



Education & Skills  
Funding Agency

**This document has been  
withdrawn as it is out of  
date.**

# **Early Years National Funding Formula: Technical note**

**November 2018**

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## Introduction

1. This technical note describes the methodology for the Early Years National Funding Formula (EYNFF) that has been used to generate the local authority hourly funding rates for financial year 2019 to 2020.
2. Specifically, it covers the hourly rates for the free early education entitlements for three and four year olds (the universal 15 hours entitlement and the additional 15 hours entitlement for eligible working parents).
3. This document also sets out how local authorities' initial allocations for the early years block of the dedicated schools grant (DSG) for 2019 to 2020 will be calculated. This includes:
  - funding for the universal 15 hours entitlement for three and four year olds
  - funding for the additional 15 hours entitlement for three and four year old children of eligible working parents
  - funding for the 15 hours entitlement for disadvantaged two year olds
  - funding for the Early Years Pupil Premium (EYPP)
  - funding for the Disability Access Fund (DAF)
  - supplementary funding for Maintained Nursery Schools (MNS)
4. The 2019 to 2020 initial allocations for the early years block will be announced in the DSG allocations table in December 2018.
5. This document accompanies a [2019 to 2020 EYNFF rates spreadsheet](#), which includes:
  - a table showing the 2019 to 2020 EYNFF hourly rates for three and four year olds for each local authority
  - a step-by-step table that shows how each local authority's 2019 to 2020 rate has been derived
6. The Isles of Scilly and City of London have been excluded from this table, as these local authorities receive a central grant from the government which will include funding for early years.

## Hourly funding rates for three and four year olds

7. This section explains how the 2019 to 2020 EYNFF rates for the free early education entitlements for three and four year olds are calculated.
8. In December 2016, we published the [2017 to 2018 EYNFF hourly rates and allocations](#), with and without transitional protections and capping, together with a [step-by-step guide](#) on how they were derived.
9. To calculate a local authority's 2019 to 2020 hourly rate, we consider their transition from the 2018 to 2019 rate with the Year 2 transitional protection, to their EYNFF rate without transitional protections, and apply the transitional protection for Year 3. The unrounded 2018 to 2019 rates are used as the starting point to which we apply the Year 3 transitional protection.
10. The Year 3 transitional protection is a 5% annual loss cap; that is, no local authority will see a decrease of more than 5% from their 2018 to 2019 hourly rate. There is no capping of gains in Year 3.
11. The Year 3 transitional protection is the only reason for any differences between local authorities' funding rates in 2018 to 2019 and 2019 to 2020.
12. For further detail on derivation of the 2019 to 2020 rates please refer to the accompanying [2019 to 2020 EYNFF rates spreadsheet](#).

## Funding for the early years block in 2019 to 2020

13. Initial allocations for the early years block of the DSG, together with a detailed technical note, will be published in December 2018. This section explains the basis on which these initial allocations will be produced, taking each of the following funding streams in turn:
  - A. the universal 15 hours entitlement for three and four year olds
  - B. the additional 15 hours entitlement for three and four year old children of eligible working parents
  - C. the 15 hours entitlement for disadvantaged two year olds
  - D. the Early Years Pupil Premium (EYPP)
  - E. the Disability Access Fund (DAF)
  - F. the supplementary funding for Maintained Nursery Schools (MNS)

### A. The universal 15 hours entitlement for three and four year olds

14. The [2019 to 2020 EYNFF hourly funding rates](#) for the universal 15 hours entitlement are as announced in the accompanying table.
15. Allocations for the universal 15 hours entitlement will be calculated using the local authority's 2019 to 2020 rate rounded to the nearest penny.
16. The EYNFF allocation for the universal 15 hours entitlement will be calculated using part-time equivalent (PTE) child numbers. 1 PTE is defined as a child taking up 15 hours per week over 38 weeks.
17. PTE child counts from the January 2018 Schools, Early Years and Alternative Provision censuses will be used to calculate the initial funding allocation.
18. The initial allocation for each local authority will be calculated as follows:
  - the January 2018 census data gives the number of PTEs taking up the universal 15 hours entitlement;
  - this is multiplied by 15 hours x 38 weeks x the local authority's 2019 to 2020 EYNFF hourly rate;
  - this gives the initial allocation for the universal 15 hours entitlement in 2019 to 2020.

