivery of the Real Living Wage commitment.

4. Current Position

- 4.1** The hourly rate paid by West Dunbartonshire Council to our funded private ELC providers, including childminders, to deliver an hour of funded ELC to 3-5 year olds has increased from £3.68 per hour in 2017-18 to £5.67 per hour in 2022-23. The hourly rate for eligible 2 year olds was increased for the small number of children at our partner providers from April 2022 to £5.84. This increase reflects the higher staff ratio required for this age group. The Council hourly rate for 2 year olds compares favourably to rates paid by other Councils.
- 4.2** The current hourly rate that West Dunbartonshire Council pays does not represent all of the other benefits of the partnership arrangement which we have with funded providers. The benefits include free access to all professional learning, working groups and annual mandatory training, leaders' meetings, partner provider meetings, early stages teacher allocated resource 0.2/0.1 FTE, link named psychologist, support from the central Early Years team, preparation for inspection, sharing of all guidance developed to support staff and access to workforce development budget.
- 4.3** Improving outcomes for children and reducing the attainment gap is at the heart of ELC provision. Therefore, as well as meeting the requirements of the National Standard to pay staff the real Living Wage, settings in the private sector need to be able to recruit and retain staff, support staff training and invest in their services. Commitment to an increase for 3 and 4 year olds would provide reassurance to providers, protect jobs and enable providers to invest in their services and to put effective business plans into place. The Scottish Government requires Councils to establish and pay a rate that ensures this sustainability.
- 4.4** The average rate in Scotland for 3-5 year olds for 2022-23 is £5.78 per hour, in the West Partnership local authorities, the average hourly rate was £5.70. West Dumbarton is currently three pence below the West Partnership Councils' rates who all plan further increases for 2023-24. The West Dumbarton private providers of early learning and childcare are content with the two year old hourly rate and have requested a 5% increase for three and four year olds. Their proposed increase is based on increased costs, inflation and payment of the living wage. A three percent increase to the current hourly rate of £5.67 would increase the rate to £5.84 (level with our two year old rate). The proposal of a 3% increase would mean that providers have had an increase of 9.78% over two years (2022/23 and 2023/24); 6.78% for 2022/23 and 3% for 2023/24. This is above the current inflation rate of 8.7% (May 2023).

5. People Implications

- 5.1** A significant number of families in West Dunbartonshire Council access ELC at private providers. This equates to one quarter of children accessing ELC in the Council area at any time. Parents and carers rely on funded providers of their choice; to provide flexible childcare at funded provision to enable them to access work and training. If providers cease to be sustainable, there would be significant work and resource required to increase the number of local authority places to ensure that the Council meets its statutory duty.

6. Financial Implications

- 6.1** The hourly rate paid has increased over time to achieve the current rate of £5.67 for 3 and 4 year olds and £5.84 for 2 year olds.
- 6.2** When the 2022/23 budget was set along with the indicative 2023/24 and 2024/25 budgets there was no allowance for an increase in partner provider rates. Last session the increase to the rate was absorbed by the ELC expansion budget which was revised to take account of the increase to the hourly rate paid. Any increase for 2023/24 to the hourly rate paid will be a cost pressure to Council budgets as the proposed increase has not been budgeted for from the ELC budget. An increase from the ELC expansion budget is not possible as projects come to an end and cannot be revised. Based on the rate increase from £5.67 to £5.84 being funded from Council budgets means that £84k is required for the full year.
- 6.3** There are a number of budget pressures which will arise in 2023-24 which will have a knock-on effect in future years, including inflationary increases to pay and utility services. As the expansion budget is the source of permanent funding for the partner providers rate increase, this budget will come under severe pressure and any future increases would need to be within the expansion budget allocation in session 2024/25.
- 6.4** If the proposed increased rate is agreed it will be set for the next year. The rate of £5.84 per hour per 3 and 4 year old child represents an uplift on the current rate of 3%. The proposed increase may bring us in line with the West Partnership Councils depending on increases agreed. The hourly increase does not include £3.00 for food which is an additional 10p per hour. This hourly rate proposal captures an increase in the Scottish Living Wage and an uplift for reinvestment within each setting.
- 6.5** The 2022/23 budget for commissioned places for 3 and 4 year olds was based on a rate of £5.67. An increase in the rate to £5.84, backdated to 1 August 2023, will cost approx. £56k in 2023/24 and £84k for a full 12 months. The ELC specific grant for food covers the cost of 10p per hour or £3.00 per day. Table 1 shows the impact of this unplanned budget spend to the Council.

Table 1

Additional Budget August - March 2023/23	Additional Budget August - July 2023/24
£56,000	£84,000

The impact on monthly payments, if the hourly rate of £5.84 was applied to payments made to funded providers in an average month is exemplified at Table 2. This represents an increase of £8,198.63 per month at the busiest time of year (June). Note: the example provides payments made for eligible 2 year olds, 3 and 4 year olds and cross boundary payments in June 2023. Payments fluctuate throughout any financial year as numbers of children leave and join ELCs.

Table 2

Early Years Partner Providers	TOTAL Paid	3% Increase
Brookland Nursery	£26,839.35	£27,644.53
Carousel Nursery, Alexandria	£26,648.29	£27,447.73
Carousel Nursery, Dumbarton	£32,284.38	£33,252.91
Children's Hour Nursery	£16,287.17	£16,775.78
Great Start Nursery	£20,803.77	£21,427.88
Lucky Little Stars	£30,686.90	£31,607.50
Nursery Times by the River	£36,939.35	£38,047.53
Sunflower Nursery	£41,641.87	£42,891.12
Tots R Us Clydebank	£16,843.30	£17,348.60
Tots R Us Dumbarton	£14,714.91	£15,156.36
Villa Kindergarten	£9,598.08	£9,885.94
TOTAL	£273,287.37	£281,486

7. Risk Analysis

7.1 The Key Risks:

If the Council does not increase the hourly rate to a level that enables providers in the private and voluntary sectors to be sustainable, there is the risk that:

- There will be insufficient places in West Dunbartonshire Council to enable parents to access their children's funded ELC entitlement which will incur additional cost for the Council as it will need to expand existing services and/or open new services;
- There will be a risk to the policy of Funding Follows the Child which is part of the National Standard and fulfilling the statutory duty;
- There may be reputational damage to the Council if services close due to not being sustainable, leading to loss of local provision, choice and flexibility for families, loss of employment and community based services;
- Providers in the private and voluntary sector may not be able to recruit and retain staff or meet the National Standard, if they are not able to pay the Real Living Wage;
- Potential reduction in the quality of service provided if qualified and experienced staff cannot be recruited.

8. Equalities Impact Assessment (EIA)

- 8.1** An Equalities Impact Assessment has not been undertaken for this report. The proposal to increase the hourly rates for funded ELC has no negative impact on people with protected characteristics but has the potential to impact positively on the ELC workforce, which is predominantly female.

9. Consultation

- 9.1** Regular consultation with funded providers.
- 9.2** Legal Services and the Section 95 Officer have been consulted in relation to the content of this report.

10. Strategic Assessment

- 10.1** This report reflects the Council's aspiration that all West Dunbartonshire children have the best start in life and are ready to succeed. Families are supported in accessing education, learning and attainment opportunities and improved life chances for all children, young people and families.

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Background Papers: Sustainable Rates Guidance
Financial Sustainability Health Check
Funding Follows the Child and the National Standard for
ELC Providers: Interim Guidance
Ipsos National Cost Collection Report

Wards Affected: All