



Department
for Education

Funding early learning for 2-year-olds

Funding formula technical note

December 2013

Early learning for two-year-olds – Funding formula and eligibility estimates

1. This technical note explains the methodology used to determine individual local authority funding allocations.
2. Local authorities (LAs) have a statutory duty to secure funded early education for 20% of eligible two-year-olds in England from 1 September 2013. The entitlement will be extended to reach 40% of eligible two-year-olds from September 2014. £755 million will be allocated to LAs in 2014-15.
3. Eligibility criteria for the current statutory duty are set out in regulations. Revised regulations covering the statutory criteria to be implemented from September 2014 will be made shortly. The eligibility criteria are set out at Annex A.

Funding allocation

4. The rate used to allocate funding for local authorities in 2014-15 has been protected from 2013-14. This means calculations are based on the same rates as for 2013-14. The allocation is based on a national average rate of £5.09 per hour which varies by an Area Cost Adjustment (ACA) to recognise the differing costs between LA areas. The ACA used is the General Labour Market figure produced by the Department for Communities and Local Government.
5. The allocation is made up of two components:
 - Statutory funding. This takes into account the number of two-year-olds who reside in each local authority who meet the 20% and 40% eligibility criteria. The funding includes one term (190 hours) of provision for children under the 20% criteria in the summer term and two terms (380 hours) of provision for those eligible under the 40% entitlement in autumn and spring terms once the 40% entitlement commences. The national statutory place funding allocated is £672.5 million.
 - Trajectory funding. The balance of the £755 million is allocated to local authorities using the number of two-year-olds under the 40% eligibility criteria. The national trajectory funding allocated is £82.5 million.

Numbers of eligible two-year-olds

6. We have received data on the number of eligible two-year-olds in each LA from the Department of Work and Pensions and from Her Majesty's Revenue and Customs (HMRC). This data is a snapshot of those eligible on a particular day and, for funding purposes, we take it to be representative of the whole year. The Department has published this data for each local authority along with the funding allocations.

7. The estimated number of eligible children nationally under the 40% entitlement is up from 260,000 to 285,000. Of these, 277,000 children are eligible under the economic criteria and 8,000 under the non-economic criteria (e.g. looked after children, children with special educational needs, adopted children and children from asylum seekers).

8. We have used the number of children eligible under the economic criteria to allocate the statutory funding for 2014-15. We do not have local level estimates for the 8,000 children eligible under the non-economic criteria but there is sufficient headroom in the trajectory funding to cover funding for these children.

Annex A – Eligibility criteria

From September 2013

From 1 September 2013, two-year-olds who meet any one of the following criteria will be eligible under the 20% entitlement:

- Two-year-olds whose family receives one of the following:
 - Income support
 - income-based Jobseeker's Allowance (JSA)
 - income-related Employment and Support Allowance (ESA)
 - support through part 6 of the Immigration and Asylum Act
 - the guaranteed element of State Pension Credit
 - Child Tax Credit (but not Working Tax Credit) and have an annual income not over £16,190
 - the Working Tax Credit 4-week run on (the payment you get when you stop qualifying for Working Tax Credit)
- All two-year-olds who are looked after by their local authority

From September 2014

From September 2014, two-year-olds who meet any one of the following criteria will be eligible under the 40% entitlement:

- if they meet the eligibility criteria also used for free school meals
- if their families receive Working Tax credits and have annual gross earnings of no more than £16,190 per year
- if they have a current statement of special educational needs (SEN) or an education, health and care plan
- if they attract Disability Living Allowance
- if they are looked after by their local authority
- if they have left care through special guardianship or through an adoption or residence order



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