

ANGUS COUNCIL

CHILDREN AND LEARNING COMMITTEE – 14 JUNE 2022

**OPEN FRAMEWORK (AUGUST 2020 – JULY 2025) FOR FUNDED EARLY LEARNING AND
CHILDCARE - SUSTAINABLE HOURLY RATES**

REPORT BY KELLY MCINTOSH, DIRECTOR OF EDUCATION AND LIFELONG LEARNING

ABSTRACT

This report outlines the external factors influencing the sustainability of the hourly rates we pay contracted providers on our Open Framework for Funded Early Learning and Childcare (ELC). It describes the financial environment in which they currently operate; and seeks delegation of authority to the Director of Education and Lifelong Learning to approve future rate increases shown to be necessary in order that our rates remain sustainable.

1. RECOMMENDATIONS

It is recommended that the Committee:

- (i) Notes the external factors influencing the sustainability of the hourly rates paid to contracted providers of funded ELC in Angus, including rising costs and wages.
- (ii) Approves the proposal by officers to bring forward and carry out now an in-depth review of sustainable hourly rates, (which was planned August 2023), in response to the National Costs Collection exercise commissioned by Scottish Government in 2022, setting new increased rates back-dated to 30 April 2022 for the reasons outlined in section 4 of this report.
- (iii) Notes that the 'Covid Costs Recovery' process is to end on 30 April 2022, which is the last day of the latest claim period.
- (iv) Approves the proposal to bring forward subsequent annual rate increases to April each year, applying the CPIH (12 months) rate for February and incorporating the latest real Living Wage rate (November) within six months of its announcement.
- (v) Delegates authority to the Director of Education and Lifelong Learning to approve all future rate increases, within the lifetime of the Framework, provided that these are within budget when the evidence shows it is necessary in order that the Council paid rates remain sustainable. Such delegation will only be exercised following consultation with the Convenor of Children and Learning and the Director of Finance.
- (vi) To note that a follow up report will be brought to a future Children and Learning Committee outlining the details in terms of any such delegation exercised under recommendation (v) above.

2. ALIGNMENT TO LOCAL OUTCOMES IMPROVEMENT PLAN AND COUNCIL PLAN

The report contributes to the following outcomes:

The **Angus Community Plan 2017-30**:

- The best start in life for children
- Improved physical, mental and emotional health and wellbeing
- More opportunities for people to achieve success

The **Council Plan 2019-2024**:

- We want to maximise inclusion and reduce inequalities

The **Tayside Plan** for Children, Young People and Families 2021-23

- Our children having the best start in life in a nurturing environment
- Our children and young people being meaningfully engaged with high quality learning experiences to extend their potential
- Our children growing up healthy, confident and resilient with improving physical and mental health and strengthened emotional wellbeing

3. BACKGROUND

3.1 Reference is made to Committee Report [354/19](#), approved by the Children and Learning Committee on 5 November 2019. The report outlined the procurement strategy for funded ELC in non-local authority settings in Angus, including the sustainable hourly rates we planned to pay to contracted providers from August 2020.

3.2 [Appendix 1](#) to the report sets out planned rates for August 2020, 2021 and 2022 and it was agreed that these rates would be adjusted annually in August to reflect the actual Consumer Price Index (Housing) (12 months) rate for May and the latest real Living Wage (November). Hourly rates would be subject to more in-depth review for August 2023 and August 2024.

3.3 Reference is made to Committee Report [280/20](#), approved by the Children and Learning Committee on 17 November 2020, which detailed the increased costs of delivering funded ELC in the context of COVID-19 and sought approval to implement a process for increased financial support to contracted providers, later referred to as the 'Covid Costs Recovery' process.

3.4 Reference is made to Committee Report [239/21](#), approved by the Children and Learning Committee on 12 August 2021, which provided an update on the increased costs of delivering funded ELC in the context of COVID-19 and sought approval to continue the 'Covid Costs Recovery' process from 1 August 2021 until restrictions ended.

3.5 Reference is made to [Funding Follows the Child and the National Standard for EC Providers: Interim Guidance – update March 2021](#). and the duty it places on local authorities to ensure the hourly rates we pay are sustainable and meet the following criteria:

- Supports delivery of a high quality ELC experience for all children;
- Reflects the cost of delivery, including the delivery of national policy objectives;
- Allows for investment in the setting – staff, resources and physical environment; and
- Enables payment of the real Living Wage for those delivering the funded entitlement.

