



Department  
for Education

# **2024 to 2025 Early years funding formula for 2-year- olds and under: technical note**

**July 2023**

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## Introduction

1. This technical note describes the detailed methodology for the early years funding formula that has been used to calculate illustrative hourly rates and allocations for the 2-year-old and under entitlements for financial year 2024 to 2025. It specifically covers the following:
  - a. existing 2-year-old entitlement to 15 hours of free childcare for eligible children of disadvantaged parents
  - b. new 2-year-old and under entitlement to 15 hours of free childcare for eligible children of working parents starting from April 2024 for 2-year-olds and September 2024 for children aged between 9 months and 2 years old, but not including, 2-year-olds which from here on will be referred to as under 2s.
2. The document accompanies the early years funding rates and step-by-step calculation: 2024 to 2025 funding output tables, which include:
  - a. a 'national details' tab showing illustrative national allocation funding totals for the 2-year-old and under formula and how the formula factor rates have been derived
  - b. a '2-year-old 2024 to 2025 rates' tab showing illustrative 2024 to 2025 hourly rates for 2-year-olds for each local authority
  - c. an 'under 2s 2024 to 2025 rates' tab showing illustrative 2024 to 2025 hourly rates for under 2s for each local authority
  - d. a step-by-step table showing how each local authority's illustrative 2-year-old hourly funding rates and allocations have been derived
  - e. a step-by-step table showing how each local authority's illustrative under 2s hourly funding rates and allocations have been derived
  - f. two additional tabs providing further details on ACA and formula factor data.
3. The Isles of Scilly and City of London have been excluded from these allocations as these local authorities will receive a central grant from the government, which will include funding for early years.
4. Following the outcome of the consultation, these illustrative 2024-25 hourly rates and allocations will be updated for new data in Autumn 2023, 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 2023.

## **Differences between 2023 to 2024 and 2024 to 2025**

5. We do not think that the current formula for the existing 2-year entitlement for disadvantaged families is suitable for the new working parent entitlements. We are therefore introducing a new national funding formula for children aged 9 months up to (and including) 2-year-olds, regardless of which entitlement they are accessing.
6. This new formula will include the same additional needs factors as the current 3-and 4-year-old formula. We are also proposing to extend the additional needs proxy measures to include one that is derived from the Income Deprivation Affecting Children Index (IDACI) which, along with free school meals (FSM) data, will be used to reflect the different levels of deprivation across the country.
7. We are also extending Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) to cover children aged 9 months up to (and including) 2-year-olds, regardless of which entitlement they are accessing.

## Funding for 2-year-old entitlements

### 2024 to 2025 2-year-old entitlements funding total

8. The illustrative national funding allocations total is £1.63 billion in 2024 to 2025 which is based on the department's Spending Review 2021 and Spring Budget 2023 resource allocations for financial year 2024 to 2025 and the part-time equivalents (PTEs) total explained in pupil counts for 2-year-old entitlements section.

### Pupil counts for 2-year-old entitlements

9. The 2-year-old illustrative allocations are calculated using PTE pupil numbers. One 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.
10. The pupil counts for the 2-year-old disadvantage and working parent entitlements are added together to create the 2-year-old entitlements pupil count for each local authority. The national total pupil count for the 2-year-old entitlements is 349,029 PTEs.

### Pupil count for 2-year-old entitlement for disadvantaged families

11. PTE pupil counts from the January 2022 school, early years and alternative provision censuses are used for the existing 2-year-old disadvantage entitlement.
12. From the January 2022 school census:
  - all eligible PTE pupils in maintained nurseries, maintained schools, and all academies, in national curriculum year groups N1, N2, E1 and E2 aged 2 at 31 December 2021
  - all eligible PTE pupils in maintained nurseries, maintained schools, and all academies, whose national curriculum year group is missing or 'X' and aged 2 at 31 December 2021
13. From the January 2022 early years census:
  - all eligible 2-year-old PTEs aged 2 at 31 December 2021
14. From the January 2022 alternative provision census:
  - all eligible pupils in independent schools without a statement of special education needs (SEN) aged 2 at 31 December 2021

15. The total pupil count this data specification produces for the 2-year-old entitlement for disadvantaged families is 131,829 PTEs.

