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Sue Webber MSP
Convener
Education, Children and Young People Committee
The Scottish Parliament,
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13 March 2024

Dear Ms Webber,

Early learning and childcare: guidance on setting sustainable rates for 2024-25

The Scottish Government and COSLA published, on 8 March 2024, an update to [guidance for setting sustainable rates for the delivery of funded early learning and childcare \(ELC\) in 2024-25](#).

This update acts as a complement to the [Sustainable Rates Guidance](#) published in April 2019. It is designed to support delivery of the commitment for childcare workers delivering funded early learning and childcare (ELC) in private and third sector services to be paid at least £12 per hour from April 2024.

As confirmed in the draft Budget, the Scottish Government is providing an additional £16 million to local authorities in year in 2024-25 to fund the estimated additional costs associated with delivering this commitment. Local authority allocations have been confirmed using a distribution methodology agreed by COSLA.

The guidance sets out an approach designed to provide transparency and consistency in how providers will receive additional funding through the sustainable rate setting process in 2024-25 in order to enable them to deliver the £12 per hour pay commitment to eligible staff. It confirms that in 2024-25, funded ELC providers in the private and third sector will receive a minimum uplift of 7.6% to the sustainable rate(s) they received in 2023-24. The commitment will also be applied in a fair and sustainable way for childminders.

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This uplift reflects the estimated increase in the average staff cost element of the sustainable rate required to enable payment of at least £12 per hour. Annex B of the guidance sets out the methodology for estimating this uplift.

The minimum 7.6% uplift only reflects the change to the average staffing cost element of the sustainable rate. The overall sustainable rate that providers receive from their local authority in 2024-25 will be set in-line with the requirements of the overall sustainable rates guidance. This includes providing scope for reinvestment.

Both the joint Scottish Government and COSLA [Review of Sustainable Rates](#), and the [2023-24 Sustainable Rates Data Collection Report](#) have highlighted variations between local authorities in when sustainable rates for providers are confirmed. Where sustainable rates for 2024-25 are confirmed after April 2024, local authorities should ensure that any payments to funded providers to support delivery of the £12 per hour pay commitment are backdated to 1 April 2024.

Fulfilling this commitment is vital to delivering the Fair Work agenda and ensuring the continued availability of high quality funded ELC to families across Scotland. The Scottish Government will continue to work with COSLA and local authorities on how to monitor implementation of the commitment nationally.

The guidance applies to the 2024-25 sustainable rates setting process. For future years, updated sustainable rates guidance will be developed to reflect the actions set out in the joint Scottish Government and COSLA [Sustainable Rates Review](#). I will update the Committee on progress in taking forward the Review actions in due course.

Private, third sector and childminding providers remain an integral part of the successful delivery of our 1140 programme and the Scottish Government is grateful to colleagues in the sector for their contributions to this process.

Yours sincerely

Natalie Don

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