

MEETING TITLE AND DATE:
Operational Report

REPORT OF:
Executive Director of People

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Agenda – Part:	Item: 5
Subject: Outcome from the consultation to transfer from termly to monthly payments for early education funded places	
Cabinet Member consulted:	

1. EXECUTIVE SUMMARY

- 1.1 This report summarises the outcomes from the public consultation regarding the option to transfer from termly to monthly payments for the private, voluntary and independent sector who offer funded yearly education places. The consultation took place during summer 2018 and 43 responses were received.
- 1.2 The consultation was conducted in partnership with the CREST service and made available via the Enfield website. The consultation was also actively shared with all Private, Voluntary and Independent (PVI) sector providers in the borough.
- 1.3 There were a low number of responses to the consultation and those received expressed a preference for remaining with a termly funding arrangement.
- 1.4 This report proposes that there is further engagement with local PVI, with a view to rolling out monthly payments for the sector by September 2019.
- 1.5 The LA will achieve this as described below in the recommendations and through feeding back on the implementation of this system by other Local Authorities.

2. RECOMMENDATIONS

- 2.1 It is recommended that the LA takes the following actions:
 - liaise and visit other local L/As who have introduced monthly payment (Barnet and Hertfordshire) liaise and visit L/As (Haringey and Lambeth) who have started a monthly pilot.
 - In January 2019 start a monthly pilot with the 12 PVI providers who volunteered during the consultation
 - From April 2019 schools with nursery provision (who already have monthly payments) to use the Provider Portal for funding
 - Work with the IT team for the Synergy update v18.3 including accessing the final module for 30 hours for parents - Parent Portal (ENROL) which was still in development in 2017 when the main 30-hour module was purchased
 - Further engagement with local PVI, with a view to rolling out monthly payments for the sector by September 2019.

3. Update for School's Forum

- Contact has been made with other local L/As who are in the process of introducing monthly payments including a site to Ealing L/A who introduced this system in April 2018

- A presentation for the introduction of monthly payments has been made to School Business Managers in November 2018 with an offer of a site support visit during the spring term
- All schools with nurseries are now set upon Synergy Provider Portal and some requesting multiple users (max of 3 per school) logins for Synergy the Provider Portal
- As part of the Provider Portal schools will need to confirm that they are compliant with the DfES's 'Early education and childcare Statutory guidance 2018'
- PVIs who indicated during the formal consultation that they were interested in becoming part of the pilot are being contacted with a view of starting the pilot in Spring 2019
- Preparations are being with Enfield's IT team to allow a monthly pilot from Spring 2019 for a group of providers to start
- A timetable for the monthly claims and payments for 2019 is being developed along with a simple users guide and flow chart
- Timetable and guide with flow chart will to be sent out to all schools during spring term to ensure that they are prepared for the changes as from April 2019 In line with the DfE 's statutory guidance of offering 38 weeks of 15 hour early years education(520 hours per year) all nursery child need to be accessing their full entitlement by the September 2019 headcount date
- Update to the PVI forum in March 2019

4. **BACKGROUND**

Enfield Council currently passports DfE funding to our Early Years providers of up to £25m per annum to enable them to deliver Early Years Education as part of the Government's free entitlement offer to parents. In spring 2018 all Local Authorities were asked by the Government, on behalf of the DfE, to consult on the timeliness of payments these to providers. The Government preference was that payments should be made monthly, rather than on a termly basis. The Government's spending review for 2020 has indicated that its current funding methodology for Early Years Funding is likely to be reviewed and revised.

Enfield's current payment model (termly): Using the Enfield Childcare Portal by the beginning of each term providers send in an estimate of the number of funded hours they will be offering during the term.

Enfield's School and Early Years Improvement Service's (SEYIS) Project Team then makes a payment of 60% of this termly estimate by the end of the third week of each term.

The risk to the LA is if the estimated hours are significantly higher than the confirmed actual hours then the LA will have overpaid the Provider. This overpayment will need to be recovered later assuming that the provider is still operating.

By the third week of term providers must send in the actual names and the number of funded hours that they anticipate will be accessing provision during the term. This payment known as 'Actuals' and the additional 40% is paid by the end of the half term of each term. During the term approximately 200 children start or leave a provision and these are known as 'Adjustments' with individual payments having to be made. The termly payment model does include provision for additional funding as new children start, but risks recovering over payments from providers. This method does provide the L/A with a level financial risk and is not in line with the Council's principle of paying for services after they have been delivered.

