

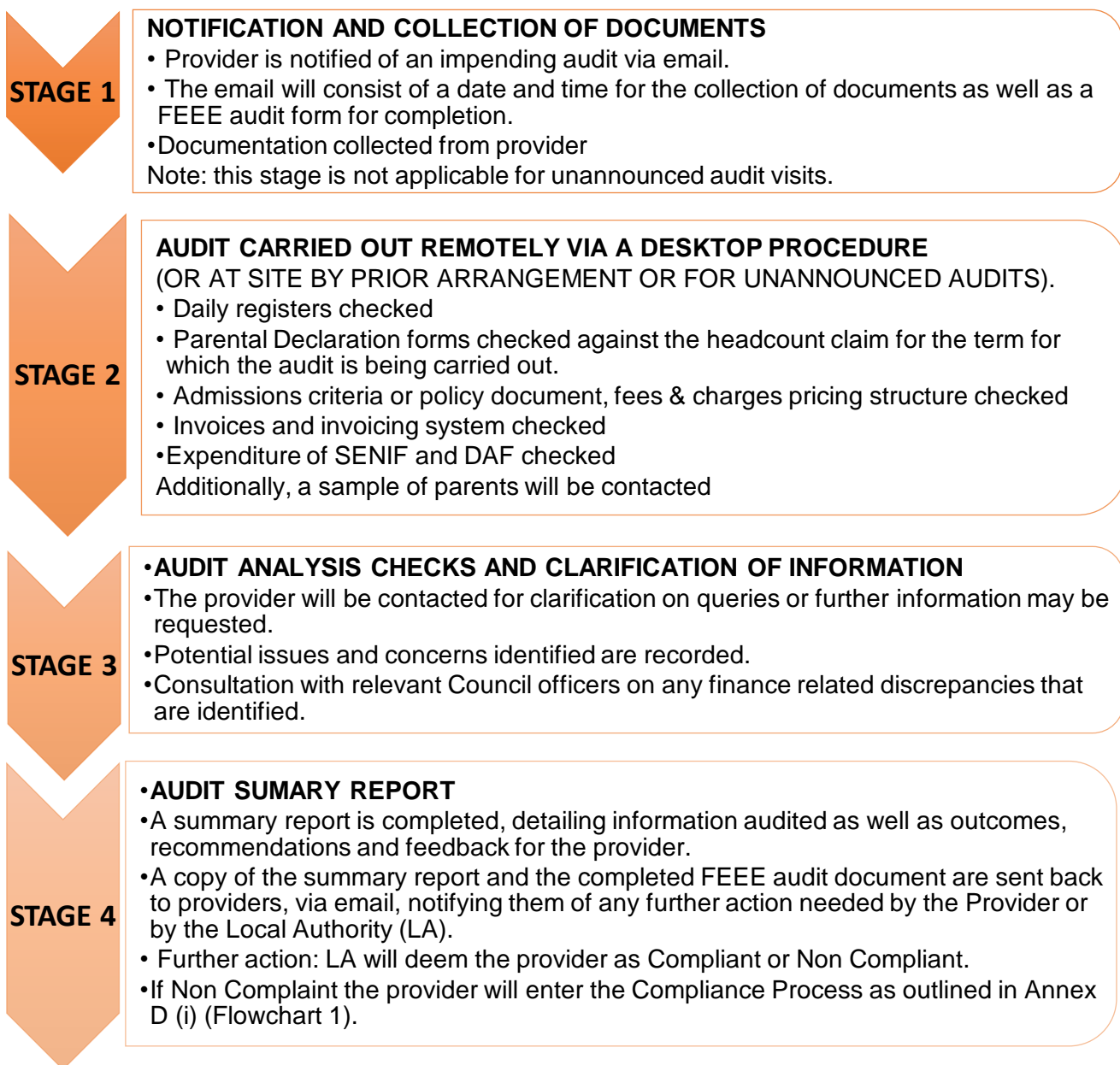
## ANNEX D (ii) Part 1 - Finance Auditing Processes and Part 2 - Supplementary Information and Guidance

The Council has an audit process to check that all providers in receipt of FEEE funding including Early Years Pupil Premium (EYPP), SEN Inclusion Funding (SENIF) and Disability Access Funding (DAF) are administering the funding in line with the terms and conditions and related legal requirements. Audits will be carried out each term based on a random selection of Providers or may be initiated due to a complaint or compliance concerns regarding the administration of FEEE places.

