

Kirklees Early Years Funding Formula and Payment Schedule

2019/20

1. Early Years Funding Formula

The Department for Education recently announced the Early Years Funding Formula rates that will be paid to Local Authorities in 2019/20. The rate paid to Kirklees will remain the same as the rate paid in the current financial year.

As the rate paid to Kirklees will remain the same and because there was strong support from providers to maximise the base rate when previously consulted there are no proposals to make any changes to the Kirklees Early Years Funding Formula or rates in 2019/20.

A discussion took place at the Early Years Reference Group meeting (which includes provider representation for childminders, pre-schools, day nurseries and primary schools) on Wednesday 28th November 2018, the group agreed with the proposal not to make any changes to the formula or rates in 2019/20.

This will be the recommendation to Schools Forum on 8th February 2019.

Because there are no proposals to change the formula or rates there is no requirement to consult with providers however Kirklees Council is always open to receive feedback – an online survey was launched in December (see below).

2. Payment Schedule – applicable to Providers in the Private, Voluntary and Independent Sector and Academies

The Early Education and Childcare Statutory Guidance for local authorities dated June 2018 states local authorities should pay all providers monthly unless they have good reason not to do so.

The council has to balance the needs of providers and the level of administration. Monthly payments would increase the administration burden on the Council and could therefore put the base rate at risk as more funding would need to be centrally retained for administration.

However the Council believes that more regular payments would be of greater benefit to providers and the Council than the current system provides.

The current schedule provides 6 payments each year but gives providers some flexibility in choosing the timing of their estimate payment. This flexibility means that the Council processes 9 payments each year. The new schedule will provide 9 payments each year so will not increase administration but has greater benefits for providers and the Council.

The new schedule was presented at the Early Years Provider Network on 15th October 2018, no comments were made at the time however providers were informed that an online survey would be opened later in the autumn term.

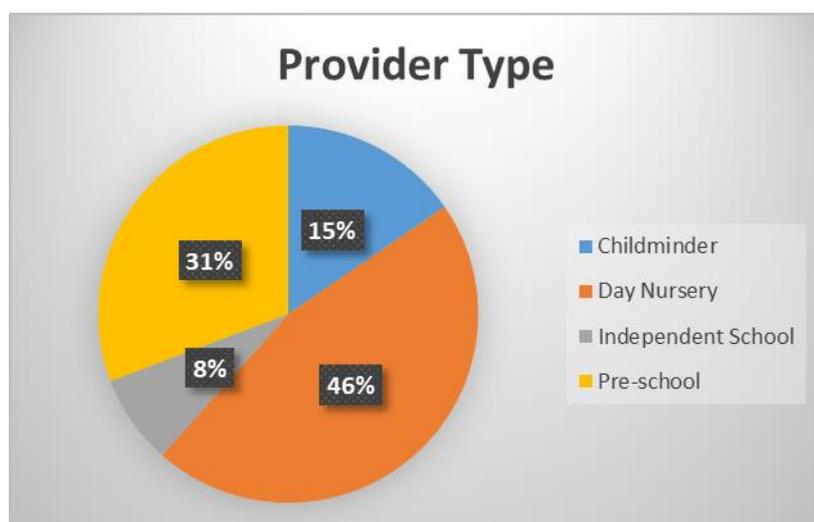
The online survey regarding the funding formula rates and payment schedule options opened on the 7th of December and closed on the 4th of January 2019 at 5pm.

Details of the funding formula rates and payment schedule options included in the survey can be found in Appendix A.

3. Survey results and decision

Currently there are 473 providers registered to deliver free early education and care, 13 providers responded to the survey, which is 3%.

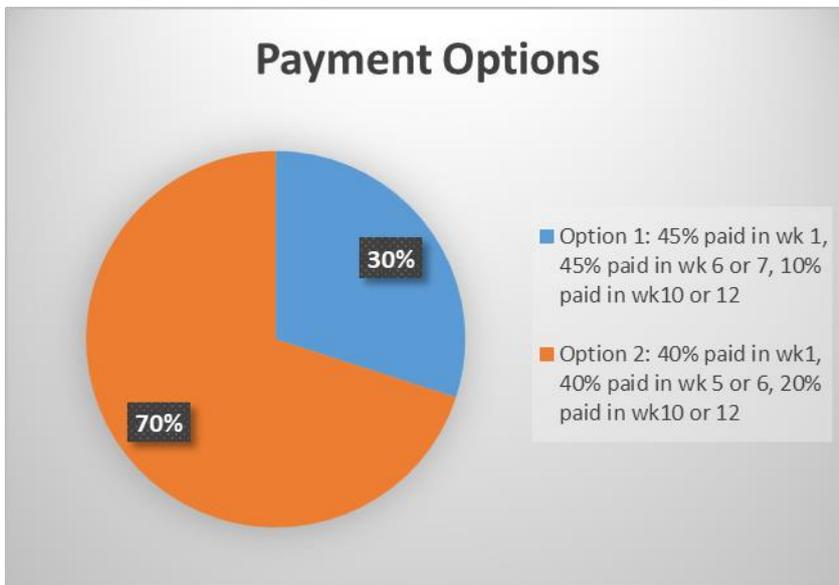
Provider type	Number of responses
Childminder	2
Day Nursery	6
Independent School	1
Pre-school	4
Total	13



