

## **Early Education Funding – PVI Headcount Dates and Interim Payments Terms 2024-2025 Academic Year Onwards**

### **1.0 Introduction**

- 1.1 In autumn 2017 when 30 hours funded childcare was implemented, the Government recommended that local authorities should pay providers monthly unless an alternative was agreed locally with the sector. Following a consultation at that time it was agreed that Lancashire would move to a 9 month payment model (i.e. 3 payments per term, paid in the first, second and third month of each term).
- 1.2 In 2020, due to Covid, Lancashire temporarily changed the payment terms to one large up front interim payment, with a final balancing payment later in the term. This was implemented to ensure providers received funding on time/in advance to support cash-flow at a time when numbers were exceptionally low.
- 1.3 In April 2021 a follow up consultation was undertaken to determine whether providers wanted to revert to the 9 month payment model or stay with the large interim/final balance payment model. The sector opted for the latter.
- 1.4 The current payment terms are detailed under section 2 below.
- 1.5 The Council has received recent feedback from a small number of nurseries and several childminders raising concerns about the current payment terms. This is a particular concern for providers due to the increase in numbers of funded children from April 2024 onwards, and the resulting decrease in 'private' income. Several providers are now requesting monthly payments.
- 1.6 Feedback suggests that the current payment terms provide challenges for some providers, particularly childminders, and especially childminders that are also in receipt of universal credit. The large interim payment up front means that they lose their universal credit entitlement the month the interim is paid as it takes them above the universal credit threshold.
- 1.7 In light of the expanded entitlements and feedback received the Council is consulting on future payment models. The options for consultation are detailed under section 3.

### **2.0 Current Payment Terms**

- 2.1 Under the current payment terms providers receive two payments each term which is made up of one large interim at the start of the term and a final balance payment towards the end of the term.
- 2.2 For most providers the interim payment is estimated as a percentage of the previous terms actual headcount hours claimed, followed by a balancing payment based on the 'actual' headcount hours claimed for the current term. Table 1 below outlines the payment details for each term.
- 2.3 A small number of providers (i.e. all childminders, and any other provider that did not make a headcount claim in the previous term headcount claim new providers), currently have the option of submitting their own estimate of hours for the current term via the on-line Provider Portal. Where an estimate is provided, payments are made as outlined in table 2 below.
- 2.4 Although the contractual payment dates are currently the 15<sup>th</sup> of each month for interims and the 10<sup>th</sup> of each month for final balances, the Council has released

payments ahead of these deadlines for several years now, and ordinarily the funds are cleared in provider bank accounts by the end of the prior month they are due to be paid.

*Table 1: Current Payment Terms (based on previous terms headcount hours)*

<b>Term</b>	<b>Interim Payment</b>	<b>Interim Payment Period</b>	<b>Interim Payment Dates</b>	<b>Balancing Payment Date</b>	<b>Balancing Payment Period</b>
Autumn	60% of summer headcount	3 months September to November	15 September	10 December	December
Spring	60% of autumn headcount	2 months January & February	15 January	10 March	March
Summer	90% of spring headcount	3 months April to June	15 April	10 July	July & August

*Table 2: Current Payment Terms for Childminders and Providers with no previous term's headcount claim*

<b>Term</b>	<b>Interim Payment</b>	<b>Interim Payment Period</b>	<b>Interim Payment Dates</b>	<b>Balancing Payment Date</b>	<b>Balancing Payment Period</b>
Autumn	75% of provider estimate	3 months September to November	15 September	10 December	December
Spring	60% of provider estimate	2 months January & February	15 January	10 March	March
Summer	75% of provider estimate	3 months April to June	15 April	10 July	July & August

### **3.0 Options for Future Payment Models**

#### *3.1 Option 1: One interim and one final balance payment each term*

- Providers would continue to receive a large interim and a final balance payment each term.
- All providers would be invited to submit an estimate of hours via the on-line Provider Portal and the interim calculation would be based on the provider's estimate rather than the previous terms hours. Please refer to point 3.4 below for more detail on this.
- Supplementary claims would open after final balance payments had been processed.
- Option 1 payment terms are detailed under table 3 below.

