

FAQs: Early Years Funding

How is early years funding changing?

The introduction of a new Early Years National Funding Formula (EYNFF) from April 2017 will significantly change the way that:

1. Central government allocates early years funding to local authorities; and
2. Local authorities distribute this funding to early years providers.

The overall aim is to ensure that early years funding is distributed more fairly and transparently across the country. The system by which government currently allocates funding to local authorities is based on historical council expenditure – not the actual cost of providing early education and childcare.

The Government also wants to stop local authorities from retaining too much ('top-slicing') and also from paying different rates to different types of providers, for example by paying higher rates to maintained settings (schools and nursery schools) than private, voluntary and independent (PVI) providers (e.g. childminders and private and voluntary nurseries and pre-schools). Both of these mean the funding levels that providers receive for delivering the same entitlement vary significantly, something which the Government says is neither fair nor efficient.

What is the Early Years National Funding Formula (EYNFF)?

It is a new means of allocating funding for the free early education and childcare entitlement for 3- and 4-year-olds, both the existing universal 15-hour entitlement and the new 30-hour entitlement for working parents. Providers will be paid the same rate by their local authority for delivering both schemes.

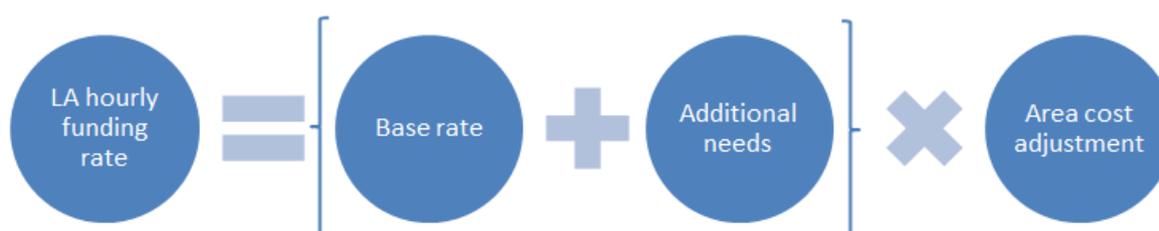
The funding for the 40% most disadvantaged 2-year-olds falls outside of this formula.

Under the new formula, funding per 3- and 4-year-old child to each local authority will be determined by three factors:

1. A **universal base rate** of funding for each child will allocate the majority (89.5%) of all funding;
2. An **additional needs factor** reflecting the extra costs of supporting children with additional needs – calculated through looking at the number of primary school children in the authority eligible for Free School Meals at Key Stage 1 and 2 (8% of

the total formula); the number who are receiving Disability Living Allowance (1%); and the number of primary school children from Key Stage 1 and 2 who speak English as an Additional Language (1.5%);

3. An **area cost adjustment** reflecting the different costs of providing childcare in different areas of the country – calculated through average staff costs and rateable values of nursery premises in each local authority.



A detailed operational guide for the new funding formula is available [here](#).

Will any providers get paid less than they do now?

Yes. The Government has said that the majority – 80% – of local authorities will see an increase in their hourly funding rates under the new national formula. However, it has acknowledged that 20% of local authorities will see a reduction, and therefore some providers may too.

A funding floor will be built in to the formula so that no local authority will face a reduction in its hourly funding rate of more than 10% against its 2016-17 baseline as a result of introducing the formula.

In addition, the Government is guaranteeing that every local authority will receive a minimum of £4.30 per hour, which it says means in principle that no provider should receive under £4 per hour for delivering funded places to 3- and 4-year-olds. However, the Government has acknowledged that as local authorities have some limited discretion over how they construct their own local formulae, there could be a range around the £4 per hour figure.

The Government expects all authorities to be 'on formula' by April 2019.

How will government ensure that local authorities don't top-slice the funding?

Local authorities will be required by law to pass on 95% of the early years funding they receive from central government to providers by April 2018. From April 2017, they will be required to pass on 93% of funding directly. The money that is not passed on is likely to be primarily spent on administration and provider support.

The Government has said that in 'exceptional circumstances' it will consider permitting local authorities to pass on less than the required amount, but only if local providers are still

willing to deliver the 30-hour entitlement. However, after 2019-20, no exceptions will be made, and all local authorities will be expected to follow the formula and pass on 95% of the funding received from central government.

Will local authorities really be forced to pay all providers the same amount?

Yes. Local authorities will be required by April 2019 to use a universal base rate of funding for all providers. This means that a child in a PVI setting (e.g. childminder or private or voluntary nursery or pre-school) will receive the same base rate as a child in a nursery class in a primary school. Within the PVI sector, rates will also be harmonised, so that nurseries and childminders will receive the same amount.

Since maintained nursery schools frequently receive significantly higher hourly rates than other early years providers, the Government will provide £55 million of supplementary funding per year through at least 2019-20 to help them weather the transition. It has also indicated that it would like to see nursery schools evolve to meet the changing needs of parents, for example by providing more flexible provision and acting as community hubs.

Will there be any additional funding supplements?

