

**NORTH YORKSHIRE COUNTY COUNCIL**  
**FINANCIAL SUPPORT FOR EARLY YEARS PROVIDERS FOR COVID-19**  
**7 APRIL 2020**

**Report of Assistant Director Strategic Services**

**1.0 INTRODUCTION**

- 1.1 This paper sets out the Government support available for Early Years providers as a result of COVID-19 and further proposals from the local authority to provide additional financial support to Early Years Providers within North Yorkshire as a direct result of the COVID-19 pandemic.
- 1.2 Within North Yorkshire there are a total of 729 Early Years Providers; the sector is made up of the following:
- 343 Childminders
  - 141 Day Nurseries
  - 88 Pre Schools
  - 2 Childcare on Domestic Premises
  - 13 Independent Schools
  - 139 School Nurseries (LA Maintained – 98, Academy 41)
  - 3 LA Maintained Nursery Schools
- 1.3 The strategic requirements of NYCC in relation to this sector are:
- Short term – requirement for childcare places for children of key workers and vulnerable children;
  - Once back to business as usual – requirement to ensure sufficient funded childcare places are available in localities.
- 1.4 Corporately a process has been agreed by Corporate Procurement Board (chaired by Corporate Director – Strategic Resources) for approval by the Chief Executive Officer under emergency delegated powers, for a supplier relief process. This process is based on the advice from Cabinet Office, as detailed in the Procurement Policy Note (PPN) 02/20 - Supplier relief due to COVID-19. **Appendix 1** outlines the NYCC process.

**2.0 GOVERNMENT SUPPORT**

- 2.1 The Government has to date announced the following support which specifically applies to the Early Years sector:
- Business rates holiday for one year
  - Small business grant - nurseries receiving small business rate relief or rural relief - £10,000 grant
  - Business Interruption Loan Scheme
  - VAT deferral
  - Coronavirus job retention scheme – 80% of wages (max. £2.5k/mth)

- Self-employment Income Support Scheme – 80% of trading profits (max £2.5k/mth)
  - 2, 3 & 4 year old funding continues – NYCC will continue to pay throughout summer term irrespective of the provider being open or closed or which children are attending. The Council will also “double fund” children who are attending an alternative provider due to the closure of their normal provider.
- 2.2 Further to the above, some providers, although thought to be limited in number, may have business interruption insurance cover from which they may also claim.

### **3.0 EARLY YEARS – “AT RISK” PROVIDERS**

- 3.1 In line with the agreed Supplier Relief process the Early Years Providers meet two of the defined criteria namely:
- A local business with a revenue below £10m,
  - Defined as key supplier by the Directorate.
- 3.2 Early Years providers are a strategic asset to the local economy through provision of childcare, enabling people to go to work. During COVID-19, private and voluntary providers who have remained open have potentially faced a unique financial disincentive: businesses cannot recover the 80% staff furlough reimbursement for staff continuing to work but will unlikely have enough parental contributions to cover the cost of staff working plus the 20% of staff costs not covered by the Coronavirus Job Retention Scheme. As a result, a large number of Early Years providers have closed as a financially-driven and survival decision.
- 3.3 As such it is recommended that the Council takes a proportionate approach to supporting these key suppliers within the market.

### **4.0 CONSIDERATIONS**

- 4.1 Considerations of different types of providers are outlined below:
- (a) Childminders:
- Continue to receive LA funding Summer Term (some childminders will not have funded children)
  - Should receive protection under Self Employment Income Support Scheme (unlikely to be available until June 2020 therefore potential cashflow issues)
- (b) LA Maintained School / Governor Run Nurseries, LA Maintained Nursery Schools & Academy Nurseries
- Continue to receive LA funding Summer Term
  - Generally, more likely to provide funded provision only – less likely to be reliant on parental fees (although some exceptions e.g. Brougham Street Nursery School)
  - Protection through LA / ESFA arrangements to reclaim Covid-19 related additional expenditure back from Department for Education (DfE) (although scheme details and eligible costs not yet published)

- (c) Day Nurseries / Pre Schools
- Continue to receive LA funding Summer Term
  - Reliance on parental fees
  - Able to access Government schemes providing financial support to business
    - o Job Retention Scheme – 80% of wages (max £2.5k / month)
    - o VAT & Income Tax – deferred payment
    - o Business Rates holiday 2020/2021
    - o Small Business Grant Scheme £10k
    - o Business Interruption Loan Scheme
  - Potential financial challenges & staffing resource challenges if remain open.

4.2 The local authority had an underspend on Early Years in 2018-2019 amounting to £700k. This funding is ring-fenced to Early Years and officers discussed the deployment of this sum with Schools Forum in January 2020. The intention was to review the deployment of this funding in Summer Term 2020 following the closure of accounts. In addition, the local authority is anticipating a projected underspend in 2019-2020 on ring-fenced Early Years funding of a further £250k. Given the potential impact of COVID-19 on the Early Years sector, the intention is to ensure available funds are deployed to support the sector at this point, rather than waiting to undertake a review later in Summer.

