

Education, Children and Families Committee

10am, Tuesday, 16 April 2024

Early Years Partner Provider – Hourly Rate for Funded Early Learning and Childcare

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 The Education, Children and Families Committee is asked to:
- 1.1.1 Note the information within this report.
 - 1.1.2 Agree an hourly rate increase of either 4.8% or 7.6% to providers with a contract to deliver funded early learning and childcare.
 - 1.1.3 If the increase is set at 7.6%, to delegate to the Executive Director of Education and Children's Services the need to find additional savings of £700,000 to meet the funding gap

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Early Years Partner Provider – Hourly Rate for Funded Early Learning and Childcare

2. Executive Summary

2.1 Parents in Edinburgh are currently able to access funded early learning and childcare through a variety of providers.

- 104 local authority settings
- 7 local authority forest kindergartens
- 104 private, voluntary and independent sector settings
- 4 childminders

2.2 The Care Inspectorate expects that the following ratios will apply to all children's daycare settings, including out of school care.

Age range	Ratio
0 to under 2 years	1 adult to 3 children
2 to under 3 years	1 adult to 5 children
3 to under 8 years	1 adult to 8 children

2.3 Under Funding Follows the Child, local authorities are required to set an hourly rate that is paid to funded providers in the private and voluntary sectors, including childminders, to deliver the funded entitlement. This rate should be sustainable and reflect national policy priorities, including enabling payment of the real Living Wage to all childcare workers delivering the funded entitlement.

2.4 In April 2023, the Education, Children and Families Committee agreed there would be no increase in the funded rate paid to providers and therefore the rate remained as follows.

- £3.10 per meal
- + £6.03 per hour for children aged 3-5 years old, which equates to £6.55 per hour.
- + £6.48 per hour for children aged 2 years old, which equates to £7.00 per hour.

- 2.5 The Scottish Government has made a commitment that childcare providers should be paid £12.00 per hour from 1 April 2024. COSLA Leaders agreed to take advice from Resources and CYP spokespeople, in line with advice from LG professional advisors and to apply a **fixed percentage uplift of 7.6%** on 2023/24 hourly rates. There is however no prescribed increase to meal costs.
- 2.6 The Scottish Government have made available additional National funding of £16m to fund this initiative. Edinburgh's share of this is calculated at £1.2m while the additional costs to pay the full 7.6% are calculated at £1.9m which would result in a £0.7m shortfall.
- 2.7 The funding provided is sufficient to cover a 4.8% increase as detailed below:
The following rates would take effect from 1 April 2024:

If 4.8% applied

- £3.10 per meal
- + £6.32 per hour for children aged 3-5 years old, which equates to £6.84 per hour.
- + £6.79 per hour for children aged 2 years old, which equates to £7.31 per hour.

If 7.6% applied

- £3.10 per meal
- + £6.49 per hour for children aged 3-5 years old, which equates to £7.01 per hour.
- + £6.97 per hour for children aged 2 years old, which equates to £7.49 per hour.

3. Background

- 3.1 Under section 47(1) of the Children and Young People (Scotland) Act 2014, education authorities must ensure that the statutory amount of funded early learning and childcare entitlement is made available for each eligible child
- 3.2 Section 48 of the 2014 Act provides the statutory entitlement as 1140 hours of funded early learning and childcare in line with the school year, starting in August. Children eligible from January and April receive a pro rata amount of funded hours for part of a year of which a child is eligible i.e. the term after their third birthday.
- 3.3 The Scottish Government and COSLA published national guidance Funding Follows the Child and the National Standard for Funded Early Learning and Childcare Providers in December 2018. <https://www.gov.scot/publications/funding->