This document is a part of the Early Years Provider Agreement and should be considered in conjunction with Section 3 of the agreement and Annex D (i) for the compliance process.

### Part 1 – Finance auditing processes

#### Flow Chart - Audit Process and Procedures:



## **Additional Notes to support providers – Audit process**

### **During the Audit process**

- All hard copy documents received for the audit will be sent for internal confidential shredding, unless the provider has stated otherwise.
- All information provided by providers will be scanned or photographed and stored by the Council as part of the audit trail.

### **Children claiming Funded Early Education Entitlement (FEEE)**

When completing the headcount information for FEEE claims:

- Ensure the start date submitted on your headcount matches with the start date on each child's parental declaration form.
- Confirm weeks and sessions attended by the child are correct. (Note: for children accessing 570 hours entitlement under the 51-week stretched offer model, the hours are 11.18 per week for 17 weeks and for children accessing 570 hours entitlement under the 48-week stretched offer model, the hours are 11.88 per week for 16 weeks).
- Add all children to the headcount before submitting and populate the hours as per the parent declaration form.

### **Enrolling New Children**

When taking on new children please ensure you have:

- Checked children's eligibility codes prior to them starting i.e., their 2 year eligibility 'YES' letter or confirmation of eligibility with a TYF code or their working parent codes for funding for 9–23 month olds, 2 year olds or 30 hour EE for 3 and 4 year olds.
- Fully completed the parental declaration form (including eligibility codes, full start date dd/mm/yyyy, contracted sessions, weeks attending, EYPP, DAF sections etc) and ensure that the form is signed by both the parent and the provider.
- Provided parents with a copy of the completed parental declaration form. Also, if the child is moving from another provider, please check that the child's claim dates for funding do not overlap (this will avoid double funding queries).

### **SEN Inclusion Funding (SENIF)**

Records relating to children in receipt of SENIF will be audited for the whole term.

#### **When claiming for 1:1 Support Hours**

For SENIF that has been spent on 1:1 support hours, Providers must keep a record of the child's attendance as outlined in Provider Agreement. In addition, the Provider must keep records of the adult(s) working with that child such as timesheets / signing in sheets / overtime claim forms etc.

#### **Non-staffing Related Costs**

For SENIF that has been spent on non-staffing costs, Providers must keep a record of the expenditure including a copy of the receipt or invoice paid.

### **Disability Access Fund (DAF)**

Details of how DAF is utilised will have to be stated on the audit form, Providers must keep a record of staffing costs, as detailed for SENIF above, and of non-staffing related costs, including copies of receipt or invoice paid.

### **SENCO**

All Settings must have a named SENCO Officer.

## Part 2 - Supplementary Information and Guidance

### Admissions Criteria or Policy

The Provider must publish their admissions criteria or policy, including reference to managing applications. This could be on the business website, social media sites or on the relevant section of the Family Information Directory. The document or supplementary documents should include your detailed fees and charges pricing structure. The information should enable parents to clearly see how they can access funded places i.e., understand which hours/sessions can be taken as funded provision and also see details and amounts of additional charges that may be applicable for different sessions. Not all Providers will be able to offer fully flexible places, but Providers should work with parents to ensure that as far as possible the pattern of hours is convenient for parents' working hours.

Parents must be able to understand the following in a clear and transparent way from the Admissions Criteria or Policy for FEEE places

Note: this is not an exhaustive list of what you can cover in your policy

- The delivery model(s) offered and full details of how the 570 hour and 1,140-hour entitlement can be accessed.
- How completely free places i.e. 'FEEE only' places for 570 hours or 1,140 hours are offered and how the Provider will manage applications and allocate places for business purposes.
- Detailed fees and charges pricing structure e.g., in the form of a table for parents to understand what they will pay for additional hours/sessions, additional services, meals and consumables that they choose to access.
- What the Registration fee and Deposit amounts are and when the deposit will be refunded AND that no registration fee will be charged for all 'FEEE only' places and no deposit held for 'FEEE only' places for 2-year-olds.
- Valid reasons/justification if the Provider does not allow for the option of supplying own meals.
- Information about the SEND support on offer at their setting to enable parents to understand if it is the right setting for their SEND child.

Example of an extract of information in an Admissions Policy which gives clarity on management of allocation of places.

