
8 August 2024

Dear ELC Provider,

Implementation of the ELC Sustainable Rates Review

We are writing to update you and seek your help with the important work underway to improve the processes for setting sustainable rates for funded Early Learning and Childcare providers in Scotland, in light of last year's Sustainable Rates Review.

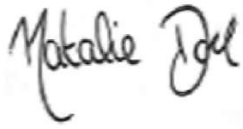
We know that sustainable rates is a pressing issue for many providers across Scotland, and we appreciate the efforts many of you have made to escalate your concerns to us directly and through your representative organisations, at a time when you have many competing demands on your time. We recognise that in some parts of Scotland the process of setting rates for 2024-25 continues, and that important local dialogue continues.

It is essential that in parallel we progress the longer term reforms to the sustainable rates setting process recommended by last year's joint [Scottish Government and COSLA Sustainable Rates Review](#). In particular, the Review recommended that we **update the Sustainable Rates Guidance** for local authorities with a view to greater standardisation; and work with local government and funded providers to consider options for obtaining **more robust and reliable cost data** to ensure we fully understand the costs of providing funded ELC in different settings.

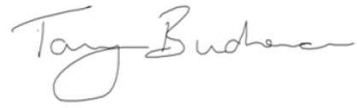
We are grateful to the childcare sector representative organisations and local government networks for their support and guidance as our teams take forward implementation of the Rates Review actions. As we move into the detailed planning stage for a new approach to collecting and understanding cost data, we are keen to find practical ways of involving you more directly and ensuring that providers' voices are heard clearly throughout this process.

You can find out more about upcoming opportunities for getting involved in the Annex, and through the representative organisations. We very much recognise that the provision of high quality ELC to the children in your care must be your paramount priority, and that there are already many pressures on your time. We hope that some of you will be able to help with the design of the new cost collection approach, and that you will all be able to take part to ensure a shared and thorough understanding of the costs of providing funded early learning and childcare.

With best wishes,



NATALIE DON



TONY BUCHANAN



Annex - Implementation of the Sustainable Rates Review Actions

This note sets out more information on the approach to delivering the actions in the joint Scottish Government and COSLA Sustainable Rates Review.

Background

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.

During 2023, COSLA and the Scottish Government conducted a joint [Review of Sustainable Rates](#). This was an evidence-led review, with input from local government and the childcare sector, that examined the process for setting rates for 2022-23 to identify where rate-setting processes could be improved further and how to ensure rates are set in line with the aims of the guidance.

The Review set out a wide range of actions, which include **updating the Sustainable Rates Guidance** with a view to greater standardisation; and working with local government and funded providers to consider options for obtaining **more robust and reliable cost data**, including considering a more central approach.

The Scottish Government and COSLA will implement the actions recommended within the Review over the remainder of this parliament.

Timeline for delivering the Rates Review actions

Collecting robust and reliable data on costs across different types of funded ELC providers is critical to underpinning wider improvements to the rate-setting process, including updating the guidance. It will also lay the foundation for any further future work in this area. However, designing a new cost collection approach collaboratively with the sector and local government will take time.

Based on learning from previous exercises, we estimate that it will take in the region of 12-18 months to fully deliver and embed a new robust cost collection exercise that captures input from a substantial sample of providers, and includes accessible outputs and documentation for those utilising the data and analysis. This also reflects that to deliver this exercise the Scottish Government will need to contract with an external delivery partner – work which is already underway and will determine the detailed timeline.

The provisional milestones we are working towards are:

- Detailed design of the new cost data collection approach over Summer and Autumn 2024 (informed by Provider Reference Groups);
- Collection and publication of 2024-25 sustainable rates in Winter 2024;
- A further update to the Sustainable Rates Guidance for local authorities to inform local authority rate setting for 2025-26 to be published in early 2025;
- New cost data collection exercise to take place Spring/Summer 2025;
- Further update to guidance for local authorities on setting sustainable rates for 2026-27, to be published in early 2026, informed by the new cost data.

How we are delivering the Rates Review Actions

Working with the sector, including direct involvement from providers, and local government is central to our approach to delivering these actions. In particular, we are keen to find ways for

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

you to shape the design of the new cost collection approach to help ensure it is practical, informative and robust. We appreciate that there are significant pressures on your time already and we will continue to work closely with the representative organisations who advocate on your behalf.

A Sustainable Rates Review Implementation Working Group has been created, and brings together sector and local government representatives, alongside Scottish Government ELC policy representatives and COSLA. The primary role of the Working Group, which is co-chaired by Scottish Government and COSLA, is to inform the approach taken to collecting robust and reliable data on the costs of delivering funded ELC in private, third and childminding sector services.

The Working Group met for the first time on 19 June 2024, and minutes from their meetings will be published on the Scottish Government website.

Seeking your support to design a new cost collection exercise

Scottish Government, COSLA and the Working Group are very keen that providers are able to input directly to this programme of work. To enable this, we plan to run a number of Provider Reference Groups over Autumn 2024. These Groups will likely operate on a virtual basis to maximise participation.

We will ask these Groups to help provide detailed input on methodology, survey design, and business and staffing models to ensure that the cost collection approach is reflective of a range of different types of providers. We will also seek views on how information should be collected from providers, in order to minimise the burden on busy services.

How can providers get involved?

We hope that providers from across Scotland will be able to take part in the Provider Reference Groups, bringing a range of perspectives – e.g. providers from different geographic locations (including those from remote and rural areas); providers of varying size; and providers with different business and operating models (for example, private, third sector, childminders, outdoor settings, etc). We will work with the representative organisations to schedule and plan sessions with a view to maximising your participation. We are also giving careful consideration with our partners as to how childminders might best be supported to take part.

A further update will be provided later this Summer setting out further details on the Provider Reference Groups, with more information about how to sign up and what will be involved in the sessions.

If you require further information in the meantime please contact elc@gov.scot.

