

**Early Years Budget Share Proposed consultation**

*Report of the Director of Children's Services*

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**1. Purpose**

- 1.1 To seek the approval of Forum regarding consulting Early Years providers about the budget share process for financial year 2019/20.

**2. Summary**

- 2.1 The paper details the areas that we propose to consult providers on for the financial year 19/20.

**3. Recommendation**

- 3.1 Schools Forum is asked to allow a consultation with all early education providers through an online survey to be held during December/January 2018/19 which will be open for approximately 4 weeks.

**4. Background**

- 4.1 Changes were made to the budget share process for the financial year 18-19 and approved by schools forum in February 2018. Since then we have been reviewing processes and want to ensure there is enough time to work through new proposals before the new Financial Year (FY) and allow all providers the opportunity to feedback. A meeting was held with 11 providers in early September who had shown an interest in contributing to discussions on finance for early years as a starting point to capture any issues.

**5. Items that will be consulted on**

- 5.1 Monthly Budget Share instalments

As per agreement with Schools Forum in February 2018 budget share estimates were made based on Spring 2018 data only and then annualised

to be approximately 87%, which was then split into equal monthly payments over the FY. This scaling was to cover fluctuations in numbers of children, with the rationale being that providers should receive an extra payment when they submit a funding return instead of a clawback (which many did not understand). However feedback so far this year has been:

- In Summer 2018 it was around a 50-50 split of who received an extra payment on submission and who received a clawback and in Autumn 60-40 split. This led to a huge number of queries from providers not understanding how the clawback had been calculated.
- An equal monthly payment does not work for the standard 38 week delivery model as the hours are not delivered equally over all months of the year. This meant some providers saw larger than expected clawbacks in the Summer. Whilst these were accurate it did make future budgeting more difficult to understand.
- Childminders, who had not been paid monthly before, were confused by the new setup and struggled to consistently understand why adjustments were made to monthly payments upon submission of a funding return. Most were keen to be paid in full on submission.

## 5.2 Proposed changes for FY 19-20

5.2.1 Funding for 19-20 will be based on the Part Time Equivalent (PTE) numbers for Spring 19 then scaled to be 10% lower. For example where the PTE in Spring 19 is 20, the funding for 19-20 will be based on 18 PTE – this is to allow for a small fluctuation in numbers and also ensure there is a monetary incentive to submit the funding return in a timely manner. ***(Detailed example shown at the end of the document as Appendix 1).***

5.2.2 Monthly payments will be weighted in each funding period to minimise the risk of being overpaid in any one period based on the budget share estimate. To achieve these payments will be weighted as following:

### **Summer funding period**

- April 4% up-front payment followed by a 6% monthly instalment
- May, June, July and August will be further 6% instalments
- Overall this equates to 34% of the funding. As the 38 week offer is 195 hours in the summer this is 34.2% of the overall hours a child could receive per scheme limit (570) – so the budget share amount allocated reflects almost the same amount. ***In FY 18-19 the provider would have received 44% of their yearly allocation hence the issue with overpayments.***

### **Autumn funding period**

- September, October, November and December will be 9% instalments
- Overall this equates to 36% of the funding. As the 38 week offer is 210 hours in the Autumn this is also 36.8% of the overall hours a

child could receive per scheme limit (570) – so the budget share amount allocated reflects almost the same amount. In FY 18-19 the provider would have received 32% of their yearly allocation

### **Spring funding period**

- January, February and March will be 9.5% instalments
- Overall this equates to 28.5% of the funding. As the 38 week offer is 165 hours in the Spring this is also 28.9% of the overall hours a child could receive per scheme limit (570) – so the budget share amount allocated reflects almost the same amount. In FY 18-19 the provider would have received 24% of their yearly allocation

5.2.3 How clawbacks (or reconciliations) are made. Should these be made on the:

- Next available payment to providers (monthly)
- Spread out over a number of future payments in the same funding period (subject to system being setup to do this)
- Applied to final monthly payment in each funding period (this may mean a significant negative balance could carry forward to the following funding period)

5.2.4 Ask childminders whether they want to be removed from budget share, this would mean they would be paid based on submission of their funding return each funding period so would be around 5 weeks into each period. If they were to remain in budget share then a minimum monthly payment of £1,000 would be required to put them on budget share and have had children in every funding period in 18-19.

5.2.5 Deprivation funding which is currently based on IDACI, whilst there are ideas on this we are not planning to change this for FY 19-20, but this will be reviewed and proposals put forward to Schools Forum for FY 20-21.

## **6. Next Steps**

6.1 Survey to be held in January/February 2019

After the survey closes the responses will then be analysed and the final proposals for the new financial year will be brought back to Schools Forum in February 2019 for final sign off and implementation.

If anyone requires any further detail on the proposals please contact [fee@hertfordshire.gov.uk](mailto:fee@hertfordshire.gov.uk)

## Appendix 1 – Example of financial allocation for FY 19-20

### Example of proposal, based on PTE of 30 children in Spring 19

Spring 19	Summer 19	Autumn 19	Spring 20	
30 pte across FEE schemes	<i>Estimate scaled lower by 10%</i>	<i>Estimate scaled lower by 10%</i>	<i>Estimate scaled lower by 10%</i>	
PTE	<b>27</b>	<b>27</b>	<b>27</b>	
Total hours	195	210	165	
Payment rate	£ 5.05	£ 5.05	£ 5.05	<b>Amount due if 30 PTE over FY 19-20</b>
<b>Total funding required</b>	<b>£ 26,588.25</b>	<b>£ 28,633.50</b>	<b>£ 22,497.75</b>	<b>£ 77,719.50</b>
Funding split	<b>34%</b>	<b>37%</b>	<b>29%</b>	

	Summer 19	Autumn 19	Spring 20	
<b>Budget share payments for above based on 27 PTE and £5.05 rate</b>	<b>4% in April, followed by 6% instalments</b>	<b>9% instalments in Autumn</b>	<b>9.5% instalments in Spring</b>	
Funding split	<b>34.0%</b>	<b>36.0%</b>	<b>28.5%</b>	<b>Total Budget share for FY 19-20</b>
<b>Total funding allocated</b>	<b>£ 26,424.63</b>	<b>£ 27,979.02</b>	<b>£ 22,150.06</b>	<b>£ 76,553.71</b>
<b>variance from actual</b>	<b>£ 163.62</b>	<b>£ 654.48</b>	<b>£ 347.69</b>	<b>£ 1,165.79</b>

As you can see in the above model, the funding has been more evenly distributed in the year to minimise large clawbacks in the summer. Also as it is focussed on PTE, this means if you know your PTE in Autumn will be less than the 27 PTE you are receiving funding for, you would be expecting to receive a clawback and on the other side if your PTE forecast for the funding period was over 27 PTE you would expect an additional payment to be made after funding return submission.