



Department
for Education

2023-24 Early years funding formulae: technical note

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Introduction

1. This technical note describes the detailed methodology for the early years national funding formula (EYNFF) that has been used to calculate illustrative hourly rates and allocations for the 3- and 4-year-old entitlements for financial year 2023 to 2024 (denoted “2023-24” for the remainder of this note, with other financial years denoted in similar shorthand). These illustrative rates set out the impact of the various updates and changes that we are proposing to make, as set out in the consultation document. It specifically covers:
 - three- and four-year-old universal 15 hours entitlement, and
 - three- and four-year-old additional 15 hours entitlement for eligible children of working parents.
 - the rolling in of the early years element of the teachers’ pay grant and teachers’ pension employer contribution (denoted “TPPG” for the remainder of this note).
2. This document also covers the detailed methodology for calculating the illustrative hourly funding rate and allocation calculations for: the two-year-old entitlement and supplementary funding for maintained nursery schools (MNS), again showing the impact of our proposed reforms.
3. The document accompanies a 2023-24 illustrative funding spreadsheet which includes:
 - a ‘National Details’ sheet showing the illustrative national allocation funding totals for the EYNFF, two-year-old formula and MNS supplementary funding and shows how the formula factor rates have been derived;
 - a ‘EYNFF 2023-24 rates’ sheet showing the illustrative 2023-24 hourly rates for 3 and 4-year-olds for each local authority, and comparisons with 2022-23 hourly rates + TPPG illustrative hourly rates;
 - a ‘2YO 2022-23 rates’ sheet showing the illustrative 2023-24 hourly rates for two-year-olds for each local authority, and comparisons with 2022-23 hourly rates;
 - a sheet including a step-by-step table that shows how each local authority’s 3 and 4-year-old hourly funding rates and illustrative allocations have been derived;
 - a sheet including a step-by-step table that shows how each local authority’s 2-year-old hourly funding rates and illustrative allocations have been derived;

- a sheet showing how each local authority's hourly MNS supplementary funding rates and illustrative allocations have been derived; and
 - several additional sheets providing further detail, e.g., on how we are proposing to incorporate TPPG in the baseline, formula factor data etc.
4. The Isles of Scilly and City of London have been excluded from these allocations, as these LAs will receive a central grant from the government which will include funding for early years.
 5. Following the outcome of the consultation, these illustrative 2023-24 hourly rates and allocations will be updated for new data in Autumn 2022, see Annex A, so should not be taken as firm and actual rates and allocations. Indicative allocations for the early years block will be announced in the dedicated schools grant allocations (DSG) table in December 2022.

Differences between 2022-23 and 2023-24

6. The EYNFF used for calculating 3 and 4-year-old hourly rates in 2023-24 remains similar to the formula that was introduced and used directly between 2017-18 and 2019-20, and then used as the starting point for consecutive pence uplifts to hourly rates in 2020-21, 2021-22 and 2022-23. However, the early years funding formulae consultation does include several proposed changes to the EYNFF:
 - The starting point hourly rates for each EYNFF formula factor have been updated for the first time since 2017-18 – see Table 2; based on the increased funding secured for 2023-24 in the Spending Review and the majority of the money that has previously been paid through the early years element of the TPPG.
 - The additional needs formula factors have been calculated using more up-to-date part-time equivalent (PTE) volumes and pupil characteristic data, e.g., January 2021 censuses. The measure used for FSM and definition of the DLA factor have been changed to better align with other funding formulae.
 - The area cost adjustment (ACA) factors have been updated for new data, where possible, and improved, e.g., the methodology for calculating the proxy factor for premises costs has been extended to better reflect the provider composition differences between LAs.
 - Year-to-year protections and funding floors have been revised, e.g., the loss cap protection has been removed, and a new +1% year-to-year protection and +4.5% gains cap has been introduced. These are applied before rounding the hourly funding rates to the nearest penny.
7. The 2023-24 two-year-old entitlement formula has undergone a periodic review and several changes are being proposed in the consultation:
 - The base rate for the formula has been updated for the first time since 2015-16.
 - The base rate calculations for 2023-24 are now based on the most up-to-date data available, e.g., January 2021 censuses.
 - The area cost adjustment (ACA) factor has been updated and improved, e.g., the general labour market (GLM) data has been updated, and a proxy factor for premises costs has been introduced to align the method with the ACA used in the EYNFF.
 - A new +1% year-to-year protection and +8.6% gains cap has been introduced. These are applied before rounding the hourly funding rates to

the nearest penny.

