

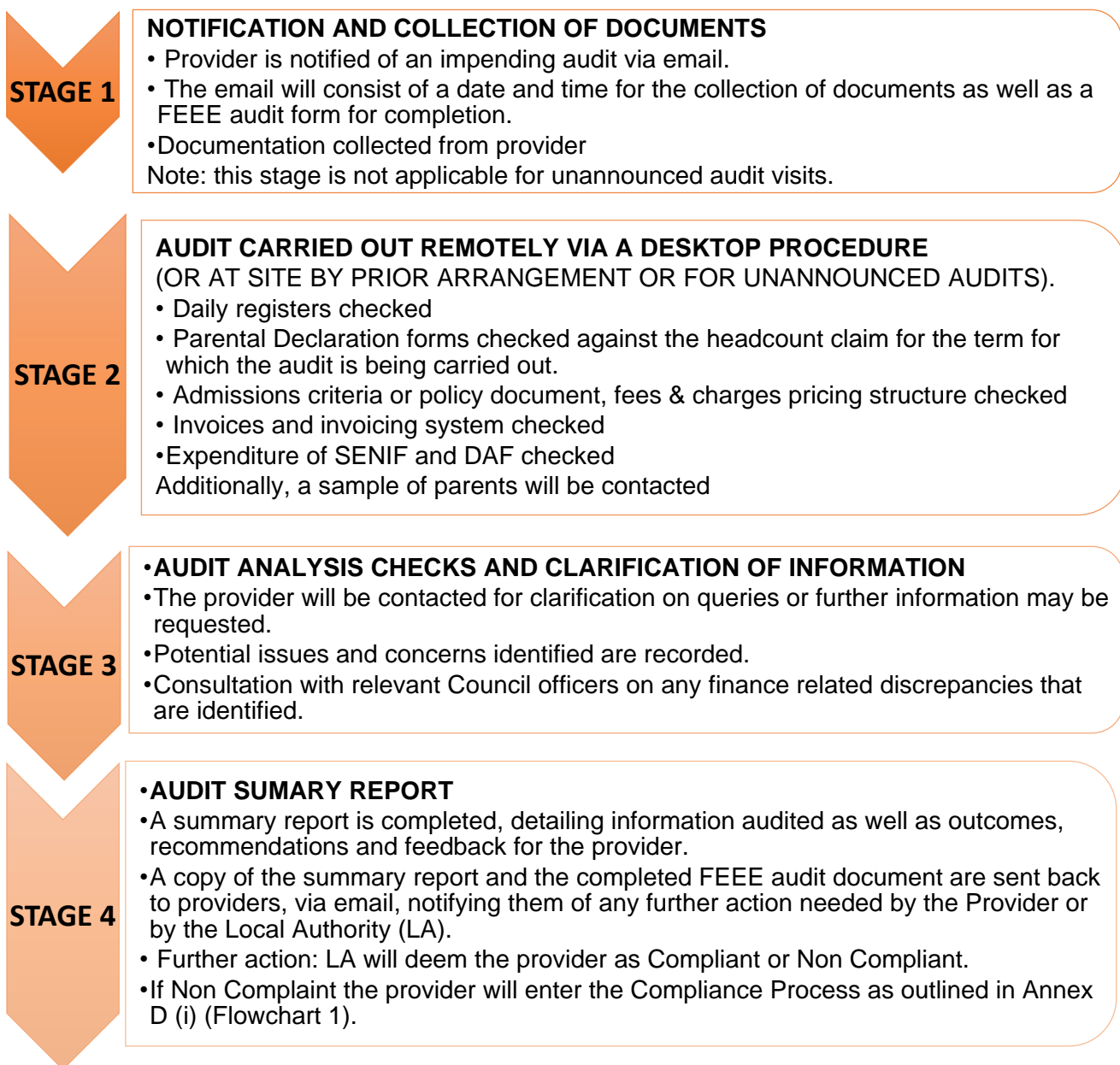
ANNEX D (ii) Part 1 - Finance Auditing Processes and Part 2 - Supplementary Information and Guidance

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

Providers must publish their admissions criteria or policy for funded places.

They should set out, for each setting, the amounts charged for all the chargeable extras listed, as well as the pattern of hours that parents can take the entitlements. Providers who choose to offer the funded entitlements, are responsible for setting a policy on providing parents with options for alternatives to any additional charges. This policy must offer reasonable alternatives that allow parents to access the entitlement for free, including allowing parents to supply their own, or waiving the cost of these items.

Providers are encouraged to follow DfE's template of how to set out these costs (see below) and ensure that the information is clear, up-to-date and easily accessible to parents, to enable parents to make an informed choice of provider.

These details should be published on provider websites or, where they do not have any website, on local authority Family Information Services.

The publication of this information should be fully implemented by January 2026, at the latest, by all providers but the local authority would recommend that providers publish this information, as soon as possible, during the Summer Term 2025.

Childminders and providers caring for 10 or fewer children at any one time are exempt from publishing the details of their costs of chargeable extras. However, they too must comply with the terms and conditions with regards to charging and we would recommend that, where possible, they should publish their details to help parents to make an informed choice of provider.