4. Main report

Hourly Rate for 3 to 5 year olds

- 4.1 The childcare market is a mixed economy and, like local authorities, employers in the private and third sectors are responsible for making their own decisions about pay and conditions. The funding provided by the Scottish Government/local authorities is for the delivery of a service (funded ELC) on behalf of the public sector. If funding were provided for non-funded hours then this could be interpreted as a subsidy and therefore could be in breach of the Subsidy Control Act 2022.
- 4.2 Information gathered from the Edinburgh and Lothians guide 2024, show the following average hourly rate private providers in Edinburgh charge parents for children receiving non-funded hours. (Appendix 1)

Age group	2023 average	2024 average
3-5 year olds	£6.09	£6.57
2 year olds	£6.63	£6.77

- 4.3 Almost all private providers include breakfast, lunch and snack in their daily rate which covers approximately 10 hours.
- 4.4 The hourly rate paid to providers is considered to be made up of two elements, 75% relating to staffing costs and 25% to non-staffing costs. The prescribed increase to rates relates to the staffing element and is equivalent to a 10.1% increase on 75% of the hourly rate.
- 4.5 There is no additional funding available for the non-staffing element and as noted elsewhere in the report, the increase in staffing costs incurs a further £700,000 pressure.
- 4.6 It should be noted however that when the current rate was set at committee in September 2022 it was intended that this rate would be in place for a period of up to three years, through until financial year 2024/25, and fully committed all available funding at that point in order to pay as favourable a rate as possible.
- 4.7 It was subsequently agreed, following debate at the committee, that the rate should be brought back for agreement on an annual basis. However, the proposed three year rate was not revised to take account of an annual review and since that time the funding has been cut by a further £2.8 million
- 4.8 The tables below demonstrate the rates that would be payable at both a 4.8% increase or a 7.6% increase. The agreed rate will be paid from from April 2024.

Age range	Ratio	Hourly Rate at 4.8%	Hourly Rate at 7.6%	Total per hour for each member of staff
3 to 5 year olds	1 adult to 8 children	£6.32	£6.49	£50.56 (4.8%) £51.92 (7.6%)

- To provide a like for like comparison this equates to £6.84 per hour at 4.8% or £7.01 per hour at 7.6% when you include the meals payment and is £0.27 or £0.44 per hour higher respectively than the average rate charged by providers for non-funded hours.

Hourly Rate for Terrific 2 year olds

4.9 Funded providers will receive the following per hour from April 2024.

Age range	Ratio	Hourly Rate at 4.8%	Hourly Rate at 7.6%	Total per hour for each member of staff
2 year olds	1 adult to 5 children	£6.79	£6.97	£33.95 (4.8%) £34.85 (7.6%)

- To provide a like for like comparison this equates to £7.31 per hour at 4.8% or £7.49 per hour at 7.6% when you include the meals payment and is £0.54 or £0.72 per hour higher respectively than the average rate charged by providers for non-funded hours.

Meals

4.10 There is no change to the rate of £3.10 paid to partners for the provision of meals.

5. Next Steps

5.1 The agreed rate will be calculated and awarded backdated to 1 April 2024.

6. Financial impact

Revenue

6.1 The City of Edinburgh Council has been subject to significant funding cuts since 2021/22 as detailed in the table below

Early Years Ring Fenced Funding

2021/22	£46,433,668
2022/23	£41,313,984
2023/24	£40,405,000
2024/25	£38,505,000

- 6.2 An increase in the hourly rate was able to be funded in 2022/23 using one off reserves of £1.5m, however this funding is no longer available.
- 6.3 While we are unable to comment on possible increases to rates in other authorities, we are able to advise that increases in excess of the 7.6% are unlikely given the overall funding position across Scotland and we would anticipate that our rate will continue to compare favourably with that offered in other authorities.
- 6.4 The table below shows our current rate as the eleventh highest in Scotland and highest of the other City authorities. This is particularly relevant when taking account of the funding distribution formula applied by the Scottish Government which favours authorities with a higher level of deprivation and rurality, and it is notable that those paying higher rates are in more rural areas

