

Practice guide

Education & Inclusion

Early Years: provide-led, flexible payments

Lancashire

Background, Purpose & Rationale

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 nine-month payment model (i.e. three payments per term, paid in the first, second and third month of each term). 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. In April 2021, a follow up consultation was undertaken to determine whether providers wanted to revert to the nine-month payment model or stay with the large interim/final balance payment model. The sector opted for the latter. In spring term 2024, the Council received feedback from a small number of nurseries and several childminders raising concerns about the payment terms. This was 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 started to request monthly payments. Feedback suggested that the payment terms provided challenges for some providers, particularly childminders, and especially childminders that were in receipt of universal credit. The large interim payment up front means that they lose their universal credit entitlement the month the interim was paid as it took them above the universal credit threshold. Considering the expanded entitlements and feedback received, the Council undertook a consultation during March-April 2024 on the future payment models.

What we did to listen to providers and manage payments?

Under the payment terms prior to the consultation providers received two payments each term which was made up of one large interim at the start of the term and a final balance payment towards the end of the term. Three options were given within the consultation; Option One: One interim and one final balance payment each term; Option Two: Providers receive 11 payments per year or Option Three: Pay providers 12 payments per academic year. *(More detail and tables around the three options can be found in the resources section: appendix A)*

The following would apply to all three 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 7th of each month for interims and final balances instead of the 15th and 10th as it is currently.

What was the choice made? How was this decision made?

Through the analysis of the consultation, (more found in the resources section), it was decided that two options would be given, and providers could make a choice: Option One- Monthly Payments September to August or Option One – One Interim and One Final Balance Payment Each Term. The following applied to all providers:

- All PVI providers and childminders will be asked to submit an estimate of hours each term, via the Provider Portal.
- The interim payments will be calculated using the providers estimated hours and based on the percentages detailed above.
- If a provider does not submit an estimate of hours, the interim will be calculated using the previous term's actual headcount hours.
- If a provider does not submit an estimate and has not claimed in the previous term, it will not be possible for the County Council to calculate interim payments, and the provider will have to wait until final balances are paid.
- Interims will be paid to all providers on the 7th of the month.
- Final balances will be paid to all providers on the 7th of the month, in the last month of the term.
- The Early Education Funding Team will process payments seven-eight working days before the contractual payment dates to ensure payments can be actioned through the Council's Accounts Payables Team and cleared in providers bank accounts by the contractual deadlines. This does mean payments may be received a couple of days early, however this cannot be guaranteed or helped.
- Supplementary claims will be processed in date order received and included in either the final balance payments, or weekly payment runs thereafter.
- Prior to September 2024, the County Council released payments as soon as the interims and final balances had been processed, so often providers received their payments two-three weeks ahead of the contractual deadline. From September 2024 payments will be processed in line with the agreed contractual deadlines as detailed above (i.e. on the 7th of each month).
- All providers will still need to submit their actual headcount claims and supplementary claims as normal.

Resources

[Appendix A 2024 interim options](#)

[Analysis of responses](#)

[EEF Payment Terms September 2024 Onwards](#)

Find out more Contact

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