### **Pupil count assumption for 2-year-old entitlement for working parents from April 2024**

16. To inform the Spring Budget 2023 announcement, the Department estimated the number of 2-year-old children of working parents who will be eligible and take up 15 hours of free childcare. Further details about this national estimate can be found in the [‘Spring Budget 2023 Childcare Expansion: Policy costing information note’](#).
17. For the purposes of illustrative allocations in 2024 to 2025 when actual take-up is unknown, we will use these estimates. The total pupil count from these calculations for the 2-year-old entitlement for working parents is 217,200 PTEs. This national estimate is inherently uncertain as it relies on the assumed national average take-up rate calculated above that is difficult to predict.
18. This national estimate is then split into estimates for each individual local authority. The January 2022 PTEs for the 3- and 4-year-old additional hours entitlement for working parents are used to calculate each local authority’s *proportion* of the national total PTEs. Multiplying a local authority’s *proportion* by the national estimate of 2-year-old entitlement for working parents PTEs gives the local authority’s estimated pupil count.

### **Calculation of 2-year-old funding formula factor allocations**

19. This subsection describes how local authorities’ 2-year-old entitlements formula factor allocations are derived from the 2024 to 2025 illustrative allocations total.
20. The amount of the total funding allocated to each local authority is determined by the 2-year-old and under funding formula. This is made up of the following five factors:
  - a. First, a base rate of funding for each local authority for 2-year-olds.
  - b. Second, funding based on a proxy indicator for the number of 2-year-olds eligible for free school meals (FSM), which reflects the additional costs of providing childcare for children with disadvantage or low SEN.
  - c. Third, funding based on a proxy indicator for the number of 2-year-olds living in deprived areas (IDACI), which together with FSM, reflects the additional costs of providing childcare for children with disadvantage or low SEN.

- d. Fourth, funding based on a proxy indicator for the number of 2-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.
  - e. Fifth, funding based on a proxy for the number of 2-years-old children who are entitled to the DLA, which reflects the costs for children with more complex special educational needs and disabilities (SEND).
21. The illustrative allocations funding total is broken down to the five component factors in the following way, using the same formula factor weightings as used in EYNFF with the addition of IDACI, giving a funding total for each factor.
- 89.5% of the allocations total is used for the universal base rate
  - 4% for FSM funding
  - 4% for IDACI funding
  - 1.5% for EAL funding
  - 1% for DLA funding
22. For the IDACI factor, the 4% combined total is split between IDACI bands A-F in the following proportions: Band A, 0.53%; Band B, 0.77%; Band C, 0.71%; Band D, 0.63%; Band E, 0.76%; Band F, 0.60%. For further details of how the IDACI factor and weightings are calculated, see Annex B.
23. The first step in applying the 2-year-old and under entitlements formula is to determine the pupil count to be used for each factor.
24. For the universal base rate factor, we use the total number of 2-year-old entitlements PTEs in each local authority, i.e. the sum of the recorded 2-year-old disadvantage parent entitlement PTEs and estimated 2-year-old working parent entitlement PTEs as described in the previous subsection.
25. As there is currently no comprehensive FSM data available for children across all early years settings, the FSM factor instead uses a proxy indicator based on full-time older children who are known to be eligible for free school meals in nursery and primary schools, which is used for FSM in performance tables. We have used

the published January 2022 census dataset to calculate the FSM proxy indicator<sup>1</sup>. The assumed number of FSM eligible 2-year-old entitlement PTEs in each local authority is calculated as:

- the proxy FSM proportion × the total number of 2-year-old entitlements PTEs in the local authority

26. For the IDACI factor we use proxy indicators based on the proportions of all children aged 0-4 living in each of the IDACI bands within each local authority (see Annex B for more details on how IDACI bands are calculated). The assumed number of 2-year-old entitlement PTEs in each IDACI band in each local authority is calculated as:

- the proxy IDACI band proportion [A to F] × the total number of 2-year-olds entitlements PTEs in the local authority (the calculation is followed separately for each band A to F)

