

# Independent Financial Review of Sessional ELC/SAC Services

## Introductory Presentation to the Stakeholder Forum

2nd February 2023



# This presentation – 8 slides

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2. Overview of the review
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# Aims of the review

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## Frontier Economics has been commissioned to:

- Collect evidence from a maximum of 50 sessional services on their current financial viability.
- Use deep dive data exploration to track several accounting concepts of financial viability and to understand providers' recent experiences and concerns for the future.
- Analyse the drivers of changes and potential future developments.

## Purpose:

- To build understanding of the impact of the existing funding streams on financial viability for sessional services.
- To identify any systemic financial issues and whether they might be addressed by policy adjustments.

### Who is Frontier Economics?

One of Europe's leading economics consultancies, head office in London

Undertaken work for DCEDIY for the Expert Group on the New Funding Model, NCS First Year Review, and other ELC/SAC financial analysis

The team will be led by Dr. Gillian Paull and Will Carpenter, supported by Tom Badger and Priyanka Roychoudhury

# Overview of the review

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## Dates

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2 <sup>nd</sup> February	Stakeholder forum to introduce review
2 <sup>nd</sup> – 8 <sup>th</sup> February	EOI form sent to Frontier at <a href="mailto:ELCfinance@frontier-economics.com">ELCfinance@frontier-economics.com</a>
9 <sup>th</sup> – 10 <sup>th</sup> February	Frontier select 52 services from EOIs using sampling framework informed by DCEDIY administrative data
13 <sup>th</sup> – 24 <sup>th</sup> February	Participating services complete questionnaires
6 <sup>th</sup> – 24 <sup>th</sup> March	Frontier holds interview with participating services

# Role of the stakeholder forum

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## Please encourage services to participate in the review:

- Share this information about the review.
- Evidence will be stronger with more services involved.
- Need a good range of services to understand the range of drivers of financial viability.

## Request for providers' organisations:

- To nominate up to 3 services which will be prioritised in the selection.
- Send the DCEDIY reference numbers for the 3 services to Frontier at [ELCfinance@frontier-economics.com](mailto:ELCfinance@frontier-economics.com).
- Note: the services must still complete and send the EOI form.

# Participating

## Selection:

- 52 services from all EOIs (target of 50 completed).
- Selection based on a range of profile characteristics to help capture all types of issues (but **not** nationally representative).
- Selection not directly related to financial viability.

## Questionnaire:

- “Hard” numbers for current and past finances.
- Excel format for responses with “paper” pdf version.
- Contact email for queries / help.
- Uncertainty flags for unclear questions / approximate numbers.
- Flexible time to complete, can amend, send when ready.

## Interview:

- Discussion of your understanding of financial position, drivers and future expectations.
- Expected length of 30-60 minutes.
- Options on dates/time and who takes part (requests at end of questionnaire).
- Assigned a single interviewer / point of contact.

# Questionnaire topics

Area	Data	Timing (* from 2016 or as available)
Annual financial statements (or equivalent)	Total income and total operating expenditure	Annual (2016)* – 2022
	Income by private / public funding	Annual (2016)* – 2022
	End-of-year assets and liabilities, balance of debt, balance of equity / owner injections	Annual (2016)* – 2022
Cash flow liquidity	Income by source and operating cost by type	Monthly 2022
	Cost of any overdraft	Monthly 2022
	How dealt with any liquidity issues	(2016)*- 2023
Debt / loans	Date, original amount and terms	(2016)* – 2023
	Schedule of repayments and interest	Monthly 2022
	Details of any payment default / deferment	(2016)* – 2023
Equity / owner injection	Date and amount of investment	(2016)* – 2023
	Dividend payments / owner withdrawals	(2016)* – 2023
Service profile	Additional service characteristics, child hours and staffing not available in administrative data.	Current / termly 2022

# Interview topics

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## (A) Follow-up questionnaire responses:

- Discussion of any uncertainty flags.
- Discussion of any gaps.
- Verification of unusual or apparently inconsistent numbers.

## (B) Questions on current financial viability:

- How would you describe the current financial viability of your service?
- How does this compare to you pre-Covid (2016-2019) position?
- What do you think drove these changes?

## (C) Questions on past adjustments to provision in response to financial pressures:

- Have you changed your provision in terms of children's ages or hours of care?
- Have you changed your staffing?
- Have you made any other changes to address financial stress?

## (D) Questions on future potential financial concerns:

- Do you anticipate any factors will impact on your financial position in 2023?
- Are you likely to make any adjustments to your provision in response to these financial pressures?
- What do you anticipate your financial position will be at the end of 2023?
- What changes to Government policy would support your financial viability by the end of 2023?



# Verification documents

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Verification of data is a requirement to participate in the review

## Why do we need verification documents?

- Reduce potential for errors and ensures evidence is robust.
- Enables DCEDIY to use review findings as evidence to inform decisions.

## Types of documents that will be required:

- (Audited) annual financial statements (or tax returns for sole traders).
- Internal accounts for cash flow and assets/liabilities.
- Bank statements and cash reconciliations.
- Service level agreements.
- Debt / loan documentation.
- Equity issue and dividend payment documentation.

# Housekeeping on data collection

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## **Confidentiality** (commercially sensitive financial and personal data):

- DCEDIY will know list of services submitting an EOI.
- Identities of selected / participating services held only within Frontier.
- Reporting will ensure non-disclosure.

## **Secure data transfer:** questionnaires and documents can be:

- Sent by email (with or without password).
- (Uploaded to Frontier's secure server).
- (Posted to our Dublin office).

## **Data protection:**

- Frontier has ISO2700 compliant ISMS, Cyber Essentials Plus; NHS IG Toolkit Level 2 certification.

## **Ethics:**

- All data and information will only be used for the stated purpose.
- Participants have the right to withdraw.
- Minimisation of burden on participants.

## Should **any problems** arise:

- Contact for Frontier project manager.
- Contact for Frontier practice director.
- Contact for DCEDIY.

# Questions

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When... ?

What... ?

How... ?

Why... ?

Will you...?



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