Anonymised survey results were shared with the Early Years Reference Group on the 10th of January 2019 with an opportunity to comment – no comments were received.

Feedback regarding the payment schedule options:

Option	Details	Number of providers in support
Option 1	45% paid in week 1 45% paid in week 6 or 7 10% paid in week 10 or 12	3
Option 2	40% paid in week 1 40% paid in week 5 or 6 20% paid in week 10 or 12	7
Total		10



The other 3 providers did not choose an option and fed back that they would prefer the current schedule (80% paid in week 1 or 5 and 20% paid in week 10 or 12).

Other comments received:

- There were some concerns regarding cashflow.
- 3 providers commented about the about the funding rate being a challenge particularly as costs are increasing.

It is assumed that the providers who haven't responded don't have a preference for either option, this is evidenced by the provider comments received at a Focus Group held on the 9th of January to discuss options for administering stretched claims. The focus group members were supportive of the rationale for the changes i.e. to safeguard public funds.

Decision: To implement option 2 from the start of the financial year 2019/20. The first payment based on 40% will be made on 29th April 2019.

Provider Survey: Kirklees Early Years Funding Formula and Payment Schedule 2019/20

Note this appendix is for information only, the survey closed on 4th January 2019.

1. Early Years Funding Formula

The Department for Education has recently announced the Early Years Funding Formula rates that will be paid to Local Authorities in 2019/20. The rate paid to Kirklees will remain the same as the rate paid in the current financial year. The operational guidance and rates can be downloaded [here](#)

As the rate paid to Kirklees will remain the same and because there was strong support from providers to maximise the base rate when previously consulted we are not proposing to make any changes to the Kirklees Early Years Funding Formula or rates in 2019/20.

A discussion around this took place at the Early Years Reference Group meeting (which includes provider representation for childminders, pre-schools, day nurseries and primary schools) on Wednesday 28th November 2018, the group agreed with the proposal not to make any changes to the formula or rates in 2019/20. This will be the recommendation to Schools Forum on 8th February 2019.

The proposed funding rates for the financial year 2019/20 are therefore as follows:

The base hourly rates:

- £5.00 for two year olds
- £4.14 for three and four year olds (universal and extended entitlement hours)

Additional funding for eligible three and four year old children:

- a) Deprivation supplement, measured using the Income Deprivation affecting Children Index (IDACI). The hourly rates are:
 - Band 1: £0.05
 - Band 2: £0.11
 - Band 3: £0.14
 - Band 4, 5 and 6: £0.21
- b) Early Years Pupil Premium, applicable to universal entitlement hours only, the hourly rate is £0.53.
- c) Disability Access Funding (DAF), a lump sum payment of £615 is available each year to funded children in receipt of Disability Living Allowance (DLA).

As there are no proposals to change the formula or rates there is no requirement to consult with providers however we are always open to receive feedback. If you would like to comment on the formula or rates this can be done via the online survey.

2. Payment Schedule – applicable to Providers in the Private, Voluntary and Independent Sector and Academies

The Early Education and Childcare Statutory Guidance for local authorities dated June 2018 states local authorities should pay all providers monthly unless they have good reason not to do so.

The council has to balance the needs of providers and the level of administration. Monthly payments would increase the administration burden on the Council and could therefore put the base rate at risk as more funding would need to be centrally retained for administration.

However we do believe that more regular payments would be of greater benefit to providers and the Council than the current system provides, these are listed in section d) below.