27. A proxy indicator is also used for the EAL factor. Here, we use a proxy indicator based on the proportion for primary pupils. From the January 2022 school census, the proportion is calculated as the number of pupils whose first language is not English divided by the total number of primary pupils in the local authority. The assumed number of eligible EAL 2-year-old entitlements PTEs in each local authority is calculated by:

- the proxy EAL proportion × the total number of 2-year-old entitlements PTEs in the local authority

28. For the DLA factor, we use a proxy indicator based on data from the Department for Work and Pensions (DWP) that is recorded on their Stat-Xplore system<sup>2</sup>. The data used relates to the number of 0–4-year-old children that are entitled to DLA in February 2020. A proportion is then calculated using the 2020 mid-year Office for National Statistics (ONS) population estimates. The assumed number of eligible DLA 2-year-old entitlements PTEs in each local authority is calculated by:

- the proxy DLA proportion × the total number of 2-year-old entitlements PTEs in the local authority

29. Having determined these pupil counts, the next step is to calculate hourly rates for

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<sup>1</sup> The FSM and EAL data used is taken from the department's statistical release [Schools, pupils and their characteristics: January 2022](#)

<sup>2</sup> The data used is taken from the [DWP stat-xplore system](#): benefit claimants eligible for disability living allowance in February 2020.



each factor. For each factor, the hourly rate is calculated as:

national funding total for the factor

divided by

the national sum of: each local authority's pupil count for the factor × 15 hours  
× 38 weeks × the local authority's ACA.

30. The ACAs used in this calculation step is explained in more detail in the area cost adjustments paragraph below.

31. The resulting hourly rates for each formula factor are shown in table 1.

**Table 1: 2-year-old formula factor hourly rates**

<b>Funding factor</b>	<b>Hourly rate (£/hour)<sup>3</sup></b>
Universal base rate	<b>£6.52</b>
Free school meals (FSM)	<b>£1.22</b>
English as an additional language (EAL)	<b>£0.52</b>
Disability living allowance (DLA)	<b>£4.39</b>
IDACI bands A	<b>£1.16</b>
IDACI bands B	<b>£0.88</b>
IDACI bands C	<b>£0.83</b>
IDACI bands D	<b>£0.76</b>
IDACI bands E	<b>£0.48</b>
IDACI bands F	<b>£0.40</b>

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<sup>3</sup> The formula factor hourly rates are unrounded and shown to 2 decimal places for presentational purposes only.

32. Then, each local authority's 2-year-old entitlements funding allocation for each factor is given by:

Hourly rate for the factor (see table 1) × local authority's pupil count for the factor × 15 hours × 38 weeks × local authority's ACA (this calculation is followed separately for each IDACI band A to F)

33. Each local authority's total 2-year-old entitlements funding allocation is the sum of their allocations for each of the five factors.

34. To derive the local authority's 2-year-old hourly rate, this is then divided by the local authority's 2-year-old entitlements PTE count × 15 hours × 38 weeks.

35. See '2-year-olds 2024 to 2025 step-by-step' tab of the early years funding rates and step-by-step calculation: 2024 to 2025 spreadsheet for each local authority's formula-driven hourly rate broken down by factor.

36. **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 1.56 is calculated for each local authority, as a weighted combination of two other ACAs calculated for their local authority, which reflect the variation in staff costs and premises related costs. One is the general labour market (GLM) cost adjustment by geographical area calculated for 2013 to 2014 by what is now the Department for Levelling Up, Housing and Communities (DLUHC), see DLUHC and GLM paragraphs below, and the other is a nursery, infant and primary rates cost adjustment based on Valuation Office Agency data<sup>4</sup> on rateable values and floor space 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

37. Each local authority's ACA factor is calculated as a weighed sum of their GLM and

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<sup>4</sup> The data supplied by Valuation Office Agency (VOA) was derived from the datasets used in their official statistics release "[Non-domestic rating: stock of properties including business floor space 2022](#)" - see annex A for more details.

NIPRCA factors using the following formula:

$$(80\% \times \text{GLM}) + (10\% \times \text{NIPRCA}) + (10\% \times 1)$$

38. DLUHC published updated 2021 