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Education, Children and Young People Committee
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Dear Convener,

The Scottish Government and COSLA today published [Early Learning and Childcare: Review of Sustainable Rates](#). This joint Review has examined the approach to setting Sustainable Rates for funded providers of ELC in the private, third and childminding sectors during 2022-23.

This follows a commitment in ['Best Start'](#), a strategic plan for Early Learning and School Age Childcare, for the Scottish Government to work with Local Government to review the approach to setting sustainable rates for providers of funded ELC in 2022-23, in the context of the additional programme of work undertaken to improve the process since summer 2021.

The Review has taken an evidence-led approach, with intensive engagement with stakeholders, from both local government, and funded ELC providers in the private, third and childminding sector and their representatives. The Scottish Government and COSLA are grateful to everyone who contributed to the Review.

Whilst the Review highlights that the average rate that providers receive for delivering to 3-5 year olds has increased by 57.6% since the start of the ELC expansion to 1140 hours (over the period 2017-18 to 2022-23), the evidence captured through the Review suggests that there is a risk that some providers are not being as effectively supported as others by current rates.

To address this a wide-ranging set of actions are set out in the Review to improve the existing sustainable rates process, including:

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- Updating the Sustainable Rates Guidance to provide a more standardised approach and minimise any unwarranted variation between the rates set by local authorities; strengthen the process for setting rates for eligible 2 year olds, childminders and for meal payments; and set clearer expectations around engagement and communications for both local authorities and funded providers.
- Providing a range of support for local authorities delivered through the Improvement Service.
- Drawing on learning from previous approaches, work with local government and funded providers (and their representatives), to consider:
 - options for obtaining more robust and reliable cost data, that accurately reflects funded providers' costs of delivery
 - a more central approach to cost evidence collection and analysis, to produce more robust financial evidence to use when setting rates
 - the timescales for implementing any recommended changes and how the impact of any changes would be monitored
- Collecting evidence on how local authorities are supporting funded providers to meet the needs of children with Additional Support Needs, to determine if further consideration of this policy area would be beneficial.

The Scottish Government is committed to working with the sector and our partners in local government to take forward these actions over the remainder of this parliament. We will set out more detail on the timelines for implementing the recommendations of the review in early 2024.

Both the Scottish Government and COSLA also recognise that evidence captured as part of the Review indicates that further changes to the method by which sustainable rates are set, which were outside of the scope of the original Review, may need to be investigated. The Scottish Government and COSLA are continuing to work together to consider wider actions to further strengthen and improve sustainable rate-setting.

Private, third sector and childminding providers have been an integral part of the successful delivery of our 1140 hours of funded ELC offer, and the Scottish Government recognises that the payment of sustainable rates by local authorities to these providers is vital to supporting financial sustainability and to enabling the delivery of high quality ELC.

I look forward to continuing to work with the Committee as we take forward the recommendations in this Review.

Yours sincerely

Natalie Don

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