Local authorities will still be able to top-up the base rate with funding supplements, although these will be capped to 10% of the hourly rate and strictly limited to five areas:

1. **Deprivation** – this is currently mandatory, and it will remain so, with local authorities still able to use their own choice of metric for allocating funding;
2. **Rurality/sparsity** – giving local authorities the discretion to use funding to help rural childcare settings remain sustainable;
3. **Flexibility** – giving local authorities the discretion to use funding to promote different types of flexibility, including growing the childminder segment of their local childcare market;
4. **Quality** – giving local authorities the discretion to use funding to recognise 'workforce qualifications' and 'system leadership,' though not Ofsted grades;
5. **English as an additional language** – giving local authorities the discretion to use funding to recognise the extra cost of caring for a child with English as an additional language.

The Government has scrapped previously mooted plans for supplements on efficiency and delivery of the additional 15 hours free childcare, although the latter will be kept under review and may be implemented in the future.

Whilst all local authorities will have a deprivation supplement, they can choose which of the other four supplements they would like to use, if any.

How does the funding formula affect the Early Years Pupil Premium (EYPP)?

EYPP will continue as a separate funding stream distinct from the new funding formula. Providers will therefore continue to receive 53p on top of the hourly rate they receive from their local authority if they care for children eligible for EYPP.

The Government will be reviewing the delivery model of EYPP to improve take-up.

Will there be any further support for children with special educational needs and disabilities (SEND)?

Yes – there will be two means of increasing the amount of funding that providers receive for caring for children with special educational needs and disabilities (SEND):

1. **Disability Access Fund** – an annual automatic up-front payment of £615 for providers for every child in their setting in receipt of Disability Living Allowance (DLA) and eligible for a funded place;
2. **SEN Inclusion Fund** – mandatory local authority-run funds will provide additional top-up funding to providers to improve outcomes for children with special educational needs based on eligibility criteria drawn up by the authority.

If you are caring for children with SEND, contact your local authority for more information about how you can access these funding streams. It will be up to providers to identify eligible children and refer them to their local authority to check eligibility.

If a child is sharing their funded place between two or more settings, funding will be given to the setting that the parent nominates as 'the main setting'.

How can I find out how much my local authority will pay me?

The Government has [published tables](#) setting out the indicative hourly funding rate each local authority can expect to receive under the new formula from April 2017 to deliver the entitlements for 2-, 3- and 4-year-olds and to help them plan ahead for the introduction of 30 hours in September 2017 (PACEY's [summary version is here](#)).

It should be noted that the calculations make some assumptions, namely that a universal base rate is implemented straight away (although it is not required until April 2019) and that providers receive an 'average' amount of funding from supplements.

As explained above, local authorities will be required to pass on 93% of the funding they receive from central government to providers by April 2017, rising to 95% in April 2018.

It is also important to note that the Government has clarified in the [statutory guidance](#) that the hourly rate is only for the provision of high quality, flexible childcare and does not cover the cost of meals, consumables (e.g. nappies, wipes, sun cream, etc.) or additional services (e.g. extra hours, lessons and trips). Providers are permitted to charge parents for those items or services as long as the charges are voluntary and not a condition of taking up a funded place. This is the case for all government-funded hours.

Providers are responsible for setting their own policy on how to respond if parents are unable or unwilling to pay for additional items or services, with options including waiving or reducing the cost or allowing parents to supply their own meals and consumables.

They must also ensure that children are not disadvantaged in any way if their parents choose not to purchase any meals, consumables or additional services.

Whilst providers can charge parents a deposit to secure a funded place, this must be refunded in full within a reasonable time scale.

To confirm the rate you will receive for delivering funded places, contact your local authority.

Are there any changes to 2-year-old funding?

The Government is increasing the average hourly rate for caring for eligible 2-year-olds from £5.09 to £5.39 from April 2017. However, it is not changing the formula used to determine 2-year-old funding, which is different to the EYNFF.

Contact your local authority to confirm the rate you will be paid for delivering funded places to 2-year-olds.

When can I expect to receive the new rates?

If you are currently delivering funded places, you will receive a new hourly rate from April 2017. The new rate will also be rolled out to the additional 15 hours in September 2017, when 30 hours of free childcare for working parents is implemented nationally.

Eight local authorities have been involved in early implementation of the 30-hour offer since September 2016 (Wigan, Staffordshire, Swindon, Portsmouth, Northumberland, York, Newham and Hertfordshire).

From April 2017, this early implementation will be extended to four additional local authorities (Dorset, Leicestershire, North Yorkshire and Tower Hamlets).

From September 2017, local authorities will be required to pay the same funding rate for all government-funded hours, whether the universal 15 hours for all 3- and 4-year-olds or the additional 15 hours for 3- and 4-year-olds of working parents.

How often will I get paid?

Local authorities are required to pay all providers, particularly childminders, monthly by September 2018. Providers can request alternative payment options from their local authority.

If you have any queries about early years funding or 30 hours childcare, please [contact our policy team](#).