School Nurseries

School nurseries already receive monthly payments for their nursery children including 2,3-4 and 30 hours. These payments are processed by the Local Authority's Finance Team. With more parents using both schools and PVI for their funded provision there is a need to consolidate the system for making the funded payments, as this will provide a more robust system.

The Provider Portal will also allow schools to add children who start mid-term and will also allow schools to manage the data on the Parent Portal without having to contact the School's Finance team when new children start. In order to achieve this outcome all schools with nursery provision need to be set-up on the Provider Portal, although most schools will already have access to this. Payments to schools will still be processed by the School's Finance team and during the spring term schools will be provided with the Funding Calendar for the year.

The impact of the current payment system for children who start the term at a PVI but then transfer to a school nursery is that the funding is not split between the two settings and is only paid to the school. If a child leaves a school nursery mid-term and transfers to a PVI no payment can be made until the next term.

For some providers parents do not inform them that the child has appeared on a school's termly headcount and thus a provider admits a child in good faith but does not receive this universal payment.

Proposed payment model (monthly): This would involve the LA paying for Early Years Education funded places on a monthly, rather than termly basis. Providers would only need to inform the Council about actual children attending for funded provision.

No payment would be made in August with a total of 11 payments each year. Using this method there is no risk of payments being made by the LA based on estimates. In some L/As, such as Ealing, schools have also been transferred to this payment methodology for all funded provision.

The Consultation also asked for providers to volunteer to become part of a pilot to trial the monthly payment scheme. As only 12 providers agreed to be part of this pilot this would not provide sufficient numbers for this to start in Spring 2019; however, the LA would propose to run pilot during the Spring Term.

Responses to the consultation

By the end of the period 43 (15%) of the 227 Enfield Childcare providers had made a response.

From these:

- 14 (33%) agreed with moving to monthly payments
- 27 (62%) preferred to remain with the existing termly method
- 2 responses (5%) had no preference

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 No change – continue with termly payments. This may not be possible in the long term, due to Government pressure to move to monthly payments, a process which is already being undertaken by a number of neighbouring boroughs.

5. REASONS FOR RECOMMENDATIONS

The Government has expressed a preference for Local Authorities to pursue a monthly payment scheme. It is possible that the Government spending review (to be implemented by 2020) will negatively impact on the Local Authority if a move to monthly payments has not been achieved.

The process of providing termly payments based on the provision of estimates carries a significant financial risk to the Local Authority – 60% is currently paid upfront. This is because there is potential for the LA to overpay providers at the start of the term and rely on repayment plans when this occurs. If a provider subsequently goes out of business, the LA will incur further costs in trying to reclaim the funds.

The public consultation did not provide a sufficient number of responses to be conclusive and those it did generate expressed a preference for remaining with termly payments.

Therefore, this report proposes to carry on paying termly payments in the short term, with a view to implementing a monthly payment scheme by September 2019 across both the PVI and school sectors. This will allow time for further engagement with local providers and an opportunity to learn from other LAs, which have already implemented the change.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

The Schools and Early Years Improvement Service has consulted with Education Finance Manager, Head of Admissions, Resources & Development Manager and relevant Business Systems Architect.

6.2 Legal Implications

Not applicable.

6.3 Property Implications

Not applicable.

7. KEY RISKS

The process of providing termly payments based on the provision of estimates carries a significant financial risk to the Local Authority – 60% is currently paid upfront. This is because there is potential for the LA to overpay providers at the start of the term and rely on repayment plans when this occurs. If a provider subsequently goes out of business, the LA will incur further costs in trying to reclaim the funds.

8. IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

8.1 Good homes in well-connected neighbourhoods

The provision of funded early education will contribute to addressing both the 'narrowing the gap' and the child poverty agendas and will promote resilience in Enfield's families. Services are made available in various community settings to ensure that neighbourhoods are well-connected.

8.2 Sustain strong and healthy communities

Equipping children with the skills required to start school will allow them to benefit from the educational opportunities on offer and to further their life chances as they grow towards adulthood.

