

TO: SCHOOLS FORUM
DATE 17 JANUARY 2019

**CHANGES PROPOSED TO THE FREE CHILDCARE PLACES PAYMENT MODEL
AND INITIAL 2019-20 BUDGET MATTERS**
Executive Director: People

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Schools Forum on the outcome of the consultation with early years providers on proposed changes to the payment arrangements of the free entitlement and initial 2019-20 budget matters.

2 RECOMMENDATIONS

To AGREE that:

- 2.1 Taking account of comments from providers to the consultation on the free childcare places payment model and efficiency proposals from the council:
- a) The current termly payment model for the early years free entitlements is retained
 - b) An additional optional amendment task is introduced for the summer term for providers operating during the summer holidays
 - c) Retaining the 60% advance payment rate paid to providers, based on each term's forecast participation rate
 - d) Increasing the available time for providers to complete the forecast task from 1 to 2 weeks

To NOTE that:

- 2.2 Based on current information, the 2019-20 budget proposals for Early Years services are expected to confirm that:
- a) In light of the cash flat funding settlement from the government, that no changes are expected to be made in 2019-20 to provider funding rates
 - b) Taking account of the cost of managing the provider portal and other associated systems, additional funds of around £0.011m are expected to be sought by the council to finance the cost of associated ICT software and maintenance costs.
- 2.2 Final 2019-20 budget proposals for Early Years providers and support services will be presented to the Forum for comment in March.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The proposed payment model is considered to be the best available, taking account of the local priorities, feedback from the Early Years (EY) Funding Steering Group, provider responses to the consultation and estimated level of available resources.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 Alternative options are detailed in the supporting information.

5 SUPPORTING INFORMATION

Background

5.1 In 2016 the government introduced changes to the early education and childcare statutory guidance for local authorities which introduced new guidance on the payment of the EY free entitlements to providers. The new guidance stated that:-

'Local authorities should pay all providers, particularly childminders, monthly and are expected to do so from September 2018. If a provider requests and the local authority agree an existing alternative sustainable method of payment may be continued.'

5.2 In summer 2017 the council undertook an analysis of what would be required to implement monthly payments and identified the following issues:-

- Payment software did not cater for monthly payments
- A monthly payment model that was acceptable to all providers would include a considerable increase in the administrative burden for Bracknell Forest Council (BFC)
- The only feasible monthly payment models which did not increase the risk of overpayments would require payments in arrears.
- Regardless of the monthly payment model selected, BFC did not have the capacity to run more than one model
- BFC did not have the resources to resolve the software and capacity issues
- Private, Voluntary and Independent providers (PVI), which includes childminders, indicated a strong preference to retain the existing payment arrangements (termly payments in advance) over a monthly payment model paying in arrears.

Based on this analysis and in the absence of a feasible monthly payment model the decision was taken to continue with the 'existing alternative sustainable method of payment'.

5.3 In June 2018 the government issued revised statutory guidance, which changed the guidance on monthly payments. The new guidance sets out that the councils should:-

'Pay all providers the full amount owed to them monthly unless they have good reason not to do so, for example, if, after consultation, the clear majority of providers opt for an alternative method of payment. Local authorities should be mindful of the concerns of smaller providers, particularly childminders, about their cash flow when making decisions about payment methods. Local authorities should regularly review how they pay providers to ensure that it continues to meet the needs of all providers in their area.'

5.4 In order to meet the requirements of the statutory guidance BFC must either implement a monthly payment model or be able to show that it has consulted with providers and must be able to evidence that it has reviewed the payment arrangements to ensure they continue to meet provider's needs.

5.5 As the difficulties and challenges in implementing a monthly payment model remain unchanged from the previous analysis in 2017, a consultation with providers registered to receive the free entitlement was undertaken to seek their views on the introduction of a monthly payments model and to review the funding arrangements currently in place should these be retained, including

- The timing of the forecast task & payment
 - The percentage of funding paid in the forecast payment
 - The introduction of alternate autumn forecast payments for providers open during the summer holidays
- 5.6 The payment model for schools and academies differs to that for other providers. While schools and academies were invited to participate in the consultation, Part One of the consultation has no relevance to their funding arrangements.

Current Payment Model

- 5.7 The current model for funding providers in Bracknell Forest is based on termly payments. It consists of 3 payments per term, with funding paid in advance as lump sum payments. The payments are:
- The Forecast Payment
 - 60% of this estimated funding as a lump sum before the start of the term.
 - based on estimated hours of attendance
 - The Actual Payment
 - balance of funding for the term
 - after schools census date
 - based on actual hours of attendance
 - The Amendment Payment
 - optional third payment
 - for corrections, new starters, leavers and changes to funded hours claimed
 - paid before the end of the term