## **B. The additional 15 hours entitlement for three and four year old children of eligible working parents**

19. The EYNFF hourly funding rates for the additional 15 hours entitlement are the same as the rates for the universal 15 hours entitlement (after rounding to the nearest penny).
20. PTE child counts from the January 2018 Schools, Early Years and Alternative Provision censuses will be used to calculate the initial funding allocation. Last year, data on three and four year old children utilising the additional hours for working parents entitlement was not available from the censuses, and so estimates of eligible children and how many would take up the entitlement were made. January 2018 was the first time census data was collected, and so can now be used for the 2019 to 2020 allocations.
21. The initial allocation for each local authority will be calculated as follows:
  - the January 2018 census data gives the number of PTEs taking up the additional 15 hours entitlement;
  - this is multiplied by 15 hours x 38 weeks x the local authority's 2019 to 2020 EYNFF hourly rate;
  - this gives the initial allocation for the additional 15 hours entitlement in 2019 to 2020.

## **C. The 15 hours entitlement for disadvantaged two year olds**

22. The hourly rates for disadvantaged two year olds were announced on [1 December 2016](#).
23. PTE child counts from the January 2018 schools, early years and alternative provision censuses will be used to calculate the initial funding allocation.
24. The initial allocation for each local authority will be calculated as follows:
  - the January 2018 census data gives the number of PTEs taking up the two year old entitlement;
  - this is multiplied by 15 hours x 38 weeks x the local authority's two year old hourly rate;
  - this gives the initial allocation for the two year old entitlement in 2019 to 2020.

## **D. Early Years Pupil Premium (EYPP)**

25. The national rate for EYPP is 53p per hour per eligible child, up to a maximum 570 hours per year.
26. PTE child counts from the January 2018 Schools, Early Years and Alternative Provision censuses will be used to calculate the initial funding allocation.
27. The initial allocation for each local authority will be calculated as follows:
  - the January 2018 census data gives the number of PTEs taking up the EYPP;
  - this is multiplied by 15 hours x 38 weeks x £0.53;
  - this gives the initial allocation for EYPP in 2019 to 2020.

## **E. Disability Access Fund (DAF)**

28. The national rate for DAF is £615 per eligible child per year.
29. The funding allocation for 2019 to 2020 will be an illustrative allocation based on an estimate of the number of three and four year olds who are not in Reception that are claiming the Disability Living Allowance (DLA).
30. For each local authority, their total February 2018 DLA claimant count of three and four year old children, using data from the Department for Work and Pensions (DWP), will be adjusted to remove an estimated number of children in reception. This will give an estimate of the number of three and four year olds eligible to take up DAF in the local authority.
31. The illustrative funding allocation for each local authority will be calculated as follows:
  - the DfE's estimate number of children eligible to take up DAF;
  - this is multiplied by £615 per child;
  - this gives the illustrative DAF funding allocation for 2019 to 2020.

## **F. Supplementary funding for Maintained Nursery Schools (MNS)**

32. Supplementary funding for MNS will be allocated to local authorities in 2019 to 2020 to protect their MNS funding level in 2016 to 2017, prior to the introduction of the EYNFF.

