

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Education Officer****Education Services Committee: 28 September 2022**

**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 £5.31 to £5.67 for 3 & 4 year olds from 1 August 2022;
- (b) Notes the proposed rate increase for the years 2022-23 and 2023-24, in order that the Council paid rates remain sustainable.
- (c) 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 To support sustainable rate setting processes, the Scottish Government and COSLA commissioned Ipsos MORI to conduct a National Costs Collection exercise in early 2022. This is a repeat of the original exercise in 2016 on which our current hourly rates are based.
- 3.5 The exercise was not intended to produce a national rate. The intention was that the data set of the cost of providing ELC at a funded provider could be used to help set local sustainable rates for 2022-23. This data should have allowed an in-depth review of our hourly rates. However, the West Dunbartonshire Council data return from eight out of eleven of our providers was considered to be too low to ensure a realistic rate could be set.
- 3.6 Within our funding envelope available for ELC, we are expected to uplift rates for 2022-23 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 £5.31 per hour in 2021-22. The hourly rate for eligible 2 year olds was increased for the very small number of children (just under 50) at our partner providers from April 2022 to £5.84. The increase reflected the higher staff ratio required for this age group and the 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 would provide reassurance to providers, protect jobs and enable providers 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 childcare as well as 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 rate of £5.31 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 therefore any increase in the hourly rate paid will be funded from ELC expansion budget. This will avoid any cost to core budgets or to reserves if we fund any increase from expansion. This means that our current expansion plans will need to be revised.
- 6.3** Based on the rate increase to £5.67 being fully funded through expansion means £197k is required from future year's budgets. The amount required £127k, for 2022-23 can be accommodated. Going forward there are a number of budget pressures which will arise in 2022-23 which will have a knock-on effect in future years, in particular the additional increase over and above the already 2% calculated for pay inflation and considerably increased utilities inflation. 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 deficit balances resulting from the increased rate and inflation would require a revisit of the expansion budget allocation.
- 6.4** If the increased rate is agreed it will be set for the next few years. The rate of £5.67 per hour per child represents an uplift on the current rate of 6.78%. The proposed increase brings us in line with the lower end of West Partnership proposed hourly rates. The hourly increase does not include £3.00 for food which is an additional 10p per hour. This hourly rate proposal captures the increase in the Scottish Living Wage since 2021 as well as an element for any increase this year. This also represents a 2% uplift for reinvestment within each setting. This does not include the Scottish Milk and Healthy Snack payment of 58.2p which is paid separately for every eligible child each day they come to their early learning and childcare setting.
- 6.5** The 2022/23 budget for commissioned places for 3 and 4 year olds was based on a rate of £5.31. An increase in the rate to £5.67, backdated to 1 August 2022, will cost approx. £127k in 2022/23 and approx. £197k 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 on the budget of this proposed rate.

**Table 1**

<b>Current Allocated Budget 2022/23</b>	<b>Additional Budget August - March 2022/23</b>	<b>Additional Budget August - July 2022/23</b>	<b>Additional Budget August - July 2023/24</b>
£2,815,379	£127,000	£197,000	£197,000

The impact on monthly payments, if the hourly rate of £5.67 was applied to payments made to funded providers in an average month is exemplified at table 2. This represents an increase of £17,829.97 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 2022. Payments fluctuate throughout any financial year as numbers of children leave and join ELCs.

**Table 2**

Funded Providers	Monthly Payment	With 6.78% increase applied (£5.67 per hour)
Brookland	27,354.47	29,209.10
Carousel Nursery, Alexandria	23,433.02	25,021.78
Carousel Nursery, Dumbarton	36,768.05	39,260.92
Children's Hour Nursery	17,830.45	19,039.35
Great Start Nursery	14,940.31	15,953.26
Lucky Little Stars	27,186.73	29,029.99
Nursery Times by the River	33,041.61	35,281.83
Sunflower Nursery	38,535.90	41,148.63
Tots R Us Clydebank	15,096.52	16,120.06
Tots R Us Dumbarton	15,445.30	16,492.49
Villa Kindergarten	13,346.57	14,251.47
<b>TOTAL PAID:</b>	<b>£262,978.93</b>	<b>£280808.90</b>

## 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

