

Appendix 3 ~ Further Details of the Early Years National Funding Formula

1. The Early Years National Funding Formula (EYNFF) aimed to:
 - Deliver fairer funding for local authorities.
 - Maximise funding to providers by requiring local authorities to pass through the majority of funding to providers.
 - Deliver a new Disability Access Fund that will award an annual payment of £615 to settings who support children aged 3 and 4 who are in receipt of disability living allowance and the free early education entitlement.
 - Provide funding for maintained nursery schools.
2. A range of factors for the funding formula were considered within the limitations of the operation guidance from the DfE:
 - Local authorities continue to have the ability to use funding supplements. These are given in addition to the base rate to reflect local needs or policy objectives.
 - The total value of supplements must not be anymore than 10%.
 - Deprivation is a mandatory supplement.
 - Discretionary supplements include: Rurality / sparsity; flexibility; quality; and English as an additional language (EAL).
3. Following consultation, early years and childcare providers strongly favoured the majority of the funding via a universal base rate subject to the limitations of the guidance.
4. The DfE allocation to local authorities fluctuates based on the number of hours delivered. Therefore, the funding formula should be linked to the characteristics of the population rather than characteristics of the provider.
5. Supplements linked to characteristics of the provision rather than the child can create instability in the funding model as take up shifts across providers. As a result these are not used.
6. A formula that gives the provider the opportunity to alter their hourly rate each year could result in a significant overspend due to the high pass through requirement. Similarly, the Authority could fail to pass through the minimum requirement if providers reduce their hourly rate.

7. This could only be controlled by revising the funding formula on an annual basis. This would not be practical and would prove an administrative burden on the Local Authority. As a result these are not used.
8. The funding paid to providers of the 2-year-old Free Early Education Entitlement is not subject to a formula. Therefore, it is equitable to increase the hourly rate paid to providers by the same percentage increase as the hourly rate paid by the DfE.
9. Following detailed modelling of the formula and consultation, a formula was implemented on 1st April 2017 that met the following objectives:
 - High pass through rate of 93% in 2017/18 and 95% in 2018/19.
 - High proportion of the funding via the base rate.
 - Additional funding for children from disadvantaged areas.
 - Additional funding to support provision in rural areas.
 - All providers receive more funding than the previous formula.
 - An average hourly rate of at least £4.