

**REPORT TO:** School's Forum

**DATE:** 20<sup>th</sup> January 2021

**REPORTING OFFICER:** Strategic Director, People

**PORTFOLIO:** Children, Education and Social Care

**SUBJECT:** Proposal to change the payment process for funded 2,3 and 4 year olds in Halton

**WARDS:** Borough-wide

## **1.0 PURPOSE OF THE REPORT**

1.1 The purpose of this report is to outline proposed changes to the payment process for funded 2, 3 and 4 year olds in Halton, which went out to consultation at the end of last year. It details the proposed changes, together with the rationale, which underpins these proposals. The report also records the results from the consultation and makes recommendations for the forum to consider based on this consultative process.

## **2.0 RECOMMENDATION:**

**That the Schools forum approves the following recommendations:-**

2.1 With effect from 1<sup>st</sup> April 2021, Halton Borough Council will make the following changes to the way payments are made for funded 2, 3 and 4 year olds:-

- All providers will be paid monthly (currently only childminders are paid monthly);
- Providers will be paid 100% of their estimates, split evenly between the number of months in the term.

(As per Part 1 of the Consultation, Proposal 1 below);

2.2 With effect from 1<sup>st</sup> April 2021, Halton Borough Council will introduce cut-off dates for starters and leavers. Dates to be fixed in advance and shared with providers. After these dates, Halton Borough Council will only continue to fund starters and leavers in exceptional circumstances. (As per Part 2 of the Consultation, Proposal 2 below).

## **3.0 SUPPORTING INFORMATION**

3.1 With effect from 1<sup>st</sup> April 2021, Halton Borough Council are proposing to change the way payments are made for funded 2, 3 and 4 year olds, and to introduce cut-off dates for starters and leavers.

- 3.2. Outlined below are the proposed changes which went out for consultation to all Early Years Providers in Halton, together with the rationale which underpins these proposals. The consultation opened on 26.11.20 and closed on 18.12.20. Early years providers were asked to complete a response form, which was sent out with the consultation document. Providers were informed that the responses would be collated and the proposals which received the majority number of 'votes' would be put forward as recommendations to be approved at the Schools Forum in January 2021.

The consultation was split into two parts:-

3.3 Part 1 of Consultation

Proposals for changes to the way Halton Borough Council make payments for funded 2, 3 and 4 year olds:-

Proposal 1

- To pay **all** providers monthly (currently only childminders are paid monthly);
- To pay **100%** of estimate, split evenly between the number of months in the term, as shown below:-

Term	Number of months in term	% of estimate paid each month
Autumn Term	4	25%
Spring Term	3	33.33%
Summer Term	5	20%

- EYPP and any adjustments would continue to be paid in the final month of the term;
- Any negative amounts would be deducted from the final payment in the term, unless the value was higher than the payment due. In this case, the remaining negative amounts would be carried over to first payment next term;
- If a provider had over-estimated and was likely to have a large carry over to the next term, we would, in consultation with the provider, reserve the right to reduce more than one payment. This would enable the provider to manage their cash flow more effectively;
- Payments would be made during the last week in the month.

This proposal is identical to the way Childminders are currently being paid. Therefore, childminders were asked to choose this option if they wanted to continue to be paid in the same way.

Proposal 2

- To pay **all** providers monthly (currently only childminders are paid monthly);

- To pay **75%** of estimate, split into the number of months in the term. Remaining **25%** paid in final month of the term, as shown below:-

Term	Number of months in term	% estimate paid each month
Autumn Term	4	25% for 3 months and 25% in the final month
Spring Term	3	37.5% for 2 months and 25% in the final month
Summer Term	5	18.75% for 4 months and 25% in the final month

- EYPP and any adjustments would continue to be paid in the final month of the term;
- Any negative amounts would be deducted from the final payment in the term, unless the value was higher than the payment due. In this case, the remaining negative amounts would be carried over to first payment next term;
- If a provider had over-estimated and was likely to have a large carry over to the next term, we would, in consultation with the provider, reserve the right to reduce more than one payment. This would enable the provider to manage their cash flow more effectively;
- Payments would be made during the last week in the month.

### 3.4 Part 2 of Consultation

Proposals for the introduction of cut-off dates for starters and leavers\*:-

#### Proposal 1

To continue to fund starters and leavers up to a set date each term. Dates to be fixed in advance and shared with providers. For example, the proposed cut-off dates for **receipt** of adjustments, via the Provider Portal next financial year, would be as follows:

Friday 16<sup>th</sup> July 2021  
Friday 26<sup>th</sup> November 2021  
Friday 25<sup>th</sup> February 2022

Any adjustments received after these dates would not be funded for a starter. Therefore, if a child left one setting to move to another after the above dates, the first setting would not have any funding deducted and the new provider would not receive any funding for this child until the next term.