8. The 2023-24 calculations for supplementary funding for maintained nursery schools also includes some proposed changes that are included in the consultation:

- All LAs hourly supplementary funding rates have been increased in line with funding secured in the Spending Review.
- TPPG funding has been rolled in.
- A minimum funding floor and cap have been applied to create a fairer distribution of this funding.

Funding for three- and four-year-old universal entitlement

Background on previous three- and four-year-old funding rates

9. In December 2016, we published the [2017-18 EYNFF hourly rates and allocations](#), with and without protections and capping, together with a [step-by-step guide](#) on how they were derived.
10. The EYNFF rates for 2018-19 and 2019-20 are also available on the web page above along with step-by-step guides. The 2020-21 rates and step-by-step guides are available on [this web page](#), and 2021-22 EYNFF rates and step-by-step guides are available [here](#).
11. When the EYNFF was introduced, a loss cap protection was applied to ensure that no area could lose more than 10% from their 2016-17 funding baseline, and a minimum funding floor was also applied to ensure that no areas saw less than £4.30 per hour.
12. Between 2017-18 and 2019-20 no significant changes were made to the EYNFF. Local authorities protected by protections saw those protections unwind, whilst rates remained the same for other LAs.
13. In 2020-21, almost all LAs had an 8 pence uplift to their rates and the minimum funding floor was increased to £4.38. Local authorities who were on the loss cap had their 2019-20 hourly funding rates maintained in 2020-21.
14. In 2021-22, almost all LAs had a 6 pence uplift to their rates and the minimum funding floor was increased to £4.44. Local authorities who were on the loss cap had their 2020-21 hourly funding rates maintained in 2021-22.
15. In 2022-23, almost all LAs had a 17 pence uplift to their rates and the minimum funding floor was increased to £4.61. Local authorities who were on the loss cap had their 2021-22 hourly funding rates maintained in 2022-23.

2023-24 universal entitlement funding total

16. This subsection sets out the national funding allocations total for the three- and four-year-old universal entitlement. We are assuming this will total £2.34bn in 2023-24, for illustrative modelling purposes only, which is based on the Department's SR21 settlement and the January 2021 PTEs explained in the next section below.

17. We are consulting on proposals to roll the majority of the funding currently allocated through the teachers' TPPG into the EYNFF allocations funding (apart from the portion allocated to MNSs, see MNSs section for further details). Using 2021-22 TPPG allocations as a proxy for 2022-23 grant funding, we estimate this will add a further £37m to the 2023-24 illustrative universal hours entitlement allocations total.¹ See 'TPPG Baseline Uplift' sheet of the accompanying spreadsheet for more details on this calculation.

Pupil counts for three- and four-year-old universal entitlement

18. The EYNFF allocations are calculated using part-time equivalent (PTE) pupil numbers. 1 PTE is defined as a child taking up 15 hours per week over 38 weeks. Therefore, a child taking up 12 hours per week is counted as 0.8 PTE.

19. PTE pupil counts from the January 2021 school, early years and alternative provision censuses are used to calculate illustrative universal entitlement funding allocations.

20. From the January 2021 school census:

- all PTE pupils in maintained nurseries, maintained schools, and all academies, in national curriculum year groups N1 and N2 aged three at 31st December 2020, aged three at 31st August 2020 but four by 31st December 2020, or four at 31st August 2020, including any 3 years olds recorded as national curriculum year group R;
- all PTE pupils in maintained nurseries, maintained schools, and all academies, whose national curriculum year group is missing or 'X' aged three at 31st August 2020.

21. From the January 2021 early years census:

- all three- and four-year-old PTEs at 31st December 2020.

22. From the January 2021 alternative provision census:

- all pupils in independent schools without a statement of SEN aged three at

¹ TPPG funding is calculated using 2-4-year-old headcount. We are proposing to mainstream TPPG funding into the 3- and 4-year-old entitlement funding, rather than separating out an element for the 2-year-old entitlement, because the quantum for just 2-year-olds would be very small (as there are very few 2-year-olds taking up entitlements in school-based nurseries).

31st December 2020;

- all pupils in independent schools without a statement of SEN aged three at 31st August 2020 but four by 31st December 2020.

23. The total pupil count this data specification produces for the illustrative EYNFF allocations for the universal entitlement is 783,342.47 PTE.

