

Members' Library Service Request Form

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Originator	Kelly Weir
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Document Title	Sustainable Hourly Rate for Funded Providers delivering Early Learning and Childcare in East Lothian August 2025

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Additional information:

Authorised By	Nicola McDowell
Designation	Head of Education
Date	09/09/2025

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COMMITTEE:	Members' Library Service
MEETING DATE:	September 2025
BY:	Head of Education
REPORT TITLE:	Sustainable Hourly Rate for Funded Providers Delivering Early Learning and Childcare in East Lothian – August 2025
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To note the sustainable hourly rate to be 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 August 2025.

2 RECOMMENDATIONS

Members are asked:

- 2.1 To note an increase to the sustainable hourly rate for 3 – 5-year-olds to £7.35 per hour from August 2025.
- 2.2 To note the sustainable hourly rate for eligible 2-year-olds will remain at £8.77 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 payment of sustainable rates to funded providers in the private, third and childminding sectors is vital to supporting financial sustainability and is a key aspect of Funding Follows the Child.

3.3 East Lothian currently has a variety of funded early learning and childcare providers.

- 14 private and third sector settings
- 34 council settings
- 25 childminders

3.4 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 EL&CC.
- The remainder of the sustainable rate, covering non-staffing costs estimated to account for, on average, 25% of the sustainable rate, and reflecting the non-staffing cost elements of the rate, including providing scope for reinvestment will be reviewed by the local authority.

3.5 The Scottish Government provided local authorities with additional funding to enable EL&CC workers in the private and third sector to be paid at least £12.60 per hour from April 2025. East Lothian Council's Education Committee agreed to increase the hourly rate as follows from 1 April 2025.

	Hourly Rate 2024/25 (including meal allowance of 35p per hour)	Hourly Rate from 1 April 2025 (including meal allowance of 35p per hour)
Eligible 2-year-olds	£8.47 per hour	£8.77 per hour
3 – 5-year-olds	£7.00 per hour	£7.25 per hour

3.6 £7.25 hourly rate for 3–5-year-olds: £5.44 (75%) is for staffing and £1.81 (25%) is for non-staffing costs.

3.7 The non-staffing costs (25%) were reviewed in line with the requirements of [Scottish Government and COSLA Guidance](#). A key principle of the sustainable rate setting process is that it should be evidence-based, taking account of the cost of providing Early Learning and Childcare in a local area based on parameters which are clear and transparent, with

the proposed hourly rate to be paid to funded providers calculated taking account of the following.

- The current rates charged to families by private nursery funded providers in the local area. The guidance states *“It is assumed that providers set their prices with reference to their underlying costs of delivery plus an adjustment for profit / surplus. Changes in prices could give an indication of movements in cost pressures for providers; and could provide a local benchmark to inform sustainable rates.”*
- A cost data collection exercise, gathering information from our current funded providers.
- Benchmarking against neighbouring councils

3.8 The findings were as follows:

Charges by private funded provider nurseries

	Hourly rate	
	Eligible 2 Year Olds	3-5 Year Olds
Almond Park	£7.81	£7.70
Argyle Bridge Children's Nursery - BS (x2)	£7.43	£8.50
Camperdown Children's Nursery	£6.90	£6.50
Cherrytrees Children's Nursery	£7.53	£7.53
First Step Community Project	£6.41	£6.40
Gullane Community Hub	£7.65	£7.65
Links Nursery	£8.61	£7.87
Musselburgh Kindergarten (Loretto)	£8.20	£8.20
Musselburgh Private Nursery (x2)	£7.20	£7.00
Pumpkin Patch North Berwick	£7.43	£7.43
Seahorse Nursery	£8.80	£8.80
Average rate	£7.63	£7.60

Funded Provider Data Collection Exercise

3.9 Eleven private nurseries and third sector services completed the data collection exercise for the non-staffing element. The non-staffing element cost of delivery for these settings averaged at £1.79 per hour.

The hourly rate agreed by neighbouring Councils.

	Eligible 2 years	3-5 year olds	Meal Payment
Edinburgh City	£7.27	£6.77	£3.65 per meal
Fife	£8.29	£7.54	£0.42 per hour
Midlothian	£7.71	£7.17	TBC
Scottish Borders	£8.09	£7.69	£2.90 per meal

- 3.10 The proposed 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 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: Increasing the hourly rate for 3–5-year-olds will cost approx. £27k based on expected uptake figures for financial year 2025/26. This will be met from the current Early Years budget.
- 5.2 Human Resources: none
- 5.3 Other (e.g. Legal/IT): none
- 5.4 Risk: none

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

x

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:



Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 None

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Kelly Weir
Designation	Senior Officer – Early Years
Tel/Email	07967 776979/kweir@eastlothian.gov.uk
Date	29 August 2025

Head of Service Approval

Name	Nicola McDowell
Designation	Head of Education
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	yes
Approval Date	09.09.25