8.3 Build our local economy to create a thriving place

Families are supported by these services to improve life chances and access appropriate opportunities, leading to positive outcomes.

9. EQUALITIES IMPACT IMPLICATIONS

An EQIA has not been undertaken as this report proposes that services are sustained in their current form to continue to meet existing levels of need.

10. PERFORMANCE AND DATA IMPLICATIONS

None.

11. HEALTH AND SAFETY IMPLICATIONS

Not applicable.

12. HR IMPLICATIONS

Not applicable.

13. PUBLIC HEALTH IMPLICATIONS

Not applicable.

Background Papers

APPENDIX A – PUBLIC CONSULTATION ON MONTHLY PAYMENTS TO EARLY YEARS PROVIDERS (SUMMER 2018)

BACKGROUND

The Department for Education's Early Education and Childcare Statutory Guidance for Local Authorities, published in March 2018, states that all councils (that is 'Local Authorities') should move towards making monthly payments for funded childcare.

'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'.

CURRENT PAYMENT METHOD

Estimates

At the beginning of each funding period, *providers* receive a payment from our Early Years' Service equivalent to a percentage of their estimated hours (usually 60%) for that funding period, dependent on the timing of the 'headcount day' and the anticipated payment date. The funding periods offers are listed in the table below (see Table 1).

Table 1

Funding period	Time of year
Summer	April - July (inclusive)
Autumn	September – December (inclusive)
Spring	January – March (inclusive)*

* When Easter is late in the year, the Spring funding period will end within April.

Actuals

The *actual* figure is provided from the headcount which is carried out, at least, on a termly basis. We publish and notify providers of future headcounts dates.

The autumn October headcount date takes place on the third Thursday in October, one week after the Maintained Sector's headcount date, to allow providers the opportunity of filling vacancies from their waiting lists of Eligible Children to replace children who have moved as part of the staggered admissions into a maintained school.

Adjustments

During the term appropriately 200 children start or leave a provision and these are known as 'Adjustment' and individual payments have to be made. The termly payment model does include providing additional funding as new children start but at times recovering over payments from providers. This method does provides the L/A with some financial risk and is not in line with the Council's principle of paying for services after they have been delivered

Schools and Early Years Project Team role

- Each term *providers* send in numerous additional adjustments for children who have started or left during a term
- These adjustments can be an issue due to incorrect *estimates* or *actual* data submissions
- This can lead to us needing to recover over-payments
- There is no time limit for *providers* being able to make retrospective claims for children who were not included in previous terms submissions even from previous financial years
- There is no requirement for a *provider's* spring headcount and Census returns to be consistent

Details of the monthly proposal

This would involve us paying for early years education funded places on a monthly, rather than termly, basis. *Providers* will only need to inform us about *actual* children attending for funded provision. No payments will be made in August making a total of 11 payments each year.

What monthly payments could mean to providers

Table 2 below summarises the annual payment cycle for funding the free educational places.

Further details of our proposal:

- *Providers* will only need to inform us about *actual* children attending for funded provision
- The submission window will be open for at least ten working days at the start of each month. During this time providers will be required to review or populate how many hours and weeks they are claiming for each child
- Once submissions are completed and if there are no negative data entries or other anomalies, payments will be released by us on the 25th of most months. This provides three days for funds to reach Providers accounts by the target date 28th of each month
- The exception to this schedule will be December when the payments will be released on the 21st of the month
- The monthly module assumes a 38-week model and does not including school holidays, apart from the first May Day Bank Holiday
- We will inform providers annually of the maximum number of weeks that can be claimed for each month, for example:
 - April is a 2-week month due to Easter holidays, so *providers* will be claiming a maximum amount of 15hrs/30hrs x 2 weeks. For months when there are no holidays these will comprise of 4 weeks

- No payments will be made in August due to the holidays period. Thus, a total of 11 payments each year

PROPOSED ANNUAL FUNDING FOR FREE EDUCATIONAL PLACES FOR TWO, THREE AND FOUR-YEAR OLDS SCHUDULE

Table 2

	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Portal month	1	2	3	4		5	6	7	8	9	10	11
Payment weeks	2	3	4	4		4	3	4	2	4	4	4
Portal open	01/04	01/05	01/06	01/07		01/09	01/10	28/11	28/11	01/01	01/02	01/03
Portal closed	15/04	15/05	15/06	15/7		15/09	15/10	15/11	13/12	3rd Thurs	15/02	15/03
Payment report downloaded	21/04	21/05	21/06	21/07		21/09	21/10	21/11	15/12	21/01	21/02	21/03
Payment released	25/04	25/05	25/06	25/07		25/09	25/10	25/11	21/12	25/01	25/02	25/03

* Figures for April may be adjusted yearly depending on the date of the spring/Easter Holiday.