## Proposal 2

To 'push back' the date of the headcount to the same date as the School Census. No movement would be funded after that date, until the start of the next term. The School Census dates for the next financial year are as follows:

Thursday 20<sup>th</sup> May 2021  
Thursday 7<sup>th</sup> October 2021  
Thursday 20<sup>th</sup> January 2022

Any adjustments received after these dates would not be funded for a starter. Therefore, if a child left one setting to move to another after the above dates, the first setting would not have any funding deducted and the new provider would not receive any funding for this child until the next term.

**\*Please note:** After the above dates, Halton Borough Council would only continue to fund starters and leavers in **exceptional circumstances**, such as where there was a safeguarding issue or families fleeing domestic violence. Cases would be considered on an individual basis.

### 3.5 The rationale underpinning the proposals

- In the light of the recent Covid-19 pandemic, the Government has asked Local Authorities to look at how Early Years funding is paid to providers. The Government have recommended that Local Authorities consider moving to monthly payments, if they do not already do so, in order to aid cash flow and to spread cash flow more evenly throughout the year. In adopting this approach, Halton's Early Years sector would be in line with how Schools and Academies are currently funded within the borough;
- By paying 100% 'up-front', Halton Borough council are paying for a service, which has not yet been delivered. Moreover, the current 100% 'upfront' is not affordable, or sustainable, for the council. The council receives Dedicated Schools Grant (DSG) funding in fortnightly payments. The council no longer has sufficient DSG reserves so, under the current system, are paying EY providers before funding has been received from the Government. **Halton Borough Council no longer has the 'cushion' of DSG reserves to allow us to continue as we are;**
- Each term there are a number of providers who over estimate. Moving to monthly payments would reduce the number of claw-backs and enable providers to manage their cash flow more effectively;
- These proposals bring Halton Borough Council more in-line with other neighbouring authorities;
- Having a clear cut-off date for starters and leavers would still allow flexibility for families and providers, whilst ensuring payments are made

within the same term. Currently, if starter and leaver adjustments are submitted late in the term it is not always possible to process payments until the following term;

- Halton Borough Council are currently running two payment methods for the FEYE funding; one for Childminders and one for Group settings/Schools. The new proposals would make for a more streamline, efficient and effective system;
- Regular, monthly payments would provide a consistent income for providers.

### 3.6 **The response to the consultation**

We received 38 responses, as detailed below:-

CONSULTATION RESPONSES -RESULTS	PART 1 - CHANGES TO PAYMENTS		PART 2 - CUT OFF FOR STARTERS AND LEAVERS	
	Proposal 1	Proposal 2	Proposal 1	Proposal 2
DAY NURSERIES, PRE-SCHOOLS, ACADEMIES AND OOSCs	26	4	20	9
CHILDMINDERS	6		6	
SCHOOLS/NURSERY CLASSES	1	1	0	2
<b>TOTALS</b>	<b>33</b>	<b>5</b>	<b>26</b>	<b>11</b>

The majority of responses received indicated Early Years Providers in Halton would prefer Proposal 1 in regard to the changes in how payments are made for funded 2, 3 and 4 year olds; and Proposal 1 in regard to the introduction of cut-off dates for starters and leavers. It is, therefore, these proposals that form the basis of the recommendations made in section 2 of this report.

## 4.0 **POLICY IMPLICATIONS**

- 4.1 If the proposed changes are approved, Halton Borough Council's 'Provision of Free Early Years Entitlement Contracts for 2,3 and 4 Year Olds' will need to be amended. The current contracts expire on March 31<sup>st</sup>, 2021.

## 5.0 **FINANCIAL IMPLICATIONS**

- 5.1 Please refer to Section 3.5, 'The rationale underpinning the proposals' for information regarding financial implications.

## 6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

**6.1 Children and Young People in Halton**

Children will continue to be able to access funding for high quality early years education for children aged 2, 3 and 4.

**6.2 Employment, Learning and Skills in Halton**

Research shows that children's achievements and life-skills improve if they have had access to high quality early years provision.

**6.3 A Healthy Halton**

None identified

**6.4 A Safer Halton**

None identified

**6.5 Halton's Urban Renewal**

None identified

The proposals will contribute towards making the council more effective and efficient in the way it delivers the funding for the free entitlement.

**7.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

7.1 There are no background papers under the meaning of the Act.