Argyll & Bute	£6.89
Scottish Borders	£6.83
Moray	£6.62
Fife	£6.52
Shetland	£6.49
West Lothian	£6.40
Aberdeenshire	£6.37
Dumfries & Galloway	£6.30
South Ayrshire	£6.05
East Lothian	£6.04
City of Edinburgh	£6.03
Midlothian	£6.02
Other cities for comparison	
Glasgow	£6.00
Aberdeen	£5.83
Dundee	£5.59

- 6.5 It is a statutory requirement that expenditure is maintained within available budget; however we are also directed to apply a 7.6% increase to hourly rates. This will result in an additional in year pressure and will require the council to direct additional resource from other areas to meet the gap or to alternatively to make additional savings. A payment of 4.8% would be within the scope of the additional Scottish Government funding but would fail to comply with the prescribed uplift.

7. Stakeholder/Community Impact / Equality and Poverty Impact

Sustainable Rate for Partners

- 7.1 The hourly rate paid to partners should support delivery of a high quality ELC experience for all children and reflect the cost of delivery. The rate should also allow for investment in the setting – staff, resources and physical environment; and, enable payment of the real Living Wage for those staff employed to deliver the funded entitlement.
- 7.2 The rate must also be sustainable for the local authority in terms of the budgets available. The Scottish Government guidance on setting a sustainable rate states the rate paid to partners to delivery funded early learning and childcare *should not*

have a detrimental effect on the local authority's ability to continue to pay for the service in the long-term. It also highlights the wider package of 'in-kind benefits', which are separate to the sustainable rates and are available to the funded provider as part of the contract with the local authority.

8. Climate and Nature Emergency Implications

- 8.1 There are no identified Climate and Nature emergency implications contained in this report.

9. Risk, policy, compliance, governance and community impact

- 9.1 The information in this report meets the requirement of Scottish Government policy and guidance.

[Early learning and childcare: statutory guidance - July 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/statutory-guidance/2021/07/early-learning-and-childcare-statutory-guidance-2021-2022/pages/1-1-early-learning-and-childcare-statutory-guidance-2021-2022.aspx)

[Funded early learning and childcare \(ELC\) - setting sustainable rates 2024 to 2025: guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/guidance/2024/01/funded-early-learning-and-childcare-elc-setting-sustainable-rates-2024-to-2025/pages/1-1-funded-early-learning-and-childcare-elc-setting-sustainable-rates-2024-to-2025.aspx)

10. Background reading/external references

The Edinburgh Learns Improving Quality in Learning

- 10.1 [Funded early learning and childcare \(ELC\) - setting sustainable rates 2024 to 2025: guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/guidance/2024/01/funded-early-learning-and-childcare-elc-setting-sustainable-rates-2024-to-2025/pages/1-1-funded-early-learning-and-childcare-elc-setting-sustainable-rates-2024-to-2025.aspx)
- 10.2 [Funding Follows The Child and The National Standard for Early Learning and Childcare Providers: Operating Guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/guidance/2023/01/funding-follows-the-child-and-the-national-standard-for-early-learning-and-childcare-providers-operating-guidance/pages/1-1-funding-follows-the-child-and-the-national-standard-for-early-learning-and-childcare-providers-operating-guidance.aspx)
- 10.3 [Subsidy Control Act 2022 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2022/12/section/1)
- 10.4 [Nursery Guide, Edinburgh and the Lothian's 2024 | Nursery&SchoolGuide \(nurseryandschoolguide.co.uk\)](https://www.nurseryandschoolguide.co.uk/2024/01/nursery-guide-edinburgh-and-the-lothian-2024/)