Calculation of universal hours funding formula factor allocations

24. This subsection describes how LAs' universal entitlement formula factor allocations are derived from the 2023-24 illustrative allocations total, which includes TPPG as described above.

25. The amount of the total funding allocated to each LA is determined by the EYNFF. This is made up of the following four factors:

- a. First, a base rate of funding for each LA for three- and four-year-olds.
- b. Second, funding based on a proxy indicator for the number of three- and four-year-olds eligible for free school meals (FSM), which reflects the additional costs of providing childcare for children with disadvantage or low special educational needs.
- c. Third, funding based on a proxy indicator for the number of three- and four-year-olds that have English as an additional language (EAL), which reflects the costs of additional support for children who do not have English as a first language.
- d. Fourth, funding based on a proxy for the number of three- and four-year-olds children who are entitled to the Disability Living Allowance (DLA), which reflects the costs for children with more complex special educational needs and disabilities.

26. The illustrative allocations funding total^{2,3} is broken down to the four component factors in the following way, using the same formula factor weightings as were used when the formula was introduced in 2017-18, giving a funding total for each factor.

- 89.5% of the allocations total is used for the universal base rate
- 8% for FSM funding
- 1.5% for EAL funding
- 1% for DLA funding

27. The first step in applying the EYNFF is to determine the pupil count to be used for each factor.

28. For the universal base rate factor, the count is the PTE number of three- and four-year-old pupils recorded on the January 2021 census, as described in the previous subsection.

29. As there is currently no comprehensive FSM data available for children across all early years settings, the FSM factor instead uses a proxy indicator. We are proposing to move to using the headline FSM measure for this indicator, rather than the current measure which filters by age, e.g., excluding part-time pupils under 5. The data used is the proportion of state-funded nursery school and state funded primary school pupils (predominantly in key stage 1 and key stage 2) who are eligible for FSM⁴, as recorded on the January 2021 school census for each LA. The assumed number of eligible FSM three- and four-year-olds in each LA is calculated by:

- The proxy FSM proportion × the total number of three- and four-year-olds (PTE) in the LA.

30. A proxy indicator is also used for the EAL factor. Here, we use a proxy indicator based on the proportion of key stage 1 and key stage 2 EAL⁵ pupils. From the

² A small fraction of this allocation total is set aside to pay for the £4.86 minimum funding floor that is explained later.

³ A small zero-sum adjustment is applied to the universal hours and additional hours allocations totals to ensure that the updated EYNFF hourly funding rates are affordable and all of the EYNFF illustrative allocations total is spent.

⁴ - The data used is taken from the department's statistical release "[Schools, pupils and their characteristics: January 2021](#)".

⁵ - The data used is taken from the department's statistical release "[Schools, pupils and their characteristics: January 2021](#)".

January 2021 school census, the proportion is calculated as the number of pupils whose first language is not English divided by the total number of key stage 1 and key stage 2 pupils in the LA. The assumed number of eligible EAL three- and four-year-olds in each LA is calculated by:

- The proxy EAL proportion \times the total number of three- and four-year-olds (PTE) in the LA.

31. For the DLA factor, the data used is from the Department for Work and Pensions (DWP) and recorded on their Stat-Xplore system⁶. The data we have used for illustrative modelling relates to the number of three- and four-year old children that are entitled to DLA in February 2020, which includes two of the proposed changes for this measure, i.e., moving from using the number of under five-year-olds and also from using the DLA 'case in payment' measure. A proportion is then calculated using the 2020 mid-year ONS population estimates, which is a further proposed change from using the 3- and 4-year-old PTEs as the denominator. The assumed number of eligible DLA three- and four-year-olds in each LA is calculated by:

- The DLA proportion \times the total number of three- and four-year-olds (PTE) in the LA.

32. Having determined these pupil counts, the next step is then to calculate 'starting point' hourly rates for each factor. For each factor, the 'starting point' hourly rate is calculated as:

National funding total for the factor

divided by

the national sum of: LA's pupil count for the factor \times 15 hours \times 38 weeks
 \times LA's area cost adjustment (ACA).

33. The ACAs used in this calculation step is explained in more detail shortly.

6 - The data used is taken from the [DWP stat-xplore system](#): benefit claimants eligible for disability living allowance in Feb 2020.