Note: this is not an exhaustive representation of what can be included in your policy

- We operate an equality and inclusion policy and ensure that all children have access to nursery places and services irrespective of their gender, race, disability, religion or belief or sexual orientation of parents.
- Our main demand is for full time or full day - all year round - places and our business model, staffing commitments and facilities are all set-up to meet this demand. For business sustainability purposes we have to manage our allocation of places to ensure, where possible, that the take-up of nursery sessions is consistent across all days and all year round.
- Applications for full-time places may need to be allocated before those for part-time places, and bookings for full day sessions and all year round places may need to be allocated before those for part day sessions and term-time only places.
- Some 'FEEE only' (completely free) places will be offered, subject to availability, as part of our allocation process.
- No additional charges will be made for these places but attendance may be limited to specific hours.
- A registration fee is usually payable, but this is not payable for 'FEEE only' places and a deposit will not be required for a 'FEEE only' place for 2 year olds from families receiving some additional forms of government support.

### Invoicing and charges

Providers must supply all parents with an invoice that clearly shows the FEEE hours accessed along with any additional hours or services that the parent has chosen to pay. The Provider must ensure their invoices and receipts are clear and transparent. Parents should be able to see that they have received their funded entitlement hours completely free of charge. Parents should also be able to understand the fees paid for any additional hours, services and charges for meals and consumables which should be itemised and in line with the fees & pricing structure. The Provider must also ensure that invoices and receipts contain their full address and contact details in order to identify the specific provider.

Example template for a detailed fees and charges pricing structure

## Fees and charges schedule

Details	Times	Hours	Charge
Full day	8am-6pm	10 hours	£--
Part day	9am-4pm	7 hours	£--
Half day morning session	8am-1pm	5 hours	£--
Half day afternoon session	1pm-6pm	5 hours	£--
Full week (5 full days) [Full day rate X 5 Less: £-- full week discount]		50 hours	£--
Hourly rate for additional hours		1 hour	£--
Registration fee (not applicable for 'FEEE only' places)			£--
Deposit - Refundable (not applicable for 'FEEE only' places for 2YOs from families receiving some additional forms of government support)			£--
Charges for meals - for FEEE sessions (if applicable)	Breakfast Lunch Tea		£-- £-- £--
Additional services/activities [these must be itemised, and charge stated for each service/activity]	--- --- ---		£- £- £-
Charge for consumables for FEEE sessions (if applicable) [you must provide a full itemised and explanatory list for consumables]			£--

### Notes:

'FEEE only places' are FEEE places where a child is accessing the funded entitlement hours only and no additional hours or services or optional extras.

Charges for meals, consumables or additional services should not be made a condition for accessing a funded place and, where necessary, providers can discuss alternative options with parents.

Refer to DfE clarification on their policy on charging and LA examples of chargeable and non-chargeable items below based on the DfE clarification.

## Invoicing checklist

This checklist is an example only, of what Local Authorities may consider when reviewing providers fees and charges information and invoices.

This is not an exhaustive list nor official DfE or Local Authority guidance.

	<b>Invoice Details: Does the invoice state:</b>	<b>Tick</b>
1	the word 'invoice'?	
2	an invoice number?	
3	the date of invoice?	
4	the time period the invoice covers (e.g., monthly, termly)?	
5	the provider's details, e.g., business name, address and contact details? AND details of both the organisation/company and the particular setting (where applicable)?	
6	the Ofsted registration number?	
7	the name of the child?	
8	the name(s) and address of the parent(s)?	
9	the date and method of payment if already paid (e.g., BACS, Cash, Cheque, Tax Free Childcare, Voucher Scheme)?	
	<b>Hours: Does the invoice state:</b>	
10	the number of contracted hours in the invoicing period? Or how many hours the child received in total?	
11	state the number of funded hours the child received?	
12	state the number of non-funded (private) hours the child received?	
13	when the funded hours have been applied (e.g. dates/days, hours, sessions accessed)? <i>Note: the number of funded hours must match with the Parental Declaration Form and the funding claim made by the provider.</i>	
	<b>Charges: Does the invoice show:</b>	
14	the parent has received the funded entitlement hours completely free of charge? <i>Note: Funded hours should be shown at £0 cost i.e., not have a monetary value. The LA funding for the funded hours must not be shown as a monetary subsidy. There must not be any top-up charge for the funded hours.</i>	
15	An itemised breakdown of the fees and charges for non-funded (private) hours, sessions or days; additional services/activities accepted and accessed by the parent; meals and consumables? <i>Note: The charges must be made clear and transparent and match what is stated on the detailed fee and charges pricing structure. Where there is a set charge for consumables then the pricing structure must show an itemised list of the consumables which have been charged for. If the provider has invoicing software that is incompatible with the itemisation requirements, then there should be a separate document made available to parents which shows an itemised breakdown.</i>	
16	the total amount to be paid?	