If the change is made to move towards monthly payments, we will require time to fully implement the change. It is proposed the changes are implemented on 1 April 2019. This provides sufficient time for a 12-week consultation period and then, if agreed, a six-month implementation timescale, that will enable us to ensure:

- A group of *providers* participate in a pilot monthly payment trial before the system is rolled out across the Borough
- We can provide training and technical support to providers to support these changes during the autumn and spring terms
- We can support providers who may have financial issues with these changes. This may be through making available an Advance Application Fund to enable providers to access a one off advanced payment during the transitional period. The advance payment will then be paid back by reducing the monthly payment by an agreed amount and period. Providers wanting to make an application will need to submit the forms in advance of 1 April 2019 and include details of how they intend to adapt to the new monthly funding arrangements, as well as confirm their plan for the repayment of this advanced payment

Our considerations

Similar to some other council, we use the Synergy software product for the collection and payments of funded childcare. In Spring 2018, the additional '30-hour' module was purchased and during the past four months we have been working to ensure these new programmes are fit for purpose; Until these systems were embedded, we were not able to consider engaging with childcare providers for a 1 September 2018 implementation date. We propose moving to monthly payments for all providers by 1 April 2019.

During the past four months the Early Years Team has been intensively working with the Enfield Early Years Childcare Portal (EYC Provider Portal) to:

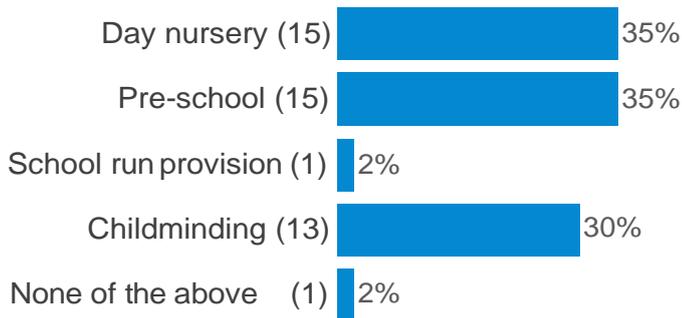
- Ensure all outstanding issues have been resolved
- Upgrade the software and allow Enfield to move towards monthly payments

In developing our proposal, our key objectives were to:

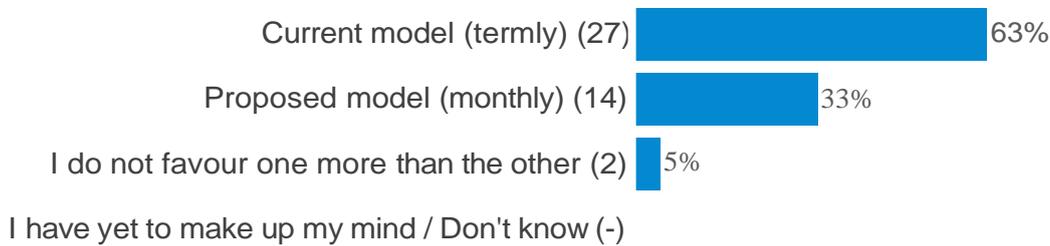
- Minimise the risk of overpayments and underpayments
- Ensure we have the capacity to move towards a monthly payment model for early education funded places
- Minimise the impact on administrative processes for the sector and ourselves
- Ensure providers are not disproportionately financially affected by any changes
- Be consistent with both our Digital Strategy and Corporate Plan

3.2 Consultation outcomes

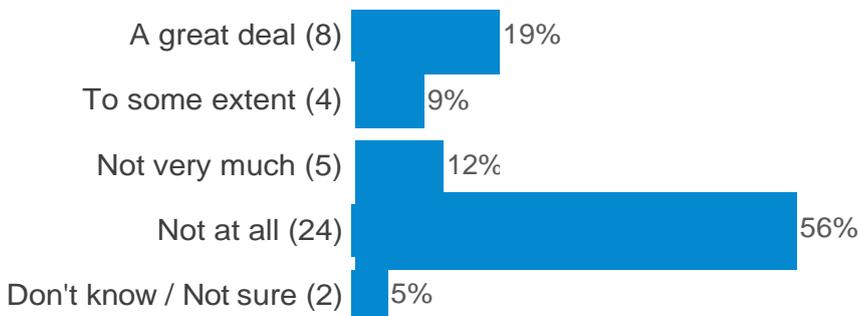
Which of the following best describes the service you provide?



