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ELECTED MEMBER BRIEFING NOTE

Early Learning and Childcare: Sustainable Rates 2024-25



Elected Members Briefing Series

The Improvement Service (IS) has developed an Elected Members Briefing Series to help elected members keep pace with key issues affecting local government.

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We will use the IS website and elected member e-bulletin to publicise and provide access to the briefing notes. [All briefing notes](#) in the series can be accessed on the IS website.

About this briefing note

The purpose of this briefing is to support elected members' awareness of how the commitment for childcare workers delivering funded early learning and childcare (ELC) in private and third sector services, including childminders to be paid at least £12 per hour from April 2024 will be delivered through the sustainable rates setting process in 2024/2025.



What is the issue and why does it matter?

Local authorities will be provided with £16 million additional funding in 2024-2025 to enable childcare workers delivering funded early learning and childcare in the private and third sector, including childminders, to be paid at least £12 per hour from April 2024. This funding will be made available to providers through a revised consistent and transparent sustainable rate setting process.

The additional funding will be distributed to local authorities using the distribution methodology recommended by the Settlement and Distribution Group and agreed by COSLA Leaders at their meeting on 26 January 2024. This means it will be distributed using the same methodology as the main ELC settlement, and take into account:

- 75% client numbers
- 20% deprivation (including equity and Excellence leads)
- 5% rurality count.

However, it does not account for the different uses of private, third and childminder provision in local authorities, and does not take into account rates set previously.

Following a joint evidence-led review of sustainable rates in 2023 by COSLA and Scottish Government that examined the process of setting rates in 2022-23 to identify where processes could be improved further and how to ensure rates are set in line with the aims of the guidance, a wide range of actions including a commitment to undertake a comprehensive update to the sustainable rate guidance.

The Scottish Government published an update to guidance for setting sustainable rates for the delivery of funded early learning and childcare in 2024-25, on 8 March 2024. This guidance acts as a complement to the Sustainable Rates Guidance published in April 2019 and is designed to support delivery of the commitment for childcare workers delivering funded ELC in the private and third sectors, including childminders to be paid at least £12 per hour.

Delivery of the £12 per hour, and the real Living Wage, pay commitment by providers delivering funded ELC should be monitored.; As part of their role in delivering the Funding Follows the Child approach, local authorities are responsible for assessing and monitoring compliance with the National Standard in all funded providers, including local authority settings, as part of their contract management arrangements and in their role as guarantors of quality.



What does this mean for elected members?

It is the responsibility of the local authority to set a sustainable rate for the delivery of funded hours in their areas; and it is for the private and third sectors, including childminders, to determine whether they wish to enter a contract on this basis.

The rate paid to funded providers should be sustainable and should:

- Support the delivery of a high quality ELC experience for all children
- Reflect the cost of delivery, including the delivery of national policy objectives
- Allow for reinvestment in the setting – staff, resources, and physical environment
- Enable the payment of the real living wage for childcare workers delivering funded ELC

However, from the local authority perspective, the rate must be sustainable for authorities in terms of the budgets available . Local Authorities must therefore consider the following points when setting sustainable rates:

- The rate does not have a detrimental effect on the local authority's ability to continue to pay for the service in the long-term
- The wider package of “in-kind benefits”, which are separate to the sustainable rate, that are available to the funded provider as part of their contract with the local authority
- The rate does not need to be cross-subsidised by parents and carers through charges for non-funded hours.

What does good practice look like in the area?

The uplift has been calculated to reflect the estimated average increase in the staff cost element of the sustainable rate required to meet the increase in the real Living Wage from £10.90 per hour to £12 per hour and represents a 10.1% increase in the staff cost associated with those who received the previous rLW of £10.90.

Childcare workers within settings are likely to be a range of salaries, the fixed uplift approach is therefore based on uplifting the total staff cost element of the average sustainable rate by 10.1%. Applying a fixed uplift approach to the overall staff cost element is expected to allow scope to funded providers to maintain existing pay differentials within settings.

In setting overall sustainable rates for 2024-25, local authorities will reflect the following elements:

- a. A fixed minimum percentage uplift to reflect the estimated staffing costs required to enable delivery of the £12 per hour commitment (this is assumed to account for, on average, 75% of the sustainable rate); and
- b. The remainder of the sustainable rate is set in line with the requirements of the sustainable rates guidance (assumed to account for, on average, 25% of the sustainable rate and reflecting the non-staffing cost element of the requirements of the sustainable rate)

And are therefore also required to apply the following key steps:

- 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 pay commitment in 2024-25. This reflects staffing costs accounting for, on average, 75% of the sustainable rate in 2023-24.
- The minimum 7.6% uplift will also be applied to the sustainable rates paid to all childminders delivering funded ELC.
- Set the remainder of the sustainable rate is set in-line with the requirements of the sustainable rates guidance (assumed, to account for, on average, 25% of the sustainable rate and reflecting the non-staff cost elements of the requirements of the sustainable rate. This includes providing scope for reinvestment).
- Backdate self sustainable rates for 2024-25 are set after April 2024, any payments that reflect the increased real Living Wage sustainable rates for 2024-25 should be backdated to 1 April 2024 (If this is set after April 2024)..

- Confirm the funding to be provided, in addition to the sustainable rate, to support delivery of the free meal commitment.
- BeLocal authorities will be transparent as to each element of the increase, including the uplift for staffing costs, in their sustainable rate(s) for 2024-25.

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Key issues to consider

You may wish to ask questions around:

- Evidence of how the updated guidance has been applied locally
- Funding distribution and how this influenced the recommended rate
- Long- term sustainability of the recommended rate
- Plans to monitor the delivery of £12 per hour commitment



Summary

The payment of sustainable rates to funded providers in the private, third and childminder sectors is vital to supporting financial sustainability, and is a key aspect of funding follows the child.

In 2024-25, the Scottish Government will provide £16 million additional funding to local authorities to enable childcare workers delivering funded ELC in the private, third and childminder sectors to be paid at least £12 per hour from April 2024.

Funded providers will receive funding to enable them to deliver the £12 per hour commitment through a fixed minimum percentage (7.6%) uplift sustainable rate process.

Delivery of the £12 per hour, and the real Living Wage, pay commitment by providers delivering funded ELC should be monitored, and local authorities are responsible for assessing and monitoring compliance with the National Standard and in their role as guarantors of quality.

Further support and contacts

Email: elc@improvementservice.org.uk

[Guidance for setting sustainable rates for the delivery of funded early learning and childcare \(ELC\) in 2024-25](#)

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