

# **Recommendations for Daycare Providers on applying the Extended Entitlement to parent's bills.**

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## **Background**

This document should be kept with your copy of the Code of Practice on the Provision of Free Nursery Education Places for 3 and 4 year olds and your Agreement for the Early Years Provision.

Methods of applying the Extended Entitlement vary from provider to provider and have evolved based on each provider's individual understanding of the Code of Practice and the financial systems & practices they have in place.

Many providers use a method that treats the Extended Entitlement as a financial benefit to parents, rather than an entitlement to a number of free hours. This not only means that the provider is technically (and usually inadvertently) in breach of the Code of Practice, but in some cases they may be returning more money to the parent than the parent would have been paying for the place themselves !

We want to provide you with a method of calculating the way you apply the Extended Entitlement to your parent's bills that meets the requirements of the Code of Practice but also helps to ensure the viability and sustainability of your setting.

As Government plans to increase the amount of Extended Entitlement and how flexibly it can be used are rolled out, we feel it is more important than ever to try to make sure that you have a system in place that is good for your parents and good for your business.

## **Introduction**

The Extended Entitlement is the right of all children to receive 15 hours of funded EYFS education from the term after their third birthday up to, and including, the term they reach Statutory School Age. The entitlement is currently 38 weeks a year. The Extended Entitlement is funded by North Yorkshire County Council (NYCC) through the Early Years Provision Funding that is paid to your setting.

## **A reminder of the key principals of the Extended Entitlement.**

The Extended Entitlement must always be completely free at the point of delivery it is incorrect to charge for a place up front and refund money at a later date. It is also important to make sure that you are not reducing a parent's bill by less than the amount they would have paid for the place if their child had not taken up the Extended Entitlement.

You should reduce the fees that a parent pays by the amount that they would normally pay if their child was not accessing a funded place. Importantly this means that you do not have to reduce a parent's bill by the whole amount you receive in Early Years Provision Funding for their Extended Entitlement from NYCC.

You cannot compel a child that comes to you for their Extended Entitlement to take up any extra (charged for) services such as extra hours and sessions that fall outside the 38 weeks

(for example in School Holidays). Importantly this means that you are not bound to accept every child that comes along. For example if a parent came to wanting to take their Extended Entitlement at your setting and by accepting the child you would go from 8 children to 9 children (increasing your staffing requirement by one member of staff to accommodate that child) it would be quite reasonable not to take that child. As in all aspects of running your setting, you need consider the impact on your business of such decisions – providing they don't mean you breach the Code of Practice. You might like to review your Admissions Policy to make sure it meets the requirements of the Code of Practice but also gives you the flexibility to deal with this in a fair and consistent way.

You can make charges for additional services, but parents must not be expected or required to take these up in order to access a funded place – they must have a choice. You also need to make sure you are not charging more for these additional services than you would to a parent whose child was not receiving the Extended Entitlement. Additional services might include:

- ❖ Food & drink provided during breakfast, lunch, tea and snack times (including the staffing and premises costs associated with this).
- ❖ Activities for which you incur an additional charge over and above your normal costs. Swimming lessons at a local pool getting would count, as would getting an outside body to come in and do specific sessions with the children – things like ZooLab, Music and Movement sessions or a cookery lesson with a chef.

### **Recommended Method**

**This is a method to enable providers to calculate the correct reduction on parental bills per hour of Extended Entitlement that a child uses.**

The application applies where a child is attending for more than the Extended Entitlement. The Code of Practice is quite clear that any child who is simply attending for their Extended Entitlement must not be charged at all (with the exception of charges for additional services such as food and drink)

The application is straightforward, but we appreciate it will probably mean you have to make some changes to your administrative systems and the way you apply the entitlement to parent's bills. We think that in most cases the initial administrative work involved in changing to this system will be far outweighed by the future financial benefits to your business.

Because this system requires you to make some changes, we understand that it may not be something you can do straight away. Depending on how you invoice and the way your financial year works, you will know when it will be most convenient to move to this method. Ultimately we may look to making this method compulsory so we would strongly recommend that you adopt it (at a point that is most convenient for you) within the next 6 months.

