

REPORT TO: Education & Children's Services Committee

MEETING DATE: 10 June 2025

BY: Executive Director - Education and Children's Services

SUBJECT: Sustainable Hourly Rate for Funded Providers delivering Early Learning and Childcare in East Lothian for 2025/26

1 PURPOSE

- 1.1 To note the sustainable hourly rate paid by East Lothian Council to Early Learning and Childcare (EL&CC) funded providers in the private and third sector, to deliver funded early learning and childcare for 2025/26.
- 1.2 To agree to delegate authority to the Head of Education to review and approve future sustainable hourly rate changes.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
 - i. Note the increase in the sustainable hourly rate paid by East Lothian Council to Early Learning and Childcare (EL&CC) funded providers in the private and third sector, to deliver funded early learning and childcare, from 1 April 2025 as per section 2.5 of this report.
 - ii. Note a further local review of the sustainable rate paid by East Lothian Council to Early Learning and Childcare (EL&CC) funded providers in the private and third sector, to deliver funded early learning and childcare, by August 2025 as per section 3.6 of this report.
 - iii. Agree to delegate authority to the Head of Education to review and approve future hourly rate changes (increase or decrease) up to a value of 10% in consultation with the Convener of Education and Children's Services Committee and the Head of Finance and in line with Scottish Government and COSLA guidance. The Members Library will be updated accordingly going forward.
 - iv. Note the funding commitment from Scottish Government to allow local authorities to uplift their 2024/25 rates by a minimum of 3.75% to support the financial sustainability of Early Learning and Childcare and fulfil the shared commitment to delivering Fair Work policies.

- v. East Lothian Council increased the hourly rate by 3.75% as follows from 1 April 2025.

| | Hourly Rate 2024/25 (excluding meal allowance of 35p per hour) | Hourly Rate from 1 April 2025 (excluding meal allowance of 35p per hour) |
|----------------------|---|---|
| Eligible 2-year-olds | £8.12 per hour | £8.42 per hour |
| 3–5-year-olds | £6.65 per hour | £6.90 per hour |

3 BACKGROUND

- 3.1 Under section 47(1) of the Children and Young People (Scotland) Act 2014, education authorities must ensure that the statutory amount of funded Early Learning and Childcare entitlement is made available for each eligible child.
- 3.2 The Scottish Government Funding Follows the Child model enables a provider neutral approach, where parents and carers can access funded Early Learning and Childcare within private nurseries, childminders and third sector groups who meet the National Standards and work in partnership with the local authority.
- 3.3 East Lothian currently has a variety of funded Early Learning and Childcare providers.
- 11 Private Nurseries
 - 29 Childminders
 - 2 Third Sector Providers
- 3.4 The Scottish Government provided local authorities with an additional £9.7 million in 2025-26 to fund the estimated additional costs associated with enabling funded ELC workers in private and third sector services to be paid the new real Living Wage rate of £12.60 per hour from April 2025.
- 3.5 The [Scottish Government and COSLA Guidance](#) sets out the approach for local authorities to set 2025-26 sustainable rates for the delivery of Early Learning and Childcare:
- 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 the sustainable rates paid to all childminders delivering funded ELC.

- The remainder of the sustainable rate, covering non-staffing costs (estimated to account for, on average, 25% of the sustainable rate), is set in-line with the requirements of this guidance.

3.6 East Lothian Council is proposing that the remainder of the sustainable rate (25%) is reviewed in line the [Scottish Government and COSLA Guidance](#) using a cost data collection exercise, developed with Finance, gathering information from our current funded providers.

The proposed local hourly rate review will also take account of the following:

- The current rates charged by private nursery providers in the local area.
- Benchmarking against neighbouring authorities.

The hourly rate must be affordable and sustainable to the Council in terms of the budget available whilst enabling funded providers to be sustainable, pay employees the real living wage, reinvest in their service and provide high quality EL&CC in line with the National Standards and East Lothian Council’s contractual conditions.

4 POLICY IMPLICATIONS

4.1 There are no policy implications to this report.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial – The 3.75% increase will be met from Scottish Government funding of £213,000. There is no additional funding available for the non-staffing element (25% of the rate). Any increase in costs will need to be met from the Early Years budget for 2025/2026.

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None.

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