The DfE have clarified to Local Authorities that, although the reference to the word “voluntary” is no longer made in the statutory guidance for funded places, their policy on charging has not changed. The full extracts from the e-mail updates from DfE to the LA are copied below.

### Clarifying policy on charging (8/02/24)

A few LAs got in touch to ask whether a change to the wording of clause A1.31 of the [statutory guidance](#) means that the policy has changed with regard to providers charging for meals, snacks and other consumables. We have been asked to clarify.

The policy has not changed. As set out in A1.36 of the guidance, Local Authorities should work with providers and parents to ensure that all parents, including disadvantaged families, have fair access to a free place, which must be delivered completely free of charge. The free childcare entitlements are not intended to cover the costs of meals, other consumables (such as nappies or sun cream), additional hours or additional activities (such as trips). Providers may charge a fee for these additions.

However, we removed the line regarding charges being voluntary in order to provide clarity to readers. This was partially based on feedback we received during our testing period with a small number of Local Authorities, providers and relevant bodies. If a parent is unable to pay for consumables or if a parent wishes to provide their own, then the parent and provider can discuss alternative options. This could include allowing parents to supply their own meals or nappies, or waiving or reducing the cost of meals and snacks. As set out in clause A1.33 of the guidance such charges should not be made a condition of accessing a free place.

### Clarifying policy on charging (21/03/2024)

A few LAs have been in touch to ask about instances of providers charging parents extra for their government-funded hours and whether these are allowed within the statutory guidance. We have set out the below to help explain the current policy on charging.

Local authorities should work with providers and parents to ensure that all parents, including disadvantaged families, have fair access to a free place, which must be delivered completely free of charge. This is set out in paragraph A1.30 of the current statutory guidance and A1.33 of the updated statutory guidance applicable from 1 April 2024.

What **is** allowed – consumables and additions:

Paragraph A1.30 of the statutory guidance is clear that government funding is intended to deliver 15 or 30 hours a week of free, high quality, flexible childcare. It is not intended to cover the costs of meals, other consumables, additional hours or additional services. Providers can charge for meals and snacks as part of a free entitlement place and they can also charge for consumables, such as nappies or sun cream, and for additional services such as trips and specialist tuition.

If a parent is unable to pay for consumables or if a parent wishes to provide their own, then the parent and provider can discuss alternative options. This could include allowing parents to supply their own meals or nappies, or waiving or reducing the cost of meals and snacks.

As set out in paragraph A1.33 of the guidance, such charges for consumables or additional services should **not** be made a condition of accessing a free place.

What **is not** allowed:

Local authorities should ensure that providers do not charge parents “top-up” fees (any difference between a provider’s normal charge to parents and the funding they receive from the local authority to deliver free places).

Core costs of running a business that delivers government-funded childcare are not consumables used by the child or additional services provided to the child. These include, but are not limited to, insurance, Ofsted registration, maintenance, business rates, training costs, rent and energy bills. These are core costs of running a business and we expect these to be covered by government funding and that parents should not be charged.

## **Further examples of chargeable and non-chargeable items based on the DfE policy on charging**

The Local Authority has compiled a list of items you can include in optional extras and consumables charge for FEEE places along with rationale behind these limitations.

Please note that the lists are not exhaustive.

### **Chargeable**

These should not be made a condition for accessing a funded place and, where necessary, providers can discuss alternative options with parents.

- Additional hours in excess of the funded entitlement hours.
- Additional activities such as trips and specialist tuition e.g., musical tuition. Consideration must be given to equality of opportunity for children whose parents are not able or not willing to pay.
- Meals and snacks.
- Consumables such as nappies and sun cream which are for personal use for any child and as such may not be available for all the children as part of the normal delivery of the childcare service or as required under EYFS. Providers must provide a full itemised and explanatory list for consumables.