11. Appendices

- 11.1 Appendix 1 – Survey of Prices

March 2023
Edinburgh and
Lothians Guide

March 2024
Edinburgh and Lothians
Guide

Setting	Included in fees	3-5 places	babies	3-5 places	babies
Arbor Green Nursery	Nappies Wipes, Hot lunch and Snacks	£ 63.00		£ 75.00	£ 75.00
Arcadia Nursery	Nappies & Formular Milk, Breakfast, Hot Lunch, Hot Dinner & Snacks	£ 61.00		£ 61.00	£ 61.00
Bees Knees Nursery	Nappies, wipes, breakfast, hot lunch and tea	£ 45.00	£ 55.00	£ 45.00	£ 55.00
Blossom Tree Children's Nursery	Hot lunch and snacks	£ 65.00		£ 72.00	£ 72.00
Bonnington House Nursery	Nappies, Breakfast, Hot Lunch and Snacks	£ 69.00	£ 72.00	£ 69.00	£ 72.00
Bright Horizons Annandale	Nappies & Wipes, Breakfast, Hot Lunch, Light Tea and Snacks	£ 68.00	£ 72.00	£ 78.00	£ 84.00
Bright Horizons Bruntsfield	Nappies, Formula Milk, Breakfast, Hot Lunch, Hot Dinner and Snacks	£ 67.00	£ 69.00	£ -	£ -
Bright Horizons Cramond	Nappies & Wipes, Formular Milk, Breakfast, 2 Course Lunch and a 2 Course Tea with fruit available throughout the day	£ 65.00	£ 75.00	£ 75.00	£ 81.00
Bright Horizons Elsie Inglis	Breakfast, Lunch and Tea	£ 73.00	£ 77.00	£ 85.00	£ 89.00
Bright Horizons Morton Mains	Nappies, Wipes, Breakfast, Hot Lunch and Snacks	£ 66.00	£ 70.00	£ 76.00	£ 84.00
Bright Sparks Nursery - Blackhall	Hot lunch and snacks	£ 63.00	£ 67.00	£ 74.00	£ 74.00
Bright Sparks Nursery - Murrayfield	Hot lunch and snacks	£ 63.00	£ 67.00	£ 74.00	£ 74.00
Bright Sparks Nursery Saughton	Hot lunch and snacks	£ 63.00	£ 67.00	£ 67.00	£ 72.00
Brighton Nursery	Nappies, wipes, hot lunch and snacks	£ 68.00		£ 71.00	£ 71.00
Busy Bees Broughton	Breakfast, hot lunch, tea and snacks	£ 60.00	£ 65.00	£ 63.00	£ 69.00
Busy Bees Dean Terrace	Nappies, wipes, hot lunch, tea and snacks	£ 66.00		£ 69.00	£ 69.00
Busy Bees Edinburgh Park	Nappies, wipes, breakfast, hot lunch and tea	£ 61.00	£ 67.00	£ 65.00	£ 70.00
Busy Bees Forres Street	Nappies, wipes, hot lunch, tea and snacks	£ 66.00		£ 66.00	£ 66.00
Busy Bees Heriot Hill	Nappies, wipes, hot lunch and snacks	£ 68.00		£ 70.00	£ 70.00
Busy Bees Newhaven	Nappies, wipes, breakfast, hot lunch , tea and snacks	£ 58.00	£ 63.00	£ 66.00	£ 71.00
Busy Bees Port Hamilton	Nappies, wipes, breakfast, hot lunch, tea and snacks	£ 65.00	£ 69.00	£ 69.00	£ 73.00
Carebears Children's Nursery	Nappies, breakfast, hot lunch, tea and snacks	£ 52.00		£ 52.00	£ 52.00
Casa Montessori	Hot lunch, tea and snacks, specialist acitivites	£ 68.00		£ 70.00	£ 70.00
Chapter One Childcare	Hot lunch and snacks	£ 59.00	£ 68.00	£ 59.00	£ 68.00
Cherrytrees	Nappies, wipes, hot lunch and snacks	£ 59.00		£ 68.00	£ 68.00
