Item 4

17th August 2023

Glasgow City Council

City Administration Committee

Report by Executive Director of Education

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PARTNER COMMISSIONING ARRANGEMENTS

Purpose of Report:

To update Committee on the proposed rate for funded providers within Early Learning and Childcare from August 2023.

Recommendations:

Committee is asked to consider that rate and to refer the rate to the City Administration Committee for approval, following consultation with stakeholders.

i. An increase to the commissioning rate to £6.00 per child per hour from August 2023 for 3 year olds.

ii. An increase to the commissioning rate to £7.11 per child per hour from August 2023 for eligible 2 year olds.

Ward No(s): Citywide: ✓

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

***PLEASE NOTE THE FOLLOWING**:*

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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.

I.2 In November 2022 council agreed the rate of £5.79 per hour for three year olds, and £6.86 for eligible two year olds payable from August 2023. Payments for daily food provision are over and above these hourly rates.

1.3 Both the National Standard and the Council's own arrangements encompass all types of funded provision, ranging from private and voluntary sector providers and independent schools, to childminding services. The current national guidance (published 26th May 2022) asks that local authorities do two key things – firstly pay a rate high enough to enable providers to pay Living Wage ; and secondly, provide an element of re-investment in the service to support quality, or in other words to provide a margin for the business owner. The ELC funding allocation letter (21st July 2023) from Scottish Government, also included guidance that the rates should reflect the costs of delivery, including inflationary increases, provide scope for re-investment (reflecting a measure of profit in a private sector setting or surplus in a third sector organisation).

1.4 The Funding Follows the Child & National Standard Operating Guidance is currently being revised for 2023 by Scottish Government but has not yet been published. It is not anticipated that core principles within the guidance will change. Additionally, the Scottish Government and COSLA are conducting a joint review of sustainable rate setting processes nationally to include further guidance but this will not be published until later in 2023 and will impact rate setting processes for 2024.

1.5 The national guidance also highlights that from a local authority perspective the rate must be affordable 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 (eg. quality support ; access to training etc).
- The rate does not need to be cross-subsidised by parents and carers through charges for non-funded hours.

1.6 As part of a robust internal planning process, the Council has been seeking to determine a sustainable commissioning rate which, whilst providing best value for the Council, also supports Funded Providers to deliver statutory Early Learning & Childcare places to Glasgow families in line with the expectations of the National Standard operating guidance. This paper sets out the draft outcome of that internal process and will be used as the basis to gather views from Glasgow's Funded Providers prior to final decision being reached on 2023/24 rates at a future meeting of the City Administration Committee.

1.7 The Council recognises the importance of setting a sustainable rate for providers, being in the interest of the Council itself, providers across the city and families requiring continued access to the ELC service they choose.

1.8 Supporting SMEs and the Voluntary Sector

There are 127 funded nursery providers (102 Private Sector and 25 Third Sector) and 55 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 5199 (July 2023) children across Glasgow, with many delivering significantly more through additional hours purchased by the family.

1.9 Provider Risk Mitigation

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

1.10 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 engage with Scottish Government and the Improvement Service in seeking to determine robust methodology to support the establishment of a commissioning rate which will work for both Funded Providers and deliver best value to the Council.

2.2 Education Services is proposing a commissioning rate of £6.00 per hour for each funded child aged 3-5 years and £7.11 for each funded child aged 2-3 years. It is proposed that this rate will be payable from August of financial year 2023/24 for a period of one year.

It is not proposed to put in place a multi year agreement at present given the economic uncertainties faced nationally and locally. The rate will be subject to future years' review. It is believed that this rate allows providers to pay the Scottish Living Wage. It has been difficult to address all inflationary pressures which both Local Authorities and funded providers will experience. The Council has seen a decrease in the funding of the 1140 specific grant for 23/24.

2.3 These figures represent an uplift of £0.21 per hour per funded 3-5 year old child on the current £5.79 hourly rate and £0.25 per hour for funded 2 year olds on the current £6.86 hourly rate which has been in place since August 2022.

2.4 The uplift cost of the increase in the commissioning rate for 2023/24 will be met from the Early Learning and Childcare Revenue Budget.

2.5 Views on these proposals will be sought from the Funded Provider sector, including Registered Childminders, prior to final decision being reached by the City Administration Committee.

FOOD PROVISION

2.6 In addition to the rate per hour, all funded children are also entitled to one 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. The current daily rate for provision of that meal is £3 per child per day to a maximum of 5 meals per week.

2.7 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. As with the £3 per meal food rate, the additional £0.584 for snack is payable daily over and above the core hourly rate per child.

2.8 There is no proposal to change either the meal rate (£3.00) or the Scottish Government funded snack rate (58.2p) for 2023/24.

2.9 The financial impact of the cost uplift for 2023/24 is in the region of £648,000.

3 POLICY AND RESOURCE IMPLICATIONS

Resource Implications:

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

Equality and Socio-Economic Impacts:

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

4 RECOMMENDATIONS

4.1 Committee is asked to consider that rate and to refer the rate to the City Administration Committee for approval, following consultation with stakeholders.

i. An increase to the commissioning rate to £6.00 per child per hour from August 2023 for 3 year olds.

ii. An increase to the commissioning rate to £7.11 per child per hour from August 2023 for eligible 2 year olds.