### **Non-chargeable**

These are costs which are expected to be covered by the government funding for FEEE places including quality / deprivation related supplements, EYPP, DAF and SENIF where applicable.

Core costs for running a business and costs necessarily incurred to meet Ofsted (or equivalent) registration requirements including the requirements as set out in the EYFS statutory framework.

Examples (please note that this is not an exhaustive list).

- Play and learning resources and equipment (including for arts and crafts activities) for the delivery of the education programmes for the areas of learning.
- Costs necessary to support staff to undertake appropriate training and professional development opportunities to ensure they offer quality learning and development experiences for children that continually improves.
- Tools and applications which may be used for monitoring and assessment of children’s progress.
- First Aid supplies, bedding, sheets, towels, toilet rolls, soap, hand gel, paper towels, face cloths etc.
- Staff PPE and cleaning products, for example, hygiene gloves, aprons, washing powder etc.
- Fixtures, fittings, safety equipment, office equipment and ‘white goods’ such as fridges, cookers and other items for long term use for the business.
- Rent, mortgage payments, finance costs, telephone, internet, utilities (gas, electricity, water), business rates, insurance, Ofsted registration, staff salaries (for all childcare and non-childcare staff), stationery etc.

### **Please note:**

The supplementary information and guidance section above has been compiled to support providers to comply with the terms and conditions for FEEE places.

The LA will consider information collected either as part of an audit or following complaints or concerns raised by parents, to establish if a provider is adhering to the finance related terms and conditions. Where there is evidence of non-compliance, the LA will make recommendations or directions for the provider to implement necessary changes. For parental complaints, the LA would additionally expect the provider to resolve the matter directly with the affected parents.

Annex D (i) outlines the compliance process and potential outcomes for non-compliance.

## **3) Bank accounts**

The bank account for FEEE payments must be in the name of or under the Registered Person (Legal Entity) for Ofsted purposes.

Examples:

- a) If the setting name is **Caterpillar Pre-School** and this is registered by Caterpillar Childcare Limited (as an organisation) then the Bank Account for FEEE payments must be in the name:
- Caterpillar Childcare Limited – or
  - Caterpillar Childcare Limited t/a Caterpillar Pre-School – or
  - it may be in the name Caterpillar Pre-School but held under the legal entity Caterpillar Childcare Limited

Caterpillar Childcare Limited is the Registered Person (RP) for Caterpillar Pre-School

- b) If the setting name is **Butterfly Pre-School** and this is registered by **A N Other** (as an Individual) then the Bank Account for FEEE payments must be in the name:
- A N Other – or
  - A N Other t/a Butterfly Pre-School – or
  - Butterfly Pre-School - but held under the individual A N Other as a Sole Trader

A N Other is the Registered Person (RP) for Butterfly Pre-School

- c) If subsequently, A N Other wants the business to be incorporated under **Butterfly Childcare Limited** then the setting must be RE-REGISTERED with Ofsted under Butterfly Childcare Limited and the bank account for FEEE will then have to be in the name of or under Butterfly Childcare Limited.

Butterfly Childcare Limited will be the Registered Person (RP) for Butterfly Pre-School

## **Mergers and Acquisitions**

In most cases involving transfer or sale of a childcare business, the new owner will have to re-register the setting with Ofsted.

In some instances, the proposed new registration may not be active at the time of completion of the business acquisition/transfer transaction. To avoid having a break in service in the interest of continuity of care for children, Ofsted will allow for the setting to remain registered under the previous owner's registration until the new registration is active. In this instance, until the new owner's registration is active, the previous owner will remain legally responsible for the childcare at the setting and for all Ofsted purposes and for the funded early education entitlement (FEEE) being delivered at the setting.

Also, the Council is not able to share, with the new provider, any FEEE and financial data relating to the previous provider. This will be up to the point that the new provider's registration is active, and they are signed up to the FEEE provider agreement. We would expect any such information to be shared, transparently, as part of the legal process of the business acquisition/transfer.

## **Who should be signing the Provider Agreement?**

The signatory must be in a position within the organisation to sign the documents, in other words, the person signing the document must have legal and financial responsibility on behalf of the organisation.

The Council expects this to be the business owner, company director or a charity trustee. For certain organisations it may be the nominated person for Ofsted purposes or a senior officer but the Council may request evidence or proof that the signatory has the required authorisation for this purpose.