

# FAQs: Early Years Funding

## How is early years funding work?

The Early Years National Funding Formula (EYNFF), first introduced in April 2017, aims to ensure that early years funding is distributed fairly and transparently across the England. Central government allocates early years funding to local authorities. Local authorities then distribute this funding to early years providers.

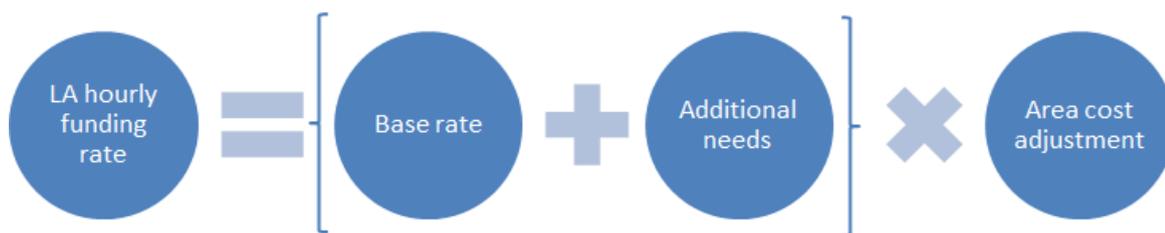
The EYNFF also aims to stop local authorities from retaining too much ('top-slicing') and also from paying different rates to different types of providers, for example by paying higher rates to maintained settings (schools and nursery schools) than private, voluntary and independent (PVI) providers (e.g. childminders and private and voluntary nurseries and pre-schools).

The EYNFF is a means of allocating funding for the free early education and childcare entitlement for 3- and 4-year-olds, also known as the universal 15-hour entitlement and the 30-hour entitlement for working parents. Providers are 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 this EYNFF, funding per 3- and 4-year-old child to each local authority is 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.

All local authorities are required to pay a universal base rate for all their childcare providers in their local 3- and 4-year-old early years single funding formula. The universal base rate must – in all cases – be multiplied by the number of estimated hours of attendance of children.



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

### How much will providers be paid?

Yes. For the year 2019/2020 the government has promised a £5.20 all-inclusive rate for 2-year-olds which will have no additional banding values adding. The base rate for 3- and 4-year-olds is currently £3.98 to which supplements can be added.

How much you get paid will depend on which local authority area you work in.

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

**Local authorities have been required by law to pass on 95% of the early years funding they receive from central government to providers since April 2018.**

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.

### Do local authorities have to pay all providers the same amount.

Yes. Local authorities have 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.

When it comes to 'Maintained Nursery Schools' (MNS), local authorities continue to receive supplementary funding in 2019 to 2020. This funding is provided in order to enable local authorities to protect their 2016 to 2017 funding rates for MNS (the rates that existed before the EYNFF). Maintained Nursery Schools must be paid a universal base rate from 2019 to 2020, however authorities may continue to use 'lump sums' to distribute additional funding to Maintained Nursery Schools.

### 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.

### **What further support will there be for children with special educational needs and disabilities (SEND)?**

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 under the formula?

The Government has [published tables](#) setting out the hourly funding rate for each local authority to deliver the entitlements for 2-, 3- and 4-year-olds (PACEY's [summary version is here](#)).

It is also important to note that the Government has clarified in the [statutory guidance](#) (update link) 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 timescale.

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 average hourly rate for caring for eligible 2-year-olds is £5.23.

**This will differ between authorities, contact your local authority to confirm the rate you will be paid for delivering funded places to 2-year-olds.**

## How often will I get paid?

Local authorities should pay all providers, particularly childminders, monthly. Those that aren't doing so yet must be working towards doing so. 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](#).**