34. The resulting ‘starting point’ hourly rates for each factor are shown in **Table 2**⁷.

Table 2 – ‘Starting point’ hourly rates

Funding factor	Updated ‘Starting point’ hourly rate (£ / hr) ⁸
Universal base rate	£4.23
FSM	£1.77
EAL	£0.32
DLA	£1.73

35. Then, each LA’s EYNFF universal entitlement funding allocation for each factor is given by:

$$\text{‘Starting point’ hourly rate for the factor (see Table 2)} \times \text{LA’s pupil count for the factor} \times 15 \text{ hours} \times 38 \text{ weeks} \times \text{LA’s ACA}$$

36. Each LA’s total universal entitlement funding allocation is the sum of their allocations for each of the four factors.

37. To derive the LA’s true EYNFF hourly rate, this is then divided by the LA’s three- and four-year-old PTE count \times 15 hours \times 38 weeks

38. See ‘3-4YO 2023-24 step-by-step’ sheet of the accompanying spreadsheet for each LA’s true EYNFF hourly rate broken down by factor.

39. **Area cost adjustments:** As explained above, the calculation applies ACA to take account of the relative difference in costs in different areas of the country. An ACA value between 1 and 1.51 is calculated for each LA, as a weighted combination of two other ACAs, which reflect the variation in staff costs and premises related costs. One is the general labour market cost adjustment by geographical area calculated for 2013-14 by what is now the Department for Levelling Up, Housing and Communities (DLUHC, see GLM paragraphs below), and the other is a new nursery, infant and primary rates cost adjustment (explained later) based on

⁷ See Table 2 of the [2017-18 technical note](#) for the original 2017-18 starting point hourly rates.

⁸ The ‘starting point’ hourly rates are unrounded and shown to 2 decimal places for presentational purposes only.

Valuation Office Agency data^{9,10} on rateable values of nursery, infant and primary school premises:

- General labour market (GLM) ACA to reflect staff costs: weighted 80%.
- Nursery, infant and primary rates cost adjustment (NIPRCA) ACA to reflect premises costs: weighted 10%.
- The remaining 10% of costs are assumed not to vary from authority to authority.

40. Each LA's ACA is calculated using the following formula. All the resulting ACAs are therefore a value of 1.00 or greater:

$$ACA_{LA} = 80\% \times GLM_{LA} + 10\% \times NIPRCA_{LA} + 10\%$$

41. DLUHC published updated 2021 GLM data on 29 March 2022. However, we are not using these figures for the 2023-24 NFFs, and are instead continuing to use the previously available GLM data for 2013-14. The method of compiling the recent GLM data was different compared to the 2013-14 figures, and there has not been sufficient time to make the new data compatible with the existing ACA methodology in the NFFs. We aim to use the new GLM data in the NFFs for 2024-25.

42. GLM values for Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex have been recalculated based on the average of their fringe and non-fringe 2013-14 GLM values, weighted together by the proportions of 3- and 4-year-old universal hours January 2021 PTEs delivered in the respective districts. These local authorities had previously been assigned their 2013-14 GLM fringe value alone and we have therefore revised our approach to align with how the GLM values for part-fringe local authorities are calculated in the other NFFs.

43. **NIPRCA factor:** The consultation proposes several changes to the current nursery rates cost adjustment (NRCA) factor to better reflect the differences in provider composition and size between LAs.

44. The first proposal is to use the latest available valuation data to update the measure. The current valuation data is from 2015, which will be largely based on the 2010 full property revaluation with smaller annual updates thereafter. There has been the 2017 full property revaluation since then, and smaller annual updates,

⁹ The unrounded aggregated geographical data supplied by VOA is consistent with their official statistics release "[Non-domestic rating: stock of properties including business floor space, 2021](#)"

¹⁰ We will be continuing to work with VOA to refine our use of school and nursery rateable valuation data, e.g., how maintained nursery schools are classification in VOA data.

with the latest years data being for 2021.

45. A second proposal is to move to a valuation per metre-squared measure, to better reflect the differences in size of provider between LAs. The current approach uses an average valuation per setting so will tend to disadvantage authorities that have many, smaller settings.

46. The third proposal is to calculate the rates cost adjustment measure(s) for the latest 3 years and then take an average of these, which is primarily to smooth out the impact of future full revaluations that happen on a periodic basis.