What is your preferred payment model?



To what extent do you think the new proposal could have a positive impact on your business/organisation?



Please explain why you think this could have a positive impact on your business?

I think I prefer the monthly payment so that is clear how much payment I would be receiving for each child. find it tedious having to work out figures for families where they have a balance to pay.

Payments calculations will be easily to plan for the year for both myself and patents. .

It will be far better to have payments on a monthly basis, as it will be consistent on our accounts and easier to keep a steady income. The new model will allow the nursery to keep on top of the budget and easily allocate payments per month.

It would allow me to be able to better forecast my incomings and will make it easier for me to understand what is expected as it will be given monthly.

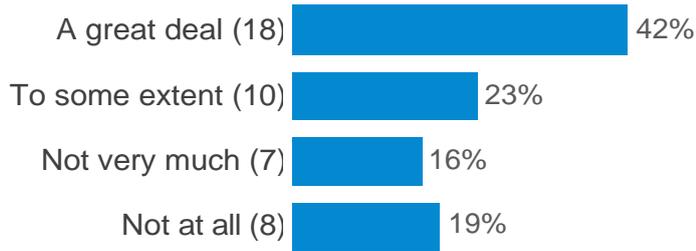
It would probably make accounting easier as I bill parents on a monthly basis. This is, of course, provided payment is made promptly and IN ADVANCE. If this is not the case, then I would not be happy with the proposal. We all have bills to pay and it would be imperative that payments from the Council could be relied upon.

It would have positive impact on my business as it would allow me to continue working without running into financial difficulty as this is currently the case. The late payments mean I have to borrow money to continue to meet overheads.

It will be easier to budget and pay my bills

Receiving monthly payments will be in line with other childminding fees, and will therefore make it easier to manage my finances and plan ahead for my business.

To what extent do you think the implementation of the new proposal could have a negative impact on your business?



Please explain why you think it could have a negative impact on your business?

Due to the two members of the Early Years team that could and did help with any frequent funding

problems leaving the employment of Enfield Council I am still trying to sort out over payments for the spring and summer term even though I provided the requested data at the correct time and in the way requested. I am still battling to get accurate help as I have a mix of people giving me suggestions and no direct answers to my questions. The problems have only increased with the increased reliance on the provider portal with the introduction of the additional 15 hours. I cannot see that when I get problems in the future I am ever going to be up to date with accurate payments. I still have to pay staff during August so I had presumed monthly payments meant 12 payments the same as staff wages. 11 payments immediately create problems for small providers.

cash flow

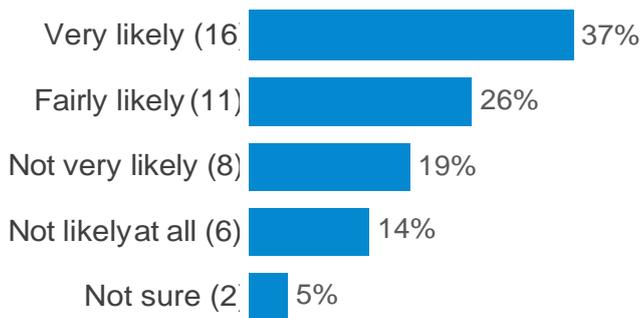
Most if not all our business is done termly, so to change would cause many problem, and if it is working why change it.

Extra administrative burden and extra financial costs as a result. Additional pressure due to 11 deadlines rather than 3.

Our business operates 38 weeks a year, i.e. term time and we find this works well for our settings and would not like to change to monthly. The impact on our business by receiving monthly payments would need us to have more full time staff in view of the increased workload as we operate from hired premises and have to vacate the premises by 4.00pm. This would undoubtedly have a detrimental effect on our business.

