

Members' Library Service Request Form

Date of Document	02/06/26
Originator	Kelly Weir
Originator's Ref (if any)	
Document Title	Sustainable Hourly Rate for Funded Providers delivering Early Learning and Childcare in East Lothian from 1 April 2026

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Additional information:

Authorised By	Nicola Mcdowell
Designation	Head of Education
Date	02/06/26

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COMMITTEE:	Members' Library Service
MEETING DATE:	2 June 2026
BY:	Depute Chief Executive – Children and Communities
REPORT TITLE:	Sustainable Hourly Rate for Funded Providers Delivering Early Learning and Childcare in East Lothian from 1 April 2026
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 1 April 2026.

2 RECOMMENDATIONS

Members are asked:

- 2.1 To note the funding commitment from Scottish Government to allow local authorities to uplift their 2025/26 rates to funded providers by a minimum of 5.2% to support the financial sustainability of Early Learning and Childcare and fulfil the shared commitment to delivering Fair Work policies.
- 2.2 To 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 2026 as per section 2.4 of this report.
- 2.3 To 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 2026 as per section 3.6 of this report.
- 2.4 East Lothian Council increased the hourly rate by 5.2% as follows from 1 April 2026.

	Hourly Rate 2025/26 (excluding meal allowance of 35p per hour)	Hourly Rate from 1 April 2026 (excluding meal allowance of 35p per hour)
Eligible 2-year-olds	£8.42 per hour	£8.86 per hour
3 – 5-year-olds	£7.00 per hour	£7.36 per hour

2.5 To note the implementation of a separate meal payment of £3.50 per meal for 3–5-year-olds and Eligible 2-year-olds as referenced in section 3.9 of this report.

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, allowing parents and carers to access funded Early Learning and Childcare through private nurseries, childminders and third sector providers that meet the National Standard and work in partnership with the local authority.

3.3 In line with Funding Follows the Child, every child attending a funded Early Learning & Childcare session will be provided with a free meal. The meal must be consistent with the nutritional guidance and food standards for early years childcare providers in Scotland.

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

- 14 private and third sector settings
- 34 Council settings
- 24 childminders

3.5 The Scottish Government provided local authorities with £13.4 million through the General Revenue Grant in 2026-27 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 £13.45 per hour from April 2026. It is recognised that this is set within a challenging financial context.

3.6 A key principle of the sustainable rates 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. To support this, and deliver the recommendation from the Sustainable Rates Review, the Diffley Partnership were contracted by the Scottish Government to undertake the ELC Costs Survey, with evidence collected during 2025 from providers. The independent report and supporting data tables will be published by the Scottish Government shortly.

- 3.7 The [Scottish Government and COSLA Guidance](#) sets out the approach for local authorities to set 2026-27 sustainable rates for the delivery of Early Learning and Childcare:
- A minimum 5.2% uplift will be applied to all 2025-26 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 2026. This reflects staffing costs accounting for, on average, 77% of the sustainable rate.
 - The minimum 5.2% 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, 23% 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.
- 3.8 East Lothian Council is proposing that the remainder of the sustainable rate (23%) is reviewed in line the Scottish Government and COSLA Guidance using the ELC Costs Survey prepared by Diffley Partnership and local data on childcare costs.
- 3.9 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.
- 3.10 East Lothian Council has already implemented key elements of the guidance within our rate-setting process. We currently pay childminders at the same sustainable rate as other types of funded provision, and we also apply a higher sustainable rate for 2-year-old places to reflect the required staffing ratios.
- 3.11 From 2026-27 onwards, the remaining change to implement will be the introduction of a separate payment rate for each free meal, ensuring greater clarity and transparency in line with national guidance. In line with the guidance from 1 April 2026, the funded providers will receive a separate meal payment of £3.50 per meal replacing the previous equivalent rate of £0.35 per hour.

4 POLICY IMPLICATIONS

4.1 None.

5 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance: The 5.2% increase will be met from Scottish Government funding. There is no additional funding available for the non-staffing element (23% of the rate). Any increase in costs will need to be met from the Early Years budget for 2026/2027.

5.2 Human Resources: None

5.3 Other (e.g. Legal/IT): None

5.4 Risk:

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.

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	

Subject	Impacts identified (Yes, No or N/A)
Storage/collection of personal data	
Other	

7 APPENDICES

7.1 None

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

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Date	02/06/2026

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	02/06/2026