47. The fourth proposal is to broaden the scope of rates cost adjustment factor to include a school rateable valuation data-based measure, i.e., the infant and primary rates cost adjustment factor (IPRCA), which is then combined with the updated NRCA factor as a weighted average at LA level; reflecting the variation in delivery models for the 3-and 4-year-old entitlements between local authorities¹¹.

$$3 - 4yo NIPRCA_{LA} = (1 - \% 3 - 4yo PTEs in Schools \%_{LA}) \times NRCA_{LA} + (3 - 4yo PTEs in Schools \%_{LA}) \times IPRCA_{LA}$$

48. See 'ACA' sheet of the accompanying spreadsheet for more details on this calculation.

Loss cap

49. In 2023-24 we propose to remove the current loss cap and replace it with the alternative protections set out below.

Minimum funding floor

50. The next step in the calculation of LAs' universal entitlement allocations is to apply the minimum funding floor as an hourly rate. The minimum funding rate means that no LA has a funding hourly rate for their universal hours and additional hours entitlement which is lower than £4.86.

51. The minimum funding floor has been calculated by increasing the 2023-23 minimum funding floor (£4.61) in line with the expected increase in the national average funding rate as well as the impact of rolling in TPPG funding.

¹¹ 'PTEs in Schools' is defined as the total number of universal and additional entitlement PTEs recorded on the school census divided by the total number of universal hours and additional entitlement PTEs recorded on the school and early years censuses for each local authority.

Protections and capped gains

52. We are consulting on proposals to introduce protections to ensure all local authorities see an increase in the hourly funding rate that they receive in 2023-24. Year-to-year protections are based on LAs' overall universal entitlement hourly rate (as explained above), rather than their universal entitlement funding allocation total. The minimum increase that we are proposing LAs can see in their overall universal entitlement hourly rate in 2023-24, compared with their 2022-23 baseline rate (see below) is +1%, which is applied before rounding the hourly rate to the nearest penny¹². LAs receiving lower amounts under the formula calculation described above will receive additional funding to ensure these thresholds are achieved.
53. LAs' 2022-23 universal entitlement hourly rate baselines are used to calculate year-to-year protections. These baselines have been calculated based on LAs' 2022-23 hourly rates plus an illustrative TPPG hourly rate uplift. See 'TPPG Baseline Uplift' sheet in accompanying spreadsheet for more details.
54. To pay for the year-to-year protections, we propose to introduce a cap on the gains that any local authority can see. In order to be able to ensure that all LAs see an increase in their hourly rate in 2023-24 and the total allocations meet the available budget, our illustrative modelling suggests we will limit local authorities' gains in 2023-24 to 4.5%. This limit does not apply to LAs seeing increases to ensure they receive the £4.86 minimum funding hourly rate.

¹² Rounding to the nearest penny means that some LAs will see their hourly funding rate rounded down and therefore receive slightly less than a 1% increase.

Funding for three- and four-year-old additional hours for working parents

2023-24 additional hours funding total

55. This subsection sets out the national funding allocations total for the three- and four-year-old additional hours entitlement. We are assuming this will total £868m in 2023-24, for illustrative modelling purposes only, which is based on the Department's SR21 settlement and the January 2021 PTEs explained in the next section below.

56. Using 2021-22 TPPG allocations as a proxy for 2022-23 grant funding, we estimate this will add a further £13m to the 2023-24 illustrative additional hours entitlement allocations total. See 'TPPG Baseline Uplift' sheet of the accompanying spreadsheet for more details on this calculation.

Pupil counts for three- and four-year-old additional hours

57. PTE pupil counts from the January 2021 school, early years and alternative provision censuses are used to calculate additional hours entitlement funding allocations.

58. From the January 2021 school census:

- all PTE pupils in maintained nurseries, maintained schools, and all academies, in national curriculum year groups N1 and N2 aged three at 31st December 2020, aged three at 31st August 2020 but four by 31st December 2020, or four at 31st August 2020, including any 3 years olds recorded as national curriculum year group R;
- all PTE pupils in maintained nurseries, maintained schools, and all academies, whose national curriculum year group is missing or 'X' aged three at 31st August 2020.

59. From the January 2021 early years census:

- all three- and four-year-old PTEs as at 31st December 2020.

60. From the January 2021 alternative provision census:

- all pupils in independent schools without a statement of SEN aged three at 31st December 2020;
- all pupils in independent schools without a statement of SEN aged three at 31st August 2020 but four by 31st December 2020.

61. The total pupil count this data specification produces for the illustrative EYNFF allocations for the additional hours entitlement is 296,629.28 PTE.