Will need to spend more time dealing with funding which will have a negative impact on the quality of the setting. We operate term time only; our business model is set up for term time so current payment works very well. Changing the payment structure will mean changing will mean changing the whole structure of our business. Preschools and nurseries are already overloaded with paperwork if monthly payments are introduced it will make our jobs a lot harder and a lot more time-consuming. Current pay structure works very well no need to change

How likely is it that your business will face additional financial challenges if the proposal is implemented?



Please explain why you think it could have a negative impact on your business?

It would be much more work.

Will involve more work every month

More time consuming to implement and more likely to make mistakes that could lead to loss in funding.

The whole process is very time consuming. To make it monthly would increase the time factor a great deal. This would impact on the general running of the Nursery in every way

Extra work to be done each month implementing info rather than just every term.

It will have a negative impact as it takes a long time to input the children's details on the provider portal just once a term so to do this monthly would mean spending more time on the portal and less time with the children.

It will involve further administrative duties which are already a huge burden. It will have an impact on paying additional administrative hours. It will have a negative effect on cashflow. It will give parents less flexibility with regard start dates.

It would be extremely time consuming if we had to submit claims monthly, especially with the 30 hours. At a recent forum held by LB Enfield the general consensus identified that most providers thought monthly payments would be onerous and this was NOT welcomed by day nurseries or preschools. Although it was recognised that it might be of financial benefit to childminders.

More staff time spent reconciling on a regular basis and submitting information online far more frequently if we move to monthly Far easier to budget, cost control and plan ahead when you know your termly funding amount/revenue Current termly model is far easier to manage with or without adjustments Current system works well operationally from a providers point of view, no reason to change it

It would take too long to keep inputting details every month to get paid, much simpler if it is done termly

It will mean more administrative work for me having to keep processing on a monthly basis.

I feel i would have make adjustments for paying bills

An increase in administration time and costs which will have a negative impact on the nursery provision. Another deadline to add to the several that already have to be met will cause an even bigger increase the workload for the manager.

Increased financial burden in completing monthly input. Increased amount of time completing admin

It will be an extra administration burden with extra financial costs as a result, also additional pressure due to having eleven deadlines instead of the original three.

Extra administrative burden and extra financial costs as a result

If you have any suggestions on how we could minimise this potential negative impact, let us know.

Make the system more straight forward to use and automatically remember information so that it doesn't have to be re-inputted.

Leave things as they are

Continue with the current system.

Leave things as they are, why fix it if it's not broken!

Stick to termly model. It works very well for the providers.

KEEP IT AS IT IS.

Not having to log in and process on a monthly basis UNLESS there has been any changes

keep the current format

Keep the payment system as it currently is. Monthly may suit childminders who only have comparatively few children but it would be a huge problem for nursery providers.

Keep to termly payments as only 3 lots of input rather than 11

Please keep to the current system of three deadlines it is so much better than eleven and will reduce admin time and costs.

Keep current system as 3 deadlines better than 11 and will reduce admin time and costs

Monthly payments has to mean monthly payments. Having one person responsible for helping a group of settings would help when the problems happen.

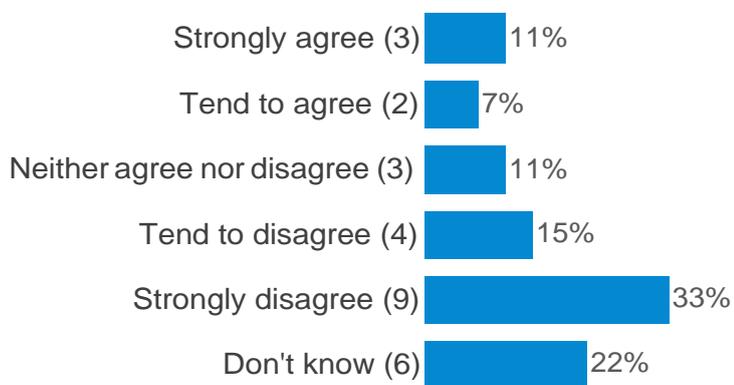
deposit before any changes made.