Invoicing and charges

Invoices and receipts should be itemised and have a breakdown of the following:

- the free entitlement hours
- additional private paid hours
- food charges
- non-food consumables charges
- activities charges

This is to allow parents to see that they have received their child's funded entitlement hours completely free of charge and understand that any fees paid are for additional hours or optional services. Invoices and receipts should include the provider's full details so that they can be identified as coming from a specific provider.

Charges for food, other consumables and activities should be specific and cannot be charged as an 'hourly rate' linked to number of funded hours being accessed by a child.

Providers must ensure that these itemised invoices are in place by January 2026 at the latest, but we recommend that providers put this in place, as soon as possible, during the Summer Term 2025.

The DfE have published a 'Chargeable extras template for invoicing and how to publish costs' which Providers can access via: [Chargeable extras .docx](#)

Providers must comply with the requirements on Charging as stated in the [Addendum to the Early Years Provider Agreement – Summer 2025](#) and refer to the [DfE's Frequently Asked Questions about charging document](#).

To summarise from the Frequently Asked Questions, the DfE have confirmed that:

- they are not seeking to stop providers from being able to charge for voluntary extras. However, in line with a recent High Court judgement (February 2025), they are making it clear that charges must not be mandatory or a condition of accessing a funded place, as has always been the case.
- government funding for the entitlements does not cover consumables like meals, nappies or sun cream or additional activities, such as trips, so providers are able to ask parents to pay for these things.
- they are not encouraging parents to opt out, as they are aware that many parents prefer to purchase meals and other consumables from their provider.
- local authorities must ensure providers offer reasonable alternatives to parents that enable them to access the entitlements for free if they wish.
- the guidance makes it clear that providers should be mindful of the impact of charges on families, particularly the most disadvantaged and children who do not participate in voluntary activities must continue to receive provision that complies with the Early years Foundation Stage (EYFS) statutory framework.
- the guidance also emphasises transparency at the heart of how the entitlement should be passed on to parents, including that any costs should be clearer on invoices and websites and for these new transparency

expectations, the guidance allows a lead-in time until January 2026 to give providers time to adapt (note: the lead time is for compliance with the transparency expectation but the conditions on additional charges apply from April 2025).

Examples of chargeable and non-chargeable items based on the Charging requirements from the EYPA and DfE's frequently asked questions about 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

Providers can charge parents for the following extras in connection with the funded hours, but these charges must be voluntary for the parent and, where necessary, providers must offer reasonable alternatives that allow parents to access the entitlement for free, including allowing parents to supply their own, or waiving the cost of these items.

- Additional, private paid, hours where a child is accessing more than the funded entitlement hours.
- Meals and snacks consumed by the child.
- 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 Early Years Foundation Stage (EYFS) statutory framework. Providers must provide a full itemised and explanatory list for consumables.
- Extra optional activities such as trips, events, celebrations, specialist tuition (for example music classes or foreign languages) or other activities that are not directly related or necessary for the effective delivery of the EYFS statutory framework. Consideration must be given to equality of opportunity for children whose parents are not able or not willing to pay.

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):

- Top-up fees (any difference between a provider's normal charge to parents and the funding they receive from the local authority to deliver funded places).
- Supply of or use of any materials, including, but not limited to, craft materials, crayons, paper, books, instruments, toys, or other equipment or learning resources that are necessary for the effective delivery of childcare. This would include necessary tools and applications which may be used for monitoring and assessment of children's progress for the effective delivery of childcare and as such is not considered to be an optional extra.
- Business running costs, including, but not limited to, rent, staff wages, cleaning materials, insurance, or utility bills such as energy, gas or water. Other example of business running costs, would include:
 - mortgage payments, finance costs, stationery, telephone, internet, business rates, insurance, Ofsted registration.
 - first aid supplies, bedding, sheets, towels, toilet rolls, soap, hand gel, paper towels, face cloths.
 - staff PPE and cleaning products, for example, hygiene gloves, aprons, washing powder.
 - costs necessary to support staff to undertake appropriate training and professional development opportunities to ensure they offer quality learning and development experiences for children.
 - fixtures, fittings, safety equipment, office equipment and 'white goods' such as fridges, cookers and other items for long term use for the business.

Also refer to the information on Charging in the EYPA on other costs which providers must not charge parents for in connection with the funded entitlement hours.

PLEASE NOTE:

The supplementary information and guidance section above on 'Charging' has been compiled to support providers to comply with the terms and conditions for delivering funded places.

The local authority will consider information collected either as part of an audit or following complaints or concerns raised by parents, to establish if a provider is following the finance related terms and conditions. Where there is

evidence of non-compliance, the local authority will make recommendations or directions for the provider to implement necessary changes. For parental complaints, the local authority 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 Caterpillar Childcare Limited is the Registered Person (RP) for Caterpillar Pre-School and 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
- b) If the setting name is **Butterfly Pre-School** and this is registered by **A N Other** (as an Individual) then A N Other is the Registered Person (RP) for Butterfly Pre-School and 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
- 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 as the company will then 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.