Calculation of additional hours funding allocations to LAs

62. The EYNFF uses the same LA hourly rates for universal entitlement and additional hours entitlement. See 'calculation of universal hours funding formula factor allocations' section for more details.

63. The allocations for each LA have been calculated as:

LA's hourly rate × total additional hours PTE number of 3- and 4-year-olds captured on the January 2021 census × 15 hours × 38 weeks.

Funding for two-year-old entitlement funding

Background on previous two-year-old funding rates

64. In October 2016, we published the [2015-16 two-year old hourly rates](#).
65. In 2017-18, all LAs had a 7.14% increase to their [two-year-old hourly rates](#).
66. In 2018-19 and 2019-20 there were no changes made to hourly funding rates.
67. In 2020-21, all LAs had an 8 pence uplift to their hourly funding rates.
68. In 2021-22, all LAs had an 8 pence uplift to their hourly funding rates.
69. In 2022-23, all LAs had a 21 pence uplift to their hourly funding rates.

2023-24 two-year-old funding total

70. This subsection sets out the national funding allocations total for the two-year old entitlement. We are assuming this will total £411m in 2023-24, for illustrative modelling purposes only, which is based on the Department's SR21 settlement and the January 2021 PTEs explained in the next section below.

Pupil counts for two-year-old entitlement

71. The pupil numbers that are used to determine the allocations for two-year-old funding are:

From the January 2021 school census:

- all PTE pupils in maintained nurseries, maintained schools, and all academies, in national curriculum year groups N1 and N2 aged 2 at 31st December 2020;
- all PTE pupils in maintained nurseries, maintained schools, and all academies, whose national curriculum year group is missing or 'X' aged 2 at 31st December 2020.

From the January 2021 early years census:

- all eligible two-year-old PTEs aged 2 at 31st December 2020.

From the January 2020 alternative provision census:

- all eligible pupils in independent schools without a statement of SEN aged 2 at 31st December 2020.

72. The total pupil count this data specification produces for the indicative two-year-old entitlement allocations is 121,000.28 PTE.

Calculation of two-year-old funding formula base rate

73. This subsection describes how LAs' two-year-old formula factor base rate has been derived from the 2023-24 illustrative allocations total for the two-year-old entitlement.

74. The amount of the total funding which is allocated to each LA is determined by the two-year-old funding formula, which is made up of a base rate multiplied by an area cost adjustment factor for each LA.

75. For the two-year-old base rate factor, the count is the PTE number of two year-year-old pupils recorded on the January 2021 census, as described in previous subsection.

76. Having determined the pupil count, the base rate is calculated as:

Funding total for the base rate

divided by

the national sum of: LA's pupil count for the factor × 15 hours × 38 weeks
× LA's area cost adjustment (ACA).

77. This results in a two-year-old base rate of £5.37¹³. See 'National Details' sheet in the accompanying spreadsheet for more detail.

78. Each LA's two-year-old hourly funding rate is then given by: two-year-old base rate
× LA's ACA.

79. **Area cost adjustments:** As explained in the three- and four-year old subsections above, the calculation applies ACAs to take account of the relative difference in costs in different areas of the country. There are several proposed changes for the ACA factor in the 2-year-old formula for 2023-24:

- to update and use 2013-14 data for the GLM factor to align with data being used in the EYNFF;
- to update the GLM values for part-fringe local authorities basing these on

¹³ The two-year-old base rate is unrounded and is shown to 2 decimal places for presentational purposes only.

the average of their fringe and non-fringe 2013-14 GLM values, weighted together by the proportions of 2-year-old entitlement January 2021 PTEs delivered in the respective districts;

- to include a premises related factor in the two-year-old ACA for the first time, i.e., NIPRCA (see paragraph later); and
- to change the weightings used to construct the two-year-old ACA to allow for the new NIPRCA factor to be incorporated and align with EYNFF: 80% for GLM; 10% for NIPRCA; and the remaining 10% are assumed not to vary across the country between local authorities.