Keep to current system

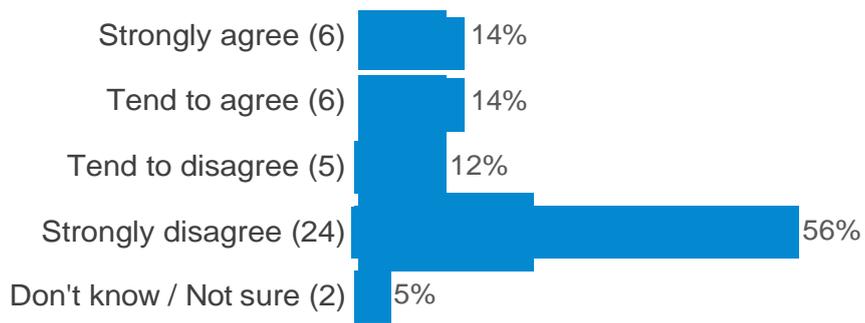
do not change current pay structure

Information: *We can support providers who may have financial issues with these changes. This may be through making available an Advance Application Fund to enable providers to access a one-off advanced payment during the transitional period. The advance payment will then be paid back by reducing the monthly payment by an agreed amount and period. Providers wanting to make an application will need to submit the forms in advance of 1 April 2019 and include details of how they intend to adapt to the new monthly funding arrangements, as well as confirm their plan for the repayment of this advanced payment.*

Question: To what extent do you agree or disagree the Advanced Application Fund will be helpful in addressing issues you may face if the proposal is implemented?



To what extent do you agree or disagree the proposal will be less of an administrative burden to your business than that you currently experience in administering termly payments?



Do you have an alternative proposal you would like to share with us?

Yes (7)  16%

No (36)  84%

Let us know your alternative proposal.

Leave it the same as it is now.

Keep the system as it is. It may not be perfect but it is far better than the proposed change to monthly payments. We are already overburdened with admin please don't add to that pressure.

Leave the system as it is

Leave it as it is!

stay as it is OR provide 12 monthly payments OR have someone would could support and sorted, not added , to our frustrations when problems occur.

leave it as it is

If you have any other comments you would like to make but you feel you have not had the opportunity to do so elsewhere in this questionnaire, let us know.

I do not wish to change to a monthly payment system due to my already huge workload and would result in even more time away from the children in my care.

I have a setting in Hertfordshire and have been receiving monthly payments from them as they joint the proposal in September 2017. I find that this works so much better and I am able to forecast and understand payments that are due more clearly. Thanks

We have enough paperwork to deal with. Will we have to input children every month or will they stay in the system and we just have to add new children.

We have only had one academic year to get to grips with the 30 hours and it would be an unwelcome change now.

Please implement this proposal as soon as possible

I would like to stay with the arrangement we have now. As it cuts down on workload and I am happy to receive payment twice in the term

Participating in the pilot would be an extra burden we can well do without as we sincerely hope that proposed plans do not go ahead

Running the pilot implies that the decision has already been made to move to monthly payments

Running a pilot scheme implies that the consultation is only paying lip service and therefore is not a real consultation. Leave the system as it is.

Leave as is Running a pilot implies that the consultation is only paying lip service and not real consultation

Running a pilot implies that the consultation is only paying lip service and is not a real consultation. Leave the system as it is.

Other providers in Borough that pay monthly have said that they do not like it. It has had a negative impact on their business.

If the decision is made to implement the proposal, would you be interested in participating in the pilot?



Please explain why you think this could have a positive impact on your business?

I think I prefer the monthly payment so that is clear how much payment I would be receiving for each child. I find it tedious having to work out figures for families where they have a balance to pay. Payments calculations will be easily to plan for the year for both myself and patents. . It will be far better to have payments on a monthly basis, as it will be consistent on our accounts and easier to keep a steady income. The new model will allow the nursery to keep on top of the budget and easily allocate payments per month. It would allow me to be able to better forecast my incomings and will make it easier for me to understand what is expected as it will be given monthly. It would probably make accounting easier as I bill parents on a monthly basis. This is, of course, provided payment is made promptly and IN ADVANCE. If this is not the case, then I would not be happy with the proposal. We all have bills to pay and it would be imperative that payments from the Council could be relied upon. It would have positive impact on my business as it would allow me to continue working without running into financial difficulty as this is currently the case. The late payments mean I have to borrow money to continue to meet overheads.