Childsplay	Breakfast, hot lunch and tea	£ 61.00		£ 62.00	£ 62.00
City	Hot lunch and snacks	£ 61.00	£ 68.00	£ 78.00	£ 78.00
Claylands Nursery	Nappies, wipes, breakfast, hot lunch snacks	£ 53.00	£ 55.00	£ 62.00	£ 64.00
Colinton Private	Nappies, wipes, breakfast, hot lunch and snacks	£ 64.00	£ 71.00	£ 73.00	£ 75.00
Corner House Gilsland	Hot lunch and snacks	£ 62.00	£ 73.00	£ 66.00	£ 73.00
Corner House Spylaw	Nappies, snacks, hot lunch and snacks	£ 66.00	£ 74.00	£ 64.00	£ 71.00
Corner House The Grange	Nappies, wipes, breakfast, hot lunch, snacks, any additional classes	£ 64.00		£ 67.00	£ 67.00
Corstorphine	Hot lunch and snacks	£ 59.00		£ 59.00	£ 59.00
Cosy Cottage	Hot lunch and snacks	£ 65.00		£ 72.00	£ 72.00
Cranley Buckstone	Nappies,, wipes, breakfast, hot lunch, snacks	£ 66.00	£ 71.00	£ 66.00	£ 71.00
Cranley Lanark Road	Nappies, wipes, snacks & hot lunch	£ 66.00	£ 70.00	£ 66.00	£ 70.00
Crewe Road Nursery	Hot lunch (extra) & Snacks	£ 60.00		£ 62.00	£ 62.00
Currie Children's Nursery	Breakfast, hot lunch and tea	£ 57.00		£ 57.00	£ 57.00
Early Days Doune Terrace	Nappies, breakfast, hot lunch, snacks and tea	£ 62.00		£ 64.00	£ 64.00
Early Days Melville St	Nappies, breakfast, hot lunch, snacks and tea	£ 62.00		£ 64.00	£ 64.00
Early Days Old Coats House	Breakfast, hot lunch , snacks and tea	£ 62.00		£ 64.00	£ 64.00
Early Days Palmerston Place	Breakfast, hot lunch , snacks and tea	£ 62.00		£ 64.00	£ 64.00
Early Days Walker St	Nappies, breakfast, hot lunch, snacks and tea	£ 62.00		£ 64.00	£ 64.00
Edzell Nursery Class	Bring your own packed lunch, snack provided			£ 50.00	£ 50.00
Fairmile House	Breakfast, hot lunch and snacks	£ 51.00	£ 54.00	£ -	£ -
Flying Colours - Barnton	Hot lunch and snacks	£ 69.00		£ 75.00	£ 75.00
Forbes Children's Nursery	Napies, fornular milk, hot lunch, snacks	£ 67.00	£ 71.00	£ 70.00	£ 73.00
Forbes Children's Nursery - Bruntsfield	Napies, fornular milk, hot lunch, snacks	£ 67.00	£ 71.00	£ 70.00	£ 73.00
Forbes Children's Nursery - Bruntsfield Place	Napies, fornular milk, hot lunch, snacks	£ 67.00	£ 71.00	£ 70.00	£ 73.00
Forbes Children's Nursery - Claremont	Napies, fornular milk, hot lunch, snacks	£ 60.00	£ 70.00	£ 71.00	£ 73.00
Headstart	BYO lunch and snacks	£ 65.00	£ 69.00	£ 73.00	£ 77.00
Highland Fling	Per hour price - Snacks, hot lunch (extra for u3's)	£ 63.00		£ 70.00	£ 70.00
Jigsaw Balerno	Nappies, wipes, snacks, BYO Hot lunch for 2's	£ 60.00		£ 66.00	£ 66.00
Jigsaw Childcare	Nappies, wipes, formula milk, breakfast, hot lunch and snacks	£ 60.00		£ 66.00	£ 66.00
Kidzcare Grange Loan	Hot lunch and snacks	£ 69.00	£ 77.00	£ 80.00	£ 90.00