## 5.0 OPTIONS

**5.1 Option 1** - Provide 80% upfront payment of summer 2020 funded places for private, voluntary & independent (PVI) Providers. This payment would be made to ensure timely cashflow support. The remaining balance (20%) would be paid August 2020.

*Rationale – Cash flow support to providers until Government financial support received.*

**Option 2** - Consider rent holiday for private, voluntary & independent providers who rent NYCC premises

*Rationale – NYCC decision. Financial support to EY local EY sector.*

**Option 3** - NYCC Financial Support

- a. Develop criteria to determine support to PVI providers who **remain open** for children of key workers & vulnerable children for the Summer 2020 term
- No. of children in each category attending
  - Development of central hub provision
  - Key locations e.g. ensure EY provision continues to be available in each town

Financial support package to ensure operating costs are met:

- Open book accounting
  - All Govt. financial support has been accessed
  - Any insurance cover has been claimed
  - Maximum financial support available - £10k / month?
- b. Identify key PVI providers who are required longer term – need to determine criteria:
- Large providers
  - Providers in areas where there are place sufficiency issues
  - Providers in sparse areas

Consider contingency fund for any providers who meet the criteria and are experiencing short term financial viability problems in the Summer 2020 term or Autumn 2020 term

- Open book accounting
  - All Govt. financial support has been accessed
  - Any insurance cover has been claimed
  - Maximum financial support available - £30k?
  - Need to consider linkage to Summer 20 “open provider” financial support (as detailed above)
- c. Consideration of splitting £1m EY (ring-fenced) Reserve:
- Summer 2020 “open provider support” - £400k
  - “Key provider” support - £400k
  - Contingency – £200k

#### **Option 4 - Autumn 2020**

Consider offer of 80% up-front payment of Autumn 2020 EY funding payment for PVI

*Rationale - to support cash-flow for “restarting” business.*

**Option 5** - Consider funding places for existing Early Years providers that remain open during Easter (10 days)

- a. £4.09 per hour for 3&4 year olds; £5.20 for 2 years olds but “vulnerable”
- b. Provision (30 hours per week, 2 weeks) - £245.40 per place
- c. Estimated numbers of 160
- d. Total projected cost = c. £40,000

*Rationale – to provide financial support for PVIs remaining open during Easter 2020*

#### **5.2 It is recommended that NYCC proceeds with the following options.**

- **Option 1** – Provide 80% upfront payment of summer 2020 funded places for private, voluntary & independent (PVI) Providers. This payment would be made to ensure timely cashflow. The remaining balance (20%) would be paid August 2020.
- **Option 3** – develop proposals to provide **up to** £1.4m of financial support to providers remaining open during the summer term **and** financial support to “key

providers” enabling NYCC to fulfil its statutory responsibility to ensure sufficiency of provision across the county.

- **Option 5** – Provide additional funded places for “open” provision during Easter – decision taken by Corporate Director – Children & Young People’s Services.

5.3 It is **not recommended** to proceed with Options 2 and 4 although Option 4 may be revisited in due course.

## **6.0 NYCC Governance**

6.1 In line with the Supplier Relief process the recommendations within this report were presented and agreed in principle at the Supply Chain Resilience Board on Wednesday 1 April 2020.

6.2 Due to the value of the financial relief being proposed (c.£7m cashflow and up to £1m in financial support to the Early Years sector) it was agreed that there was a need to seek Chief Executive Officer approval (in consultation with the Executive) and to ensure appropriate there is appropriate delegated authority to enable subsequent implementation of the recommendations.

6.3 Delegated authority is therefore sought from the Chief Executive Officer (in consultation with the Executive) to the Assistant Director – Strategic Resources to enable him to implement the recommendations outlined above.

## **7.0 RECOMMENDATIONS**

7.1 That NYCC proceeds with the following options:

- **Option 1** – Provide 80% upfront payment of summer 2020 funded places for private, voluntary & independent (PVI) Providers. This payment would be made to ensure timely cashflow. The remaining balance (20%) would be paid August 2020.
- **Option 3** – develop proposals to provide **up to** £1.4m of financial support to providers remaining open during the summer term **and** financial support to “key providers” enabling NYCC to fulfil its statutory responsibility to ensure sufficiency of provision across the county.
- **Option 5** – Provide additional funded places for “open” provision during Easter – decision taken by Corporate Director – Children & Young People’s Services.

7.2 That the Council does not proceed with Options 2 and 4 although Option 4 may be revisited in due course.

7.3 That the Chief Executive Officer authorises the Assistant Director Strategic Resources to take all steps necessary to implement the recommendations set out in paragraphs 7.1 and 7.2 above.

### **Report Author:**

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Date: 6 April 2020