33. The funding paid to MNS in 2016 to 2017 was confirmed by local authorities during the data assurance exercise undertaken by the Education and Skills Funding Agency (ESFA) in Spring 2017.
34. The MNS supplementary funding allocation enables local authorities to protect their 2016 to 2017 MNS funding level for the universal 15 hours by considering the difference between the 2016 to 2017 MNS funding rate and the EYNFF 2019 to 2020 'provider equivalent' hourly rate, which we refer to as the 'funding rate differential'.
35. The MNS supplementary funding allocation for 2019 to 2020 will be calculated as follows:
- taking the local authority's MNS hourly funding rate in 2016 to 2017 (derived from the information provided by local authorities in the 2017 data assurance exercise); this is referred to as 'A' below
  - calculating the 'provider equivalent' hourly rate for 2019 to 2020; this is referred to as 'B' below
  - the 'provider equivalent' hourly rate determines how much of the EYNFF allocation is available to fund all providers (after deducting an amount for central and contingency funding). This is calculated as:

The diagram illustrates the calculation of the provider equivalent hourly rate (B) for 2019 to 2020. It consists of five blue circles labeled B, C, D, and E, connected by mathematical symbols. Circle B is followed by an equals sign. Then, circle C is enclosed in large square brackets, followed by a minus sign and circle D, which is also enclosed in large square brackets. This entire expression is followed by a division symbol (two dots over a horizontal line) and circle E.

$$B = \frac{C - D}{E}$$

where:

B = the local authority's 'provider equivalent' hourly rate for 2019 to 2020

C = the local authority's total initial EYNFF allocation for universal and additional 15 hours entitlements for three and four year olds in 2019 to 2020 (to be published in December 2018)

D = the amount deducted for the local authority's estimated central and contingency spend in 2019 to 2020, calculated by adding the local authority's % central spend in 2018 to 2019 (capped at 5%) to the local authority's % contingency spend from 2018 to 2019<sup>1</sup>,

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<sup>1</sup> Data on central and contingency spend comes from the 2018 to 2019 Section 251 early years proforma budget, as reported by LAs.

and applying them to the 2019 to 2020 EYNFF allocation (C)

E = the local authority's total number of funded hours for universal and additional 15 hours entitlements. This is calculated by adding together the PTE numbers for the universal hours and additional hours entitlements from the January 2018 census and multiplying by 15 hours x 38 weeks

- comparing the MNS hourly funding rate in 2016 to 2017 ('A') with the 2019 to 2020 'provider equivalent' hourly rate ('B')
- this is to determine if the 'provider equivalent' hourly rate for 2019 to 2020 is sufficient to maintain the 2016 to 2017 funding rate for MNS
- the funding rate differential is determined as follows:


$$F = A - B$$

where:

F = the local authority's funding rate differential; that is, the difference in funding rates which the MNS supplementary funding is intended to meet

A = the local authority's MNS hourly funding rate in 2016 to 2017 (derived from the information provided by local authorities in the 2017 data assurance exercise)

B = the local authority's 'provider equivalent' hourly rate for 2019 to 2020

- if the funding rate differential ('F') is:
  - positive, this means that the local authority's 2016 to 2017 MNS hourly funding rate is higher than their EYNFF 2019 to 2020 'provider equivalent' hourly rate, and therefore the local authority is in line to receive supplementary funding
  - negative or equal to zero, this means that the local authority will not receive any supplementary funding, as there is no funding differential to protect
- calculating the MNS supplementary funding allocation for 2019 to 2020

- the initial MNS supplementary funding allocation for 2019 to 2020 will be calculated as follows:

A diagram illustrating the calculation of the initial MNS supplementary funding allocation (H). It consists of five blue circles arranged horizontally. The first circle contains the letter 'H', followed by an equals sign (=). The second circle contains the letter 'F', followed by a multiplication sign (×). The third circle contains the letter 'G', followed by a multiplication sign (×). The fourth circle contains the text '15 hours', followed by a multiplication sign (×). The fifth circle contains the text '38 weeks'.

$$H = F \times G \times 15 \text{ hours} \times 38 \text{ weeks}$$

where:

H = the initial MNS supplementary funding allocation for 2019 to 2020

F = the local authority's MNS funding rate differential

G = the local authority's PTE count from the January 2018 census for children taking up the universal 15 hours entitlement in MNS settings



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