Kidzcare Norwood House	Breakfast, hot lunch and snacks	£ 69.00	£ 77.00	£ 80.00	£ 90.00
Kidzcare Portobello	Hot lunch and snacks	£ 62.00	£ 70.00	£ 62.00	£ 70.00
Lanark Road	Nappies, wipes, hot lunch and snacks	£ 62.00		£ -	£ -
Leaps & Bounds Nursery - Drum Brae	Nappies, wipes, hot lunch and snacks	£ 62.00		£ 66.00	£ 66.00
Leaps & Bounds Nursery - Kirkliston	Wipes, creams, hot lunch and snacks	£ 60.00		£ 63.00	£ 63.00
Little Flyers - Ingliston	Nappies, wipes, breakfast, hot lunch and snacks	£ 55.00	£ 58.00	£ 62.00	£ 66.00
Little Learners	Nappies, Wipes, Breakfast, Hot Lunch and Snacks	£ 55.00		£ 59.00	£ 59.00
Little Monkeys - Craiglockhart	Nappies, wipes, breakfast, hot lunch and dinner	£ 57.00	£ 59.00	£ 59.00	£ 61.00
Little Monkeys - Cramond	Nappies, wipes, breakfast, hot lunch and tea	£ 59.00	£ 62.00	£ 59.00	£ 62.00
Little Monkeys - Kilmaurs	Nappies, wipes, breakfast, hot lunch and tea	£ 56.00	£ 57.00	£ 58.00	£ 59.00
Meadows Nursery	Nappies, wipes, breakfast, hot lunch, light tea and snacks	£ 50.00	£ 56.00	£ 71.00	£ 74.00
Morningside Children's Nursery	Hot lunch and tea	£ 60.00		£ 65.00	£ 65.00
Murrayfield Nursery	Nappies, wipes, hot lunch and snacks	£ 62.00	£ 65.00	£ 71.00	£ 71.00
Nippers Dalmeny	Breakfast, hot lunch and snacks	£ 50.00		£ 50.00	£ 50.00
Nippers Kirkliston	Breakfast, hot lunch and snacks	£ 50.00		£ 53.00	£ 53.00
ONE	Nappies,, wipes, breakfast, hot lunch and snacks	£ 59.00		£ 67.00	£ 67.00
Orchard - Kirkliston	Nappies, wipes, hot lunch and snacks	£ 58.00		£ 63.00	£ 63.00
Orchard Inverleith	Breakfast, hot lunch and snacks	£ 63.00		£ 68.00	£ 68.00
Peek-a-boo	Hot lunch and snacks	£ 50.00	£ 60.00	£ 60.00	£ 60.00
Pilrig Children's Nursery	Nappies, wipes, breakfast, hot lunch and snacks	£ 68.00		£ 75.00	£ 75.00
Pinocchio's - Gilmerton	Nappies, wipes,, breakfast, hot lunch and snacks	£ 48.00		£ -	
Rainbow Kindergarten	Nappies, breakfast, hot lunch and snacks	£ 46.00		£ 48.00	£ 48.00
Rocking Horse Nursery	Hot lunch and snacks			£ 75.00	£ 75.00
Seabeach	Snacks & hot lunch	£ 68.00		£ -	
Smilechildcare	Breakfast, hot lunch and Tea	£ 45.00		£ 45.00	£ 45.00
Start Bright	Nappies, wwipes, breakfast, hot lunch and snacks	£ 49.00	£ 51.00	£ 55.00	£ 56.00
Summerside Kindergarten	Nappies, wipes, breakfast, hot lunch and tea	£ 66.00		£ 70.00	£ 70.00
Trinity Tots	Nappies, wipes, formula milk, breakfast, hot lunch and snacks	£ 60.00		£ 65.00	£ 65.00
Waterfront	Hot lunch and snacks	£ 47.00	£ 51.00	£ 47.00	£ 51.00
Wee Gems Nursery	Nappies, wipes, breakfast, hot lunch and snacks	£ 63.00	£ 65.00	£ 71.00	£ 72.00
Wee Macks Nursery	Nappie, Wipes, Hot lunch and Snacks			£ 61.00	£ 65.00
	average hourly rate	£60.87	£66.32	£65.70	£67.73