The current schedule provides 6 payments each year but gives providers some flexibility in choosing the timing of their estimate payment. This flexibility means that the Council processes 9 payments each year. The new schedule will provide 9 payments each year so will not increase administration but has greater benefits for providers and the council, details of the current and new schedule can be found below.

a) Details of the current termly payment schedule:

- If providers choose to receive an estimate payment, the payment is based on 80% of the estimated basic funding for the term for each funding type (i.e. 3&4 year olds and/or 2 year olds).
- Providers can choose between two payment dates for their estimate, currently during week 1 or week 5 of the term.
- The final balancing payment of 20% is processed between week 10 and week 12, depending on the term. The final payment also includes deprivation funding, early years pupil premium and disability access funding for identified eligible children.

b) Disadvantages to the current system:

- There is no flexibility for a provider to change an estimate payment once it has been processed for payment.
- Incorrect estimate claims lead to under or over payments to providers which affect the cashflow of the provider.
- Paying a large percentage at the start of term creates a risk and has led to a loss of early years block funding in previous years when providers have either ceased to trade or been removed from the register; a large loss could affect future base rates.
- Paying a large percentage at the start of term affects the Council's cashflow as the Department for Education pay the Council monthly.
- The current system does not meet the requirements of the Statutory Guidance regarding regular payments.

c) New termly payment schedule:

- If providers choose to receive an estimate payment, the payment would be split into two estimate payments for each funding type based on either 40% or 45% of the estimated basic funding for the term.
- The first estimate payment would be made during the first week of term and the second estimate payment would be made in either week 5, 6 or 7.
- The final balancing payment of either 20% or 10% will be processed between week 10 and week 12, depending on the term. The final payment will also include deprivation funding, early years pupil premium and disability access funding for identified eligible children.

d) The new schedule has the following benefits:

- Simple process, only one estimate claim deadline to remember.
- If the provider realises the estimate claim was incorrect the claim can be amended in time for the second payment (deadlines will apply).
- If new children start after the first payment the estimate claim can be increased in time for the second payment (deadlines will apply).
- Payments will be more accurate.
- Will give providers a healthier cashflow than monthly payments (see appendix A).
- Supports improved cashflow for the council.
- Reduces risk of under or over payment.
- Helps protect against loss of early years block funding and helps protect future base rates.
- Helps meet the requirements of the Statutory Guidance regarding regular payments.

Option 1

Term	Summer		Autumn		Spring	
Funded weeks	12		14		12	
	Week paid	%	Week paid	%	Week paid	%
First estimate payment	1	45%	1	45%	1	45%
Second estimate payment	6	45%	7	45%	6	45%
Final balancing payment	12	10%	12	10%	10	10%

Option 1 was presented at the Early Years Provider Network on 15th October 2018 and was discussed at the Early Years Reference Group (EYRG) meeting on Wednesday 28th November 2018.

At the EYRG meeting concerns were raised about cashflow by the representative for day nurseries and the representative for pre-schools. After a discussion the group suggested an alternative option whereby the second payment would be made earlier but the percentage would be less, see option 2 below.

Option 2

Term	Summer		Autumn		Spring	
Funded weeks	12		14		12	
	Week paid	%	Week paid	%	Week paid	%
First estimate payment	1	40%	1	40%	1	40%
Second estimate payment	5	40%	6	40%	5	40%
Final balancing payment	12	20%	12	20%	10	20%

Note: The timing of the final payment is usually 8 weeks after census/headcount date which is always as set out overleaf, hence the reason why the final payment is not always made in the same week each term.

Census dates

- Summer term: third Thursday in May
- Autumn term: first Thursday in October
- Spring term: third Thursday in January

Note for Academies

Payments for universal hours are processed by the School Finance Office, estimate payments are based on actual hours paid in the term from the previous financial year. If Academies would like to amend their estimate payment they can do so by contacting the School Finance Office (deadlines will apply).

Payments for the 2 year old and the extended entitlement hours are processed by the Early Education Funding team, estimate payments are optional, estimate claims can be submitted via the Provider Portal in accordance with the payment schedule and deadlines.

Early Years Funding Payment Schedule Cashflow Illustration

- The illustration below shows that option 1 will provide the highest proportion of funding earlier in the term.
- Option 2 does provide funding earlier in month 2 however the total funding received by month 2 would be 80% as opposed to 90% for option 1.
- A monthly schedule would only provide 50% of the funding by month 2.

Option 1														
Month	1				2				3				4	
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Summer	45%					45% (90%)						10% (100%)		
Autumn	45%						45% (90%)					10% (100%)		
Spring	45%					45% (90%)				10% (100%)				
Option 2														
Month	1				2				3				4	
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Summer	40%				40% (80%)							20% (100%)		
Autumn	40%					40% (80%)						20% (100%)		
Spring	40%				40% (80%)					20% (100%)				
Monthly (Statutory Guidance) - note this is not an option and is for illustrative purposes only														
Month	1				2				3				4	
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Summer	25%				25%(50%)				25%(75%)			25%(100%)		
Autumn	25%				25%(50%)				25%(75%)			25%(100%)		
Spring	25%				25%(50%)				25%(75%)			25%(100%)		