80. **NIPRCA factor:** This new factor will have values between 1 and 1.57 and is calculated using different weights to the EYNFF to reflect that schools have a lower market share for the 2-year-old entitlement, i.e., uses two-year-old PTE-based weightings to combine NRCA and IPRCA factors:

$$2yo\ NIPRCA_{LA} = (1 - \% \ 2yo\ PTEs\ in\ Schools_{LA}) \times NRCA_{LA} + (\% \ 2yo\ PTEs\ in\ Schools_{LA}) \times IPRCA_{LA}$$

81. See the 'ACA' sheet in the accompanying spreadsheet for more details.

82. The allocations for each LA would then be calculated as:

LA's hourly rate × total PTE number of two-year-olds captured on the January 2021 census × 15 hours × 38 weeks.

Protections and capped gains

83. We are consulting on proposals to introduce protections to ensure all local authorities see an increase in the hourly funding rate that they receive in 2023-24. Year-to-year protections are based on LAs' overall two-year-old entitlement hourly rate from 2022-23, rather than their total 2-year-old entitlement funding allocation total. The minimum increase we are proposing that LAs can see in their overall 2-year-old entitlement hourly rate in 2023-24, compared with their 2022-23 baseline rate is +1%, which is applied before rounding the hourly rate to the nearest penny¹⁴. LAs receiving lower amounts under the formula calculation described above will receive additional funding to ensure these thresholds are achieved.

84. To pay for the year-to-year protections, we propose to introduce a cap on the gains that any local authority can see. In order to be able to ensure that all LAs see an

¹⁴ Rounding to the nearest penny means that some LAs will see their hourly funding rate rounded down and therefore receive slightly less than a 1% increase

increase in their hourly rate in 2023-24 and the total allocations meet the available budget, our illustrative modelling suggests we will limit local authorities' gains in 2023-24 to 8.6%.

Maintained nursery school (MNS) supplementary funding

Background on previous MNS supplementary funding

85. Since the introduction of the EYNFF, local authorities have received supplementary funding for MNS' in addition to their EYNFF allocation, to protect their MNS funding at their 2016-17 level for the universal 15 hours.
86. In December 2016, we published the [2017-18 EYNFF technical note](#) which detailed how the MNS supplementary funding would be calculated. This involved subtracting a LAs 2017-18 'provider equivalent' hourly rate from their 2016-17 MNS hourly rate. If the differential was positive then the LA received supplementary funding, if zero or negative then the LA received no supplementary funding.
87. In 2018-19, the same process of comparing a LAs 2016-17 MNS hourly rate with their updated 2018-19 'provider equivalent' hourly rate was used to derive rates. See [2018-19 EYNFF technical note](#) for more detail.
88. In 2019-20, the same process of comparing a LAs 2016-17 MNS hourly rate with their updated 2019-20 'provider equivalent' hourly rate was used to derive rates. See [2019-20 EYNFF technical note](#) for more detail.
89. In 2020-21, all LAs rates remained the same as in 2019-20.
90. In 2021-22, all LAs rates remained the same as in 2019-20.
91. In 2022-23, all LAs 2021-22 rates were uplifted by 3.5%, which was equivalent to the increase in the 3 and 4-year-old hourly funding rates.

2023-24 MNS supplementary funding

92. The government will provide supplementary funding of approximately £73m to LAs for MNSs in 2023-24.
93. This is made up of
- a. 2023-24 MNS pre-reform funding ~ £55m
 - b. MNS' share of TPPG ~ £8m
 - c. Additional funding which we are proposing to invest into supplementary funding from 2023-24 ~ £10m.

2023-24 MNS funding total

94. For illustrative modelling purposes we are assuming that the pre-reform allocations total for supplementary MNS funding in 2023-24 is approximately £55m, which is based on the Department's SR21 settlement and January 2021 PTEs. See 'MNS 2023-24' sheet in accompanying spreadsheet for more details.
95. We are proposing to roll the MNS portion of the funding currently allocated through the teachers' pay and pensions grants into MNS supplementary funding. Using 2021-22 TPPG allocations as a proxy for 2022-23 grant funding, we estimate this will add approximately £8m to the 2023-24 illustrative pre-reform funding total, i.e., £63m. See 'TPPG Baseline Uplift' sheet of the accompanying spreadsheet for more details on this calculation.
96. An additional £10m is being invested into MNS supplementary funding from 2023-24 and we are proposing to use this to uplift the lowest funded areas and to create a fairer distribution of the funding across all LAs with MNSs.