4. CURRENT POSITION

4.1 Including 10 pence for snack, the approved hourly rates for funded ELC are in the tables below.

<u>P&V Settings</u>	August 20 (actual)	August 21 (current)	August 22 (planned)
Eligible 2s	£6.60	£6.78	£6.96
3-5s	£5.17	£5.31	£5.45

<u>Childminders</u>	August 20 (actual)	August 21 (current)	August 22 (planned)
Eligible 2s	£5.51	£5.65	£5.78
3-5s	£5.01	£5.15	£5.28

4.2 To coincide with the scaling-down of the 'Covid Costs Recovery' process in August 2021, it was agreed that 4p and 3p would be added to the hourly rates for two-year-olds and three to five-year-olds respectively. This was to cover additional PPE and cleaning materials costs which were no longer claimable via 'Covid Costs Recovery' and acknowledged that enhanced cleaning was likely to continue.

4.3 The current volatility of the financial environment in which contracted providers are operating is impacting on the sustainability of our hourly rates. Contributing to the pressure is the sharp rise

in inflation since August 2021. Current hourly rates incorporate CPIH (12 months) (May 2021) at 2.1%. The rate for March 2022 is 6.2%.

- 4.4 Increasing wages is also a factor. Current hourly rates incorporate an element that will allow contracted providers to pay ELC staff at least the real Living Wage announced in November 2020 (£9.50). The latest announcement saw it rise by 4.2% in November 2021 (£9.90). According to the Living Wage Foundation, employers should be implementing this rise as soon as possible, and within six months of it being announced. If we do not incorporate the rise into our hourly rates until August, contracted providers will not be able to meet this recommendation, or they will resolve to cover the additional salary costs themselves.
- 4.5 In recognition of the current financial pressure on providers and to support local authorities with their sustainable rate setting processes, Scottish Government and COSLA have commissioned Ipsos MORI to conduct a National Costs Collection exercise in 2022. This is a repeat of the original exercise in 2016 on which our current hourly rates are based. This data will allow us to bring forward the planned in-depth review of our hourly rates by 12 months to inform the rate setting process for August 2022.
- 4.6 The Ipsos MORI data reflects the full cost of delivery of funded ELC during the pandemic, including the costs which we reimburse to some providers via the 'Covid Costs Recovery' process. On that basis it is proposed that the increase for August 2022 is backdated to April 2022 and the 'Covid Costs Recovery' process is brought to an end.
- 4.7 Furthermore it is proposed that future annual rate increases are brought forward to the first day of the April payment period each year, instead of 1 August, applying the CPIH (12 months) rate for February and incorporating the latest real Living Wage within six months of its announcement.

5. PROPOSALS

- 5.1 To note the external factors influencing the sustainability of the hourly rates paid to contracted providers of funded ELC in Angus, including rising costs and wages.
- 5.2 To approve the bringing forward by officers of an in-depth review of sustainable hourly rates by 12 months in response to the National Costs Collection exercise in 2022, setting new rates for August 2022.
- 5.3 To approve back payment of any resulting rate increase to April 2022. This will allow the 'Covid Costs Recovery' process to end on 30 April 2022, which is the last day of the latest claim period.
- 5.4 To approve bringing forward subsequent annual rate increases to April, using CPIH (12 months) rate for March and the latest real Living Wage rate within six months of its announcement.
- 5.5 To delegate authority to the Director of Education and Lifelong Learning to approve all future rate increases, within the lifetime of the Framework, provided that these are within budget when the evidence shows it is necessary in order that the Council paid rates remain sustainable. Such delegation will only be exercised following consultation with the Convenor of Children and Learning and the Director of Finance.

6. FINANCIAL IMPLICATIONS

- 6.1 The data from the National Costs Collection exercise were released to Local Authorities on 16 May 2022. There is insufficient time to analyse the data and consult with our contracted providers prior to this report being considered by Committee. Proposal 5.5 above, if approved, will give authority to the Director of Education and Lifelong Learning to approve the final rates.
- 6.2 As a guide – applying the real Living Wage (£9.90) rate for November 2021 and the CPIH (12 months) (6.2%) rate for March 2022 would increase our current hourly rates by approximately 4.6% for private and voluntary sector settings and by 5.8% for childminders. Bringing forward the increase from August 2022 to April 2022 would increase the value of our Framework by an estimated £83k in contract year two (ending 31 July 2022).and by about £500k over contract years three to five. The total estimated increase of £583k is less than 2% of the lifetime value of the Framework.

6.3 The estimates in 6.2 are based on the maximum 857 children taking up the full 1,140 funded hours per year. Based on actual uptake, the increase in the lifetime value of the Framework is likely to be less. As at April 2021, 746 children were accessing their funded ELC in contracted provider settings and about 58% were on track to access the full 1,140 hours. In April 2022, the figures rose to 803 children and 61% respectively. There is sufficient scope within the existing Early Years budget to meet the proposals at 5.1 to 5.5 above.

7. EQUALITY IMPACT ASSESSMENT

An Equality Impact Assessment is at Appendix 1 to 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.

8. CONSULTATION

The Director of Finance and the Director of Legal and Democratic Services have been consulted in the preparation of this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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