The method is as follows:

- 1, Determine the amount that a parent would pay for the place based on the session they are using (full week, full day, half day etc.)
2. Deduct a reasonable amount for food & drinks (this should be the amount you would normally charge – this amount may be 'hidden' in your full week / full day fees but you

should have a clear idea of this cost to your business). You must be careful not to overstate the amount you have deducted for food & drinks as this element of how you apply the Extended Entitlement will be looked at by our Audit team if they visit your setting.

3. Divide the amount left after deducting food & drinks by the number of hours in the session to obtain an hourly amount.
4. This resulting hourly amount is what you need to deduct from an individual parent's invoices. You will see that using this method different parent does will get a different hourly deduction, based on the type of sessions that their child is attending.

#### **Example – Anyplace Nursery**

Daily Lunch Charge	£1.75			
Daily Tea Charge	£1.10			
Daily Breakfast Charge	0.75p			
Half Daily Snacks Charge	0.50p			
<b>Type of session which include Extended Entitlement hours</b>	<b>Normal Charge for this type of session</b>	<b>After food &amp; drinks deducted</b>	<b>Number of hours in this session</b>	<b>Hourly amount to be deducted from parents bill</b>
Full Time place	£154.00	£131.00	52.5	£2.50
Full Day place	£37.00	£32.40	10.5	£3.09
Half Day Place AM includes bfast & lunch	£21.00	£18.00	5.5	£3.27
Half Day Place PM includes lunch & tea	£25.00	£21.65	6.5	£3.33

If your calculations result in an amount / hour to deduct from a parent's bill that is greater than the amount / hour you are receiving from NYCC you should contact the Children's and Young People's Services Finance. They will be happy to look at your fee structure with you to ensure this enables you to maintain the sustainability of your business.

We have included a blank copy of the calculation, shown above (a copy in Microsoft Excel format can be requested from [bs0@northyorks.gov.uk](mailto:bs0@northyorks.gov.uk)) When you move to this method we strongly recommend that you complete this spreadsheet and keep a copy on file, as this element of how you apply the Extended Entitlement will be looked at by our Audit team if they visit your setting.

Parents should be able identify through and invoice/treble statement how the bill has been calculated to take into account the Extended Entitlement

#### **The benefits of this method for your setting**

As we have already said, this method means that you will be meeting the requirements of the Code of Practice.

Just as importantly they can result in additional funds for your setting that can be used to support your 3 and 4 year old provision.

The hourly amount you return to parents is completely independent of the amount of Early Years funding you receive, you only need to take account of any changes you make to your

own fee structures in your calculations – this should make administration easier in the long term.

### **Communication with parents**

We appreciate that, by switching to this method, you are likely to be reducing the amount that you are deducting from some parent's bills. It may become apparent to parents that they are receiving a different level of deduction than another parent in your setting. Because of this we suggest wording for a letter to explain these changes.

We hope that, by moving to a more consistent method of applying the Extended Entitlement, much of the confusion for parents about what their Extended Entitlement is and how it is calculated will be addressed. In any discussions with your parents it is very important to keep in mind that the Extended Entitlement is an entitlement to a number of funded hours, not an entitlement to a fixed amount of money. For this reason we do not make information on the value of your Early Years funding directly available to parents.

### **Standing Orders and Direct Debits**

We would also like to offer some advice for those settings who collect fees from parents using a monthly standing order or direct debit. We appreciate that many parents like to have a set monthly amount that does not go up in the holidays and down during term time; we also appreciate that calculating a fixed monthly amount is much better for you. There is, however, a danger that standing orders calculated over a 12 month period can be in breach of the free at the point of deliver principal laid down in the Code of Practice, particularly if a child were to leave during the year.

Our advice is that Standing Orders or Direct Debits calculated on a termly basis will get around this potential problem, they will also enable you to allow for any fee increases you may implement.

### **Further Help**

If you have any questions on this recommendation, need some further information or require some general support regarding the sustainability and viability of your business, please contact NYCC Children's & Young People's Services Finance on 01609 532575 or email [bsso@northyorks.gov.uk](mailto:bsso@northyorks.gov.uk)