*Table 3: Option 1 – One interim and one final balance*

Term	Interim Payment Details	Interim Payment Period	Interim Payment Dates	Balancing Payment Date	Payment Period
Autumn	75% of provider estimate	September October November	07 September	07 December	December
Spring	70% of provider estimate	January February	07 January	07 March	March
Summer	75% of provider estimate	April May June	07 April	07 July	July & August

### 3.2 Option 2: Providers receive 11 payments per year.

- Providers receive monthly payments from September to July.
- Providers would not receive a payment in August.
- This model ensures term time only settings are paid the summer term funding before closing for the 6 weeks holiday.
- Supplementary claims would open as soon after the final interim payments had been released which means supplementary claims processed could be included with the final balance payments.
- Option 2 payment terms are detailed under table 4 below.

*Table 4: Option 2 - 11 months payment model*

Term	Interim Payment Details	Interim Payment Period	Interim Payment Dates	Balancing Payment Date	Payment Period
Autumn	25% of provider estimate 25% of provider estimate 25% of provider estimate	September October November	07 September 07 October 07 November	07 December	December
Spring	35% of provider estimate 35% of provider estimate	January February	07 January 07 February	07 March	March
Summer	25% of provider estimate 25% of provider estimate 25% of provider estimate	April May June	07 April 07 May 07 June	07 July	July & August

### 3.3 Option 3: Pay providers 12 payments per academic year.

- Providers receive monthly payments from September to August.
- This model means that term time only settings would not get paid all the summer term funding before closing for the 6 weeks holiday, as final balances would only be paid on the 7 August.
- Supplementary claims would open as soon after the final interim payments had been released which means supplementary claims processed could be included with the

final balance payments. However as there is an extra interim in the summer term it means any supplementary claims processed could only be included with final balance payments on the 7 August.

- Payment terms for option 3 are detailed under table 5 below.

*Table 5: Option 3 - 12 months payment model*

Term	Interim Payment Details	Interim Payment Period	Interim Payment Dates	Balancing Payment Date	Payment Period
Autumn	25% of provider estimate 25% of provider estimate 25% of provider estimate	September October November	07 September 07 October 07 November	07 December	December
Spring	35% of provider estimate 35% of provider estimate	January February	07 January 07 February	07 March	March
Summer	20% of provider estimate 20% of provider estimate 20% of provider estimate 20% of provider estimate	April May June July	07 April 07 May 07 June 07 July	07 August	August

3.4 The following would apply to all 3 options detailed above:

- All providers would be invited to submit their own estimates of hours each term, and the interims would be calculated using the providers estimate rather than the previous term's headcount hours.
- If a provider failed to submit an estimate of hours, the interim would be based on the previous term's actual headcount hours, using the same % that is used for provider estimates.
- If a provider failed to submit an estimate and had not claimed in the previous term, the provider would not receive any interim payments that term and would have to wait until final balances were paid.
- All providers would still need to submit their actual headcount claims and supplementary claims as normal.
- Payment dates would be brought forward to the 7<sup>th</sup> of each month for interims and final balances instead of the 15<sup>th</sup> and 10<sup>th</sup> as it is currently.

## 5.0 Proposal

- The county council is proposing to implement option 2 to ensure that term time only settings are not paid in arrears in the summer term, and to also ensure that supplementary claims can be processed as quickly as possible in the summer term.

## 6.0 Consultation Questions

- Please state if you agree with the county council proposal to move to an 11-month payment model? Yes/No

If you do not agree with the county council proposal to move to an 11 month payment model please state which option you would like the council to implement:

- Option 1 – Pay provider one interim and one final balance payment.
- Option 3 – Pay providers monthly from September to August (12 payments)

5.2 To let us know your views, please complete the e-form available [HERE](#).

5.3 Responses must be received by [TBC](#).

## **6.0 Next Steps**

6.1 Consultation responses will be used to inform the final decisions for the future early education funding payment terms, which will be agreed through Schools Forum.

6.2 Any changes agreed would then be implemented from September 2024.

**Mel Foster**

**Operational Delivery Lead – Early Years Funding & Sufficiency**

**February 2024**