Minimum funding rate and cap

97. We are proposing to introduce a minimum supplementary funding hourly rate that local authorities can receive for their MNSs, which we anticipate being £3.80. The minimum funding floor of £3.80 has been calculated as the highest affordable rate after adding TPPG and approximately £10m of additional funding to the 23-24 MNS pre-reform funding. The final minimum hourly funding rate for 2023-24 will be confirmed in Autumn 2022.
98. To correct some of the most extreme outliers in the current distribution of MNS supplementary funding we are also proposing to introduce a maximum cap of £10.
99. The allocations for each LA would then be calculated as:

LA's hourly rate × total MNS universal hours PTEs captured on the January 2021 census × 15 hours × 38 weeks.

Annex A: Data for consultation and final rate modelling

1. The tables below summarise the data that is being used in the illustrative modelling for the consultation and what we are planning to use, if available, for updating the formula factors that will be used to calculate the final hourly funding rates in the Autumn.

Table 1 – Data sources for EYNFF

Data	Source of data	Date of data currently used in formula	Date of latest available data (used in accompanying modelling)	Date of data to be used for final rates
PTEs	DfE Annual School, Early Years & AP Censuses	January 2021	January 2021	January 2022
Free School Meals (FSM)	DfE Annual School Census ¹⁵	January 2016	January 2021	January 2022
English as an Additional Language (EAL)	DfE Annual School Census	January 2016	January 2021	January 2022
Disability Living Allowance (DLA)	Department for Work and Pensions (DWP)	August 2015	February 2020	February 2021 ¹⁶
ONS mid-year population estimates	Office for National Statistics (ONS)	N/A	Mid-2020	Mid-2021

¹⁵ The FSM and EAL data used is taken from the department's statistical release "[Schools, pupils and their characteristics: January 2021](#)".

¹⁶ Updating DLA is dependent on the availability of mid-2021 ONS population estimates being available in time.

Nursery Rates Cost Adjustment (NRCA) ¹⁷	Valuation Office Agency (VOA)	2015	Average of 2019, 2020 and 2021	Average of 2020, 2021 & 2022
Infant & Primary Rates Cost Adjustment (IPRCA)	Valuation Office Agency (VOA)	N/A	Average of 2019, 2020 and 2021	Average of 2020, 2021 & 2022
General Labour Market (GLM)	Department for Levelling Up, Housing and Communities (DLUHC)	2013-14	2013-14 ¹⁸	2013-14
Teacher's Pay and Pension Grant (TPPG)	Education and Skills Funding Agency (ESFA)	N/A	2021-22 ¹⁹	2022-23

¹⁷ The unrounded aggregated geographical data supplied by VOA to calculate NRCA and IPRCA measures is consistent with VOA official statistics release "[Non-domestic rating: stock of properties including business floor space, 2021](#)"

¹⁸ DLUHC published updated 2021 GLM data on 29 March 2022. However, we are not using these figures for the 2023-24 NFFs and are instead continuing to use the previously available GLM data for 2013-14. The method of compiling the recent GLM data was different compared to the 2013-14 figures, and there has not been sufficient time to make the new data compatible with the existing ACA methodology in the NFFs. We aim to use the new GLM data in the NFFs for 2024-25.

¹⁹ 2021-22 TPPG funding has been used to be consistent with the use of January 2021 PTEs to update the base rate and additional needs formula factors. 2022-23 TPPG will be used for calculating the final hourly rates if available.

Table 2 – Data sources for 2-year-old funding formula

Data	Source of data	Date of data currently used in formula	Date of latest available data (used in accompanying modelling)	Date of data to be used for final rates
PTEs	DfE Annual School, Early Years & AP Censuses	January 2021	January 2021	January 2022
Nursery Rates Cost Adjustment (NRCA)	Valuation Office Agency (VOA)	N/A	Average of 2019, 2020 and 2021	Average of 2020, 2021 & 2022
Infant & Primary Rates Cost Adjustment (IPRCA)	Valuation Office Agency (VOA)	N/A	Average of 2019, 2020 and 2021	Average of 2020, 2021 & 2022
General Labour Market (GLM)	Department for Levelling Up, Housing and Communities (DLUHC)	2011-12	2013-14	2013-14

Table 3 – Data sources for MNS supplementary funding formula

Data	Source of data	Date of data currently used in formula	Date of latest available data (used in accompanying modelling)	Date of data to be used for final rates
PTEs	DfE Annual School, Early Years & AP Censuses	January 2021	January 2021	January 2022
Teacher's Pay and Pension Grant (TPPG)	Education and Skills Funding Agency (ESFA)	N/A	2021-22	2022-23



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