

EAST RENFREWSHIRE COUNCILEDUCATION COMMITTEETHURSDAY 6 OCTOBER 2022Report by Director of EducationREVIEW OF SUSTAINABLE RATE FOR EARLY LEARNING AND CHILDCARE FUNDED
PROVISION**PURPOSE OF REPORT**

1. To seek committee approval for:
 - The increase in the sustainable hourly rate paid to funded providers to £5.69;
 - The backdating of the new sustainable rate for all hours provided since the beginning of the 2022/23 session on 15th August 2022.

RECOMMENDATION

2. Education Committee is asked to approve the increase in the sustainable rate paid to all funded providers for the provision of funded early learning and childcare and the backdating of the new rate for all hours provided in session 2022/23.

BACKGROUND

3. In line with the Scottish Government's expansion of early learning and childcare (ELC) provision, all three and four year old children, in addition to eligible two year olds, have a statutory entitlement of 1,140 hours of funded provision per year. This provision has been available to families in East Renfrewshire since August 2020, a year earlier than the revised Scottish Government implementation date of August 2021.

4. The Scottish Government's Funding Follows the Child policy identifies all ELC provision as 'provider neutral', regardless of whether it is a public, private or voluntary organisation. This ensures that families are able to access the provider of their choice, as long as the provider meets the criteria set out in the National Standard, wishes to deliver the funded entitlement and has space available. Within East Renfrewshire, families have a range of choices to best meet their own personal circumstances, across local authority provision in both nursery classes and family centres, in addition to 14 private, voluntary and independent nurseries and 17 childminders. These are known as funded providers. Where a family wishes to access their child's entitlement in a funded provider, the Council pays an hourly rate to the provider directly. This is known as the sustainable rate.

5. In 2017, the Council outlined its proposed rate, 3 years prior to the expansion of the statutory entitlement to 1,140 hours per year, setting out the intention to increase the rate from £3.50 to £5.31 from August 2020. In 2019, prior to the increase in the hourly rate, the Council, alongside our partner authorities across the West Partnership, commissioned an independent review of delivery costs, undertaken by Ipsos-Mori. The rate of this initial study was £4.12, considerably lower than the rate proposed at that time. However, given the desire to set a sustainable rate for our funded providers, the Education Department, in line with most West Partnership authorities, proceeded with the initially proposed rate.

6. For the current session, around 25% of children accessing their funded entitlement will do so within a funded provider. For such children, the Council pays an hourly rate to each provider of £5.31 for the provision. In addition, a payment of £0.50 per hour is made for food provision, in addition to a £0.58 payment per session as part of the Scottish Milk and Healthy Snack Scheme.

REPORT

7. When setting the existing rate, the Council agreed to review the rate for 2022/23, ensuring it remained sustainable for both providers and the authority, in line with the Scottish Government's national approach. Given the ongoing disruption of the pandemic over the last two years and the change to committees resulting from the local elections, there has been a delay to the implementation of the new rate for this session. The department has continued to communicate with funded providers to advise of the delay.

8. The Scottish Government commissioned Ipsos-Mori to undertake a further cost collection exercise amongst providers across Scotland for all 0-5 provision. The results of the exercise were shared with local authorities in May 2022. Unfortunately, only three funded providers within East Renfrewshire shared information with Ipsos-Mori and, therefore, localised data was not made available. Data from across the entire West Partnership has been shared with the eight partner authorities and this has informed the review of the sustainable rate.

9. In setting the rate, the Council has sought to establish a process which is data informed, consistent and fair. To support this process, we have collaborated with colleagues across the West Partnership to streamline our approach. This aims to ensure that those providers working across a number of authorities do not have to engage with significantly different methodologies in understanding how each local rate has been reached. However, whilst we have looked to take a consistent approach, each authority has its own geography, demographics and wider support package which will result in different rates being paid.

10. A number of key factors have been built in to the review of the sustainable rate:

- Supporting providers to pay the Scottish Living Wage
- Reflecting the cost pressures facing providers
- Consideration of the seasonality of provision
- Providing an appropriate margin to provide support for reinvestment

11. In considering any new rate, it is essential that the department remains mindful of the financial pressures facing the Council and ensures it remains affordable beyond the current financial year. In addition, there remains uncertainty about the funding available to the Council beyond the current year for the provision of ELC. The department continues to raise this nationally with the Scottish Government.

12. Following the conclusion of the review, it is proposed that the sustainable rate for all hours provided henceforth be set at £5.69 per hour. This single rate will be paid for all eligible children aged 2-5 accessing their entitlement in a funded provider. It is proposed that this rate be backdated for the entirety of the current session, with all hours provided since 15th August 2022 updated. Providers will continue to receive a £0.50 per hour sum for food provision and £0.58 per session as part of the Scottish Milk and Health Snack Scheme.

13. Given the consolidation of a single unified rate for all funded provision, any funded provider currently delivering the entitlement to an eligible two year old will continue to be paid at the existing rate. This will be in place only until such time as those two year old children turn three. This is only for the short transition period and will not apply for any two year old children starting nursery from October 2022 onwards.

14. In addition to the sustainable rate, funded providers within East Renfrewshire continue to have access to a wide range of additional high quality supports, including free at the point of access professional learning, access to a teacher, support from the department's Educational Psychology Service and Development Officer and financial support towards external training costs. We will continue to work with providers to ensure that they continue to have access to this support.

15. In supporting the continued review of the sustainable rate, it has been confirmed in the Financial Sustainability Health Check that the Scottish Government are committed to updating the data collection exercise annually. This will see updated information published by the end of August each year to support future reviews. In this context, the proposed rate is for one year only and any future rates will be subject to review.

FINANCE & EFFICIENCY

16. The proposal to increase the sustainable rate will result in additional costs being incurred for the provision of ELC for children accessing their entitlement within a funded provider.

17. At present, a total of 587 children are set to access all or part of their statutory entitlement in a funded provider during the 2022/23 session. Across the 2022/23 financial year, this will have a total estimated additional cost of £120k which has been factored into projected costs for this financial year. It should be noted that, in line with the Funding Follows the Child policy, this number and therefore the costs of provision will change on an ongoing basis.

18. The ongoing financial impact of any increases to the rate paid to funded providers will be taken into account as part of the annual budget setting process for the department.

CONSULTATION

19. The review of the sustainable rate has been primarily informed by the Ipos-Mori cost collection exercise which all funded providers across Scotland were invited to participate in. Unfortunately, a significant majority of providers did not participate, resulting in East Renfrewshire specific data not being made available. Data from across the West Partnership has been used to support the development of the revised rate.

PARTNERSHIP WORKING

20. The Education Department values the strong partnership approach in ensuring the delivery of the statutory entitlement to all eligible children on a 'provider neutral' basis. The department has engaged with funded providers in advance of the committee to explain the review process and the new proposed rate.

IMPLICATIONS OF REPORT

21. At this stage, there are no direct implications in terms of staffing, legal, equalities, sustainability or climate change for the Education Department or the wider Council.

CONCLUSION

22. This report outlines the review undertaken to determine the revised sustainable rate to be paid to funded providers for the delivery of the statutory entitlement for all eligible two, three and four year old children. Following on from the review, the report sets out the proposed new rate, seeking approval for the application of the rate and backdating for the entirety of the 2022/23 session.

RECOMMENDATION

23. Education Committee is asked to approve the increase in the sustainable rate paid to all funded providers for the provision of funded early learning and childcare and the backdating of the new rate for all hours provided in session 2022/23.

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