

**WEST DUNBARTONSHIRE COUNCIL**

**Report by Chief Education Officer**

**Education Services Committee: Wednesday 12<sup>th</sup> June 2024**

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**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) Refer to the guidance for setting sustainable rates contained in the 'Funding Follows the Child and the National Standard for Early Learning and Childcare Providers – Guidance for setting sustainable rates for the delivery of funded early learning and childcare (ELC) in 2024-25', published in March 2024.
- (b) Agree to increase the hourly rate paid to Early Learning and Childcare private providers, including childminders, for the provision of funded ELC from £5.84 to £6.43 for Eligible 2 year olds and from £5.84 to £6.28 for all children aged from 3 to pre school age from 1<sup>st</sup> April 2024. This is an increase of 10% for the Eligible 2 year old provision and 7.6% for all 3 year olds and above.
- (c) Note the external factors influencing the sustainability of the hourly rates paid to contracted providers of funded ELC in West Dunbartonshire, including rising costs and to enable payment of the real Living Wage to those childcare workers delivering the funded entitlement.

**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 issued the Sustainable Rates Guidance, published in April 2019. The report highlighted that the rate should support delivery of a high quality ELC experience and should allow for investment in the setting in terms of staff, resources and the physical environment. It should also enable the payment of the real Living Wage for those childcare workers delivering the funded entitlement.

**3.4** The Financial sustainability health check confirmed that a national rate will not be set, however, the guidance issued in March 2024, advises that councils should, '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. It also noted that, 'if sustainable rates for 2024-25 are set after April 2024, any payments that reflect the increased real Living Wage should be backdated to 1 April 2024'.

#### **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 Eligible 2 year olds and all children aged from 3 years old to pre school age is currently £5.84 per hour. Last session the rate for children aged 3 and above was increased by 3% from £5.67 to £5.84. The rate for eligible 2 year olds did not increase and remained at £5.84.

**4.2** Increasing the rate for 3 year olds and above by 7.6% is in accordance with the recommended guidance from Scottish Government. By increasing the rate for eligible 2 year olds by 10% this takes into consideration that this rate was not increased last session and acknowledges that in order to comply with the required ratios of adult to children staffing costs are higher for 2 year old children than for children aged 3 and above.

**4.3** The current hourly rate that West Dunbartonshire Council pay does not represent all of the other benefits of the partnership arrangement which we have with funded providers. These 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, a link named psychologist, support from the central Early Years team, including preparation for inspection, sharing of all guidance developed to support staff and access to workforce development budget.

**4.4** 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 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.

#### **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 £5.84 for all eligible children.
- 6.2** The increase in the hourly rate paid to childcare providers can be increased by 10%, for eligible 2 year olds, and 7.6%, for those eligible children aged from 3 years old covered by a combination of Scottish Government funding, £292k, and redirecting £121k currently budgeted.
- 6.3** The hourly increase does not include £3.00 allocated per day, per child for food.
- 6.4** This hourly rate proposal captures an increase in the Scottish Living Wage.

## **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.
- We have received some funding from Scottish Government for this purpose.

## **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.

**Laura Mason**

Chief Education Officer

**Person to Contact:** Alison Bowers, Senior Education Officer, Education,  
Learning and Attainment  
Email: [Alison.bowers@west-dunbarton.gov.uk](mailto:Alison.bowers@west-dunbarton.gov.uk)

**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