Factors considered in the proposal

- 5.8 Implementing monthly payments is complicated with many issues that need to be taken into account; these include but are not limited to:
- How often is funding calculated
 - When is funding calculated
 - How do we account for variations in how many weeks a year providers are open
 - How do we account for changes in attendance patterns
 - How do we account for different attendance patterns in the same setting
 - Does a payment model increase the administrative burden for providers
 - Do BFC have the capacity and resources to administer a particular payment model
- 5.9 When considering payment models for inclusion in the consultation the following factors were taken into consideration:
- Minimizing the risk of overpayments or underpayments to providers
 - Ensuring the LA has the capacity to implement the proposal
 - Minimize the administrative impact on providers and the LA
 - Ensure providers retain the same level of funding they currently receive
 - Ensure the proposal does not increase the overall cost of the process

Initial Proposals

- 5.10 Three monthly payment models, which BFC could implement within the current available resources and capacity, were identified. Further analysis indicated that for one of the models there was an unacceptably high risk that providers could be overpaid, requiring additional administration for both BFC and the affected providers. The model was therefore discarded.
- 5.11 The PVI representatives of the Early Years Free Entitlement Steering Group (EY Steering Group) were presented with the two remaining payment models. As schools and academies are not funded via the same payment model as PVI providers, representatives from schools and academies were not invited to the meeting. Informed by the feedback from the EY Steering Group the decision was taken to consult on one of these models.
- 5.12 It is evident from analysis of the available payment models that BFC does not have the capacity or resources to operate more than one payment model. The consultation therefore offers providers a choice between the current model and one monthly payment model, with the outcome of the consultation determining the payment model for all PVI providers.

Bracknell Forest Consultation

- 5.13 To gather provider views on the proposed monthly payment model, a consultation with all providers registered to receive the free entitlement was undertaken in October 2018. The full consultation document and supporting documentation is available to view at:
- <http://consult.bracknell-forest.gov.uk/portal/>
- 5.14 Part One of the consultation set out the proposal to implement a monthly payment model, the key features of the proposed model are:
- The collection of participation data for the free entitlements will remain unchanged
 - Payments would be spread evenly across 4 months for each term
 - All payments in arrears of attendance
 - Due to varying term lengths the timing of payments does not align perfectly with term dates
 - the last payment of the spring term would be in April
 - the first payment of the summer term would be in May
 - the last payment of the summer term would be the end of August (including term time only providers)
- 5.15 Part Two of the consultation sought feedback from providers on the suitability of the current payment model, should this be retained. Feedback was sought on:
- Adding an additional amendment task in the summer term
 - The percentage of funding paid in the forecast task
 - How long forecast tasks are open
 - The timing of forecast tasks

Summary outcomes

- 5.16 At 35%, there was a good response rate from providers to the consultation. 20 out of 45 private, voluntary and independent (PVI) providers, 32 out of 85 childminders and 1 out of 17 schools and academies responded to the consultation.
- 5.17 Annex A provides a numerical analysis of responses to the consultation.
- 5.18 In response to Question 1, 72% or 38 out of 53 responses did not support the proposal to implement a monthly payment model.
- 5.19 Responses to question 2 indicated that 83% supported the introduction of an additional optional amendment payment for providers open during the summer holidays, although in question 3 only 32% indicated that they would make use of this amendment.
- 5.20 Question 4 asked respondents what percentage of the total forecast funding for the term they would prefer to be paid in the forecast payment. Responses do not indicate a clear preference, with 11 preferring 50%, 20 preferring 60% and 22 preferring 70%.
- 5.21 15% of respondents indicated in question 5 they had experienced difficulties completing the forecast task within the 1 week deadline and 23% indicated in question 6 that the 1 week deadline was not long enough.

Detailed comments from providers

- 5.22 Some providers made comments in their feedback in Part Two of the consultation and these have been taken into account in the proposals below.
- 5.23 In Question 5, 7 providers commented on the 1 week deadline for the forecast task, with 6 comments indicating difficulties completing the task due to lack of time.
- 5.24 In question 6, 11 providers indicated that 2 weeks for the forecast task would provide sufficient time to complete the task.

Changes now proposed

- 5.25 The proposals, based on the responses to the consultation from providers, which the Forum is recommended to agree are set out below:
 - a) Over two thirds of responses did not support the implementation of a monthly payment model. Schools Forum is recommended to retain the current termly payment model.
 - b) An additional amendment payment in the summer term was supported by the majority of respondents. Schools Forum is recommended to agree implementation of this proposal.
 - c) There was no clear preference for a change in the percentage of the total forecast funding paid in the forecast payment. Schools Forum is recommended to agree to retain the current rate of 60%.
 - d) A small number of providers have indicated they would benefit from an increase in the deadline for the forecast task from one to two weeks. As this is an administrative change only and implementing a two week deadline would have no detrimental effect on providers and BFC, a two week deadline for the forecast task will be implemented from April 2019.

- e) The majority of providers indicated they would prefer to keep the current timing of the forecast payment. No change to the timing of the forecast payment is proposed.

Update on 2019-20 Early Years budget position

- 5.26 In respect of Early Years Block items, in November the government confirmed that LAs would continue to be funded in 2019-20 at the same hourly funding rates for actual take up for the free entitlement to education and childcare for under 5 year olds at the same amounts as received during the current year. This means BFC will continue to receive £4.93 per hour for take-up by 3 and 4 year olds, and £5.88 per hour for take-up of 2 year olds.
- 5.27 Taking account of the cash flat funding settlement and the review of provider funding rates undertaken in advance of the 2018-19 budget, no changes are expected to be proposed to the elements of funding rates or their values in 2019-20.
- 5.28 In terms of centrally managed budgets, these are being reviewed with the possibility that a relatively minor cash increase will be sought to cover the cost of increased software costs associated with supporting data transfers to and from providers and enabling parents to access relevant data bases to make on-line enquiries and checks. Recent changes to processes and procedures, whilst introducing benefits, do require appropriate IT systems, with recent cost increases of £0.011m in relation to:
- Provider Portal Headcount – secure online provider portal for funded providers to input and submit headcount data for children accessing their free entitlements
 - Two Year Old Funding (2YOF) – secure online portal that enables parents, providers and professionals to quickly establish whether a child is eligible for two year old funding
 - Citizens Portal - 30 Hours – secure online parent portal that enables parents to check their 30 code directly and provides parents with a personalised dashboard that shows check results, earliest date 30 hours can be funded from, reconfirmation dates and results of rechecks. Parents are able to share their eligibility code with funded providers of their choice in a secure manner.
 - Self-Update Portal (SUP) – secure online provider portal that enables the digital collection of capacity, vacancy and sufficiency data at any time and the digital collection of Early Years Census data.
- 5.29 Should such a change be considered necessary, a proposal will be presented to the Forum in March. No other changes are anticipated to be requested at this stage.

Annex B sets out current provider funding rates which based on the cash flat funding settlement from the government, are expected to continue into 2019-20 unchanged from 2018-19 rates.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The relevant legal issues are addressed within the report

Director of Finance

- 6.2 The Director of Finance is satisfied that no significant financial implications arise from this report.

Equalities Impact Assessment

- 6.3 No Equalities Impact Assessment is required as the proposed changes implement statutory guidance which includes eligibility criteria

Strategic Risk Management Issues

- 6.4 Changes to the payment of the free entitlements could result in an increase to the administration tasks that exceed the Early Help team's available capacity. This risk is considered to be low.

7 CONSULTATION

Principal Groups Consulted

- 7.1 All providers registered to receive the early years free entitlements.

Method of Consultation

- 7.2 The consultation was published using the Councils online consultation tool, with hard copies available on request. Responses could be submitted online, or via a downloadable response form which could be submitted by post or email. Feedback from the Early Years Funding Steering Group informed the proposals in the consultation.

Representations Received

- 7.3 The representations received are summarised in the body of the report and detailed in the annexes

BACKGROUND PAPERS

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692348/Early_education_and_childcare_-_statutory_guidance.pdf

Early education and childcare statutory guidance for local authorities - March 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718179/Early_education_and_childcare-statutory_guidance.pdf

Early education and childcare statutory guidance for local authorities - March 2018

CONTACT FOR FURTHER INFORMATION

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Summary responses to BFC consultation on provider payment model

Question	Schools	PVI's	Child minder	Total	%
PART ONE					
Question 1: Which payment model, as set out above, best suits your provision?					
The Current termly payment in advance model	1	20	17	38	72%
Monthly in arrears model	0	0	15	15	28%
PART TWO					
Question 2: Do you agree with the proposal to add an additional optional amendment task for providers who are open during the summer holidays?					
Yes	1	20	23	44	83%
No	0	0	9	9	17%
Question 3: Would your setting request an additional amendment task?					
Yes	0	3	14	17	32%
No	1	16	17	34	64%
Question 4: Considering what would be best for your provision, please select below what percentage of the forecast funding for a term you prefer to be paid in the forecast task?					
50%	0	1	10	11	21%
60%	0	9	11	20	38%
70%	1	10	11	22	41%

Question	Schools	PVI's	Child minder	Total	%
Question 5: Have you experienced any difficulties completing the forecast task within the 1 week deadline?					
Yes	1	3	4	8	15%
No	0	17	28	45	85%
Question 6: Is the current 1 week deadline for the forecast task long enough?					
Yes	0	14	27	41	77%
No	1	6	5	12	23%
Question 7: Please indicate below your preference for when the forecast task is opened					
End of the previous term	0	14	25	39	74%
First week of the term	1	6	7	14	26%

Summary of the expected 2019-20 BF Early Years Funding Formula

EYFF Element	Weighting	Proposed hourly funding rate	% total EY funding
Deprivation Supplement	3% of EYFF via IDACI scores where more than 1 in 5 children are from low income families. Top up funding increase where 1 in 4 and again where 1 in 3 children are from low income families.	£0.13, £0.26 or £0.39	
	2% of EYFF via child eligibility to EYPP	£1.54	
Quality Supplement	2% of EYFF via setting leadership qualification Level 5 and above	£0.14	
Uniform base rate	93% of EYFF	£4.31	
	Indicative EYFF average provider rate	£4.64	94.1%
	Average SEN funding	£0.07	1.4%
	Average contingency funding	£0.08	1.5%
	Sub total to Providers	£4.79	97.0%
	Average BFC funding (max 5%)	£0.14	3.0%
	Indicative funding from DfE to BFC	£4.93	100.0%