



Glasgow City Council

Education, Skills and Early Years City Policy Committee

Report by Executive Director of Education Services

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PARTNER COMMISSIONING ARRANGEMENTS FROM APRIL 2025

Purpose of Report:

To update Committee on the proposed rate for funded providers within Early Learning and Childcare from April 2025.

Recommendations:

Education Skills and Early Years Committee is asked to note the following:

- i. An increase to the commissioning rate of £0.24 to £6.70 per child per hour from April 2025 for 3 – 5 year olds.
- ii. An increase to the commissioning rate of £0.29 to £7.94 per child per hour from April 2025 for 2 - 3 year olds.
- iii. Refer to the City Administration Committee for approval of the sustainable rates.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

1 INTRODUCTION

- 1.1 The Scottish Government's Funding Follows the Child Guidance and National Standard sets out the principles and practice for funded early years providers seeking to enter or maintain partnership status with a local authority. Importantly, the National Standard sets out the need for a locally determined, sustainable commissioning rate.
- 1.2 The guidance for setting sustainable rates for the delivery of funded early learning and childcare in 2025-26, issued in February 2025 outlines the criteria which councils should follow in setting a sustainable rate.

Mainly:

The rate will enable payment of the real living wage for those childcare workers delivering the funded entitlement and will allow for investment in the setting – staff, resources, and physical environment.

A minimum 3.75% uplift will be applied to all 2024-25 rates to reflect the estimated increase in the average staff cost element of the sustainable rate required to meet the new real Living Wage uplift from April 2025. This reflects staffing costs accounting for, on average, 75% of the sustainable rate.

The minimum 3.75% uplift will also be applied to sustainable rates paid to all childminders delivering funded ELC.

The remainder of the sustainable rate, covering non-staffing costs is set in line with the requirements of the wider sustainable rates guidance.

Where sustainable rates for 2025-26 are confirmed after April 2025 any payments to funded providers to support delivery of the real Living Wage uplift will be backdated to 1 April 2025.

In 2024 council agreed the rate of £6.46 per hour for three to five year olds, and £7.65 for eligible two year olds payable from April 2024.

- 1.3 The national guidance also highlights that from a local authority perspective the rate must be sustainable for authorities in terms of the budgets available, and that the following points are also important to consider when setting a sustainable rate:
 - 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, 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

1.4 Supporting SMEs and the Voluntary Sector

There are 121 funded nursery providers and 33 registered childminders operating statutory ELC services across the city, delivering an important service to families and making a valuable contribution to the city's economy, supporting approximately 2,000 jobs across the sector. Funded providers currently deliver statutory early learning & childcare hours to 5,456 children across Glasgow (figure as at 1 April 2025), with many delivering significantly more through hours purchased by the families.

1.5 Provider Risk Mitigation

Through payment of a sustainable rate, the Council will seek to mitigate potential risk to funded providers, encompassing both operational and financial risks.

1.6 Maintaining High Quality Provision

Children across Glasgow should be able to access the same quality of provision regardless of provider. Payment of a sustainable rate will ensure funded providers can continue to support the delivery of quality services which meet the minimum expectations of the National Standard.

2 COMMISSIONING RATE

2.1 The Council continues to attend Scottish Government groups in seeking to determine a sustainable commissioning rate which will work for both funded providers and deliver best value to the Council.

The Scottish Government and COSLA are progressing a series of reforms over 2025/2027 to the sustainable rates setting process as proposed in their jointly published Sustainable Rates Review. (December 2023 - <https://www.gov.scot/publications/elc-review-sustainable-rates/>)

Glasgow City Council is already meeting the key recommendations set out to date in the interim Sustainable Rates Guidance for 2025-26, published February 2025. These are to pay the same rates to childminders as other Funded Providers, to pay a higher rate for eligible 2 year olds in recognition of the higher ratio and to pay for meals as a separate payment to the hourly rate to provide clarity for Funded Providers.

2.2 Education Services is proposing a commissioning rate of £6.70 per hour for each funded child aged 3-5 years and £7.94 for each funded child aged 2-3 years. It is proposed that this rate will be payable from April of financial year 2025/26 for a period of one year. The increase represents an uplift of 3.75% on the unit cost.

2.3 It is believed that this rate allows providers to pay the Scottish Living Wage of £12.60 per hour. It has been difficult to address all inflationary pressures which both Local Authorities and funded providers will experience.

- 2.4 These figures represent an uplift of £0.24 per hour per funded 3-5 year old child on the current £6.46 hourly rate and £0.29 per hour for funded 2 year olds on the current £7.65 hourly rate which has been in place since April 2024. This represents an increase of 3.75% on the unit cost.
- 2.5 The uplift cost of the increase in the commissioning rate for 2025/26 will be met from the Early Learning and Childcare Revenue Budget.
- 2.6 The Scottish Government and COSLA have acknowledged that the interim rate setting guidance was published whilst local authorities and providers continue to face cost and workforce pressures. These include the challenge of managing the additional costs associated with the changes in Employer National Insurance Contributions, announced by the UK Government, which will take effect from April 2025. The funding provided to local authorities to support the increase in the real Living Wage to £12.60 per hour, does not include the additional pressure of the increased national insurance contribution.

Provision of funding to cover the full costs of delivering commissioned services is an issue the Scottish Government and COSLA continue to raise with the UK government. These discussions are still underway.

FOOD PROVISION

- 2.7 In addition to the rate per hour all funded children are also entitled to a free meal each day the child attends as part of their statutory entitlement. This is payable daily over and above the hourly rate per child.

Presently the food rate is £3 per child per day. The revised guidance for 2025 states that good practice is that this is paid separately to the hourly rate. Glasgow have always paid the food rate separately and will continue to do so.

- 2.8 An amount of £0.582 is also available daily as part of the Scottish Government funded Scottish Milk and Healthy Snack Scheme (SMHSS) for each funded provider per child for the number of days attended. This rate is set nationally by Scottish Government. As with the £3 per meal food rate, the additional £0.582 for snack is payable daily over and above the core hourly rate per child.
- 2.9 There is no proposal to change either the meal rate (£3.00) or the Scottish Government funded snack rate (58.2p)
- 2.10 The financial impact of the cost uplift for 2025/26 is in the region of £1.221m based on our current estimate of Early Years children. The Council received £1.151m to support this with the additional costs being met from core early years budgets.

3 FUNDED PROVIDER SUPPORT PACKAGE

- 3.1 Along with the hourly per child sustainable rate, the Council provides a range of additional benefits to funded providers to support them in delivering quality services to Glasgow families and in sustaining their business in exceptional circumstances. During 2024/25 the total cost of providing these additional supports amounted to £1.02m.
- 3.2 The most significant elements of this fully funded package include free access to continued professional learning ; funding of certificated qualifications for staff ; targeted support when services fall below national standards at inspection ; peripatetic learning & teaching support for all services and Educational Psychology support relating to children with additional needs.
- 3.3 Beyond support for the quality of childrens' experiences, the Council's ELC service offers a Sustainability Framework to providers who find themselves in short-term difficulties which threaten the viability of their businesses. This has been accessed by 3 Funded Providers to date all of whom continue to operate successfully in the city having worked through the short-term issues.

Additionally, through the Flexible Rental scheme developed as part of the 1140 hours ELC Expansion Programme, the Council makes a range of refurbished and purpose designed new build premises available to Funded Provider businesses to operate their services from at below market rents. This represents a significant capital investment into the Funded Provider sector.

4 POLICY AND RESOURCE IMPLICATIONS

Resource Implications:

<i>Financial:</i>	Financial implications of the increase in the partner commissioning rate will be met from within the existing Early Learning and Childcare revenue budgets.
<i>Legal:</i>	Funded Provider contracts will require to be updated to reflect the new rate.
<i>Personnel:</i>	N/A
<i>Procurement:</i>	N/A

Equality and Socio-Economic Impacts:

<i>Does the proposal support the Council's Equality Outcomes</i>	N/A
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2021-25? Please specify.

What are the potential equality impacts as a result of this report?

No significant impact

Please highlight if the policy/proposal will help address socio-economic disadvantage.

The increased payment rates will enable Funded Providers to continue to pay their workforce at Scottish Living Wage as required by the National Standard for the provision of statutory early learning & childcare.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

N/A

What are the potential climate impacts as a result of this proposal?

N/A

Will the proposal contribute to Glasgow's net zero carbon target?

N/A

Privacy and Data Protection Impacts:

5 RECOMMENDATIONS

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