
PROPOSAL TO INCREASE THE HOURLY RATE PAID BY SCOTTISH BORDERS COUNCIL TO FUNDED EARLY LEARNING AND CHILDCARE PROVIDERS

Report by Director – Education and Lifelong Learning

**Executive Committee
16th August 2022**

1 PURPOSE AND SUMMARY

- 1.1 This report proposes an increase in the hourly rate paid by Scottish Borders Council to providers in the voluntary and private sectors for funded Early Learning and Childcare (ELC).**
- 1.2 Approximately one third of children eligible for a funded Early Learning and Childcare place, access their place in the private and voluntary sector in Scottish Borders. 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
- 1.3 If a sustainable rate is not paid, there is a risk of services in the private and voluntary sector closing which would incur capital and revenue costs for the Council, would reduce choice and local provision for parents, particularly in more rural areas and would impact on communities. The closure of some services who also provide childcare paid for by the parents would have a negative impact on the local economy, with parents not being able to access work or college.

2 RECOMMENDATIONS

2.1 I recommend that the Committee:

- (a) Agrees to increase the hourly rate paid to providers in the private and voluntary sectors for the provision of funded ELC to £6.55 for 2 year olds and £6.21 for 3 & 4 year olds (backdated to August 2021);**
- (b) Agrees to an annual increase of the hourly rate for the remainder of the duration of the ELC Contract from 1st August 2023 – 31st July 2026 to provide long term security for the provision of funded ELC in line with increases in the real Living Wage for staff costs and the Fees and Charges increases for non-staff costs.**

3 BACKGROUND

- 3.1 In November 2017, the Executive Committee approved the Council's plan relating to the delivery of the expansion of funded ELC which include agreement to increase the hourly paid to ELC providers in the private and voluntary sectors over a 3 year period. This took the rate for 3 – 5 year olds from £3.65 an hour in 2017 to £5.31 an hour in 2020. For 2 year olds the increase was from £4 an hour in 2017 to £5.65 an hour in 2020, reflecting the higher staff ratio required. This was in line with recommendations from an Ipsos Mori report commissioned by Scottish Government. Ipsos Mori are currently undertaking a further report commissioned by Scottish Government. The initial findings are at odds with the 2017 findings and other recent work looking at sustainable rates to the extent we have to discount the figures in setting our sustainable rate as we feel they are not representative of the sector in Scottish Borders
- 3.2 Scotland Excel was commissioned by Scottish Government to develop a suite of operational guidance, published in 2019, which included establishing and setting sustainable rates for delivery of the funded entitlement. Scottish Borders Council, along with a number of other local authorities in Scotland, commissioned Scotland Excel to work with providers in the private and voluntary sector and produce a report on sustainable rates. The report concluded that the average hourly sustainable rate based on the capacity of providers, in 2020, was calculated at £5.95 an hour for 2 year olds and £5.68 an hour for 3-5 year olds. The average sustainable rate based on confirmed enrolments at that time was £5.32 for 2 year olds and £6.77 for 3-5 year olds. See Appendix 1.
- 3.3 Officers from the Council's Finance Department have carried out further in depth analysis of the operating costs of funded ELC providers in Scottish Borders to better understand what would constitute a sustainable rate. This information is contained in Appendix 2.
- 3.4 Following the Tender process, Scottish Borders Council awarded Contracts to be on the Framework of Providers of funded ELC provision in August 2021. At this time, some providers queried whether or not there would be an increase in the hourly rate with concerns that no increase will impact on their ability to pay staff the Real Living Wage, a requirement of the National Standard.
- 3.5 The new Contract is for 6 years – an initial 4 years with an option to extend for a further 2 years. Giving an affordable annual increase in rates for this period will demonstrate commitment from the Council and will support private and voluntary sector providers to have sustainable long term plans in place.
- 3.6 Approximately one third of children in Scottish Borders access their funded ELC entitlement with providers in the private and voluntary sectors. If these 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.

- 3.7 As a result of continuing concerns by funded providers, Scottish Government are also carrying out work on reviewing the sustainability of the sector and published the Financial Sustainability Health Check of the Childcare Sector in Scotland on 31st August 2021:

[Financial sustainability health check of the childcare sector in Scotland - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/financial-sustainability-health-check-of-the-childcare-sector-in-scotland/pages/11.aspx)

Scottish Government have confirmed that they will not set a national rate and have 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.

4 SUBJECT MATTER

4.1 RATIONALE

- a) Quality of provision is at the heart of Early Learning and Childcare to improve outcomes for children and reduce the attainment gap. Therefore, as well as meeting the requirements of the National Standard to pay staff the real Living Wage, settings in the private and voluntary sector need to be able to recruit and retain staff, support staff training and invest in their services. Commitment to an annual rate increase would provide reassurance to providers, protect jobs and enable providers invest in their services and to put effective business plans into place.
- b) The Scottish Government requires Councils to establish and pay a rate that ensures this sustainability. By not increasing the rate, the Council risks reputational damage, risks losing funded ELC places and the breakdown of the good working and partnership arrangements it has with organisations in the private and voluntary sector - see Risks section below.

5 IMPLICATIONS

5.1 Financial

- (a) The hourly rate paid has increased incrementally by £0.55 a year to achieve the rate of £5.31 an hour in 2020.
- (b) An analysis of the cost of increasing the rate, based on the current numbers of children accessing funded ELC in the private and voluntary sector can be found at Appendix 3.
- (c) The increase is fully funded by Scottish Government through specific grant provided for Early Years 1140 expansion.

5.2 Risk and Mitigations

- (a) 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:

- (i) There will be insufficient places in Scottish Borders 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;
- (ii) There will be a risk to the Scottish Government policy of Funding Follows the Child which is part of the National Standard;
- (iii) 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.
- (iv) 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;
- (v) Potential reduction in the quality of service provided if qualified and experienced staff cannot be recruited.

5.3 Integrated Impact Assessment

An integrated impact assessment has been carried out on this proposal and it is anticipated that there are no adverse equality implications.

5.4 Sustainable Development Goals

The following Sustainable Development Goals are relevant to this proposal:

- a) Goal 4: Quality Education – Providers need to be adequately resourced to employ and retain qualified staff and deliver a high quality service;
- b) Goal 8: Decent Work and Economic Growth –paying a sustainable rate protects jobs and enables staff to be paid the Real Living Wage.

5.5 Climate Change

There is no potential impact as a result of the recommendations in this report

5.6 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

6 CONSULTATION

- 6.1 The Executive Director (Finance & Regulatory), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR & Communications, the Clerk to the Council and Corporate Communications have been consulted and any comments received will be highlighted in the committee meeting.

Approved by

Lesley Munro

Signature

Director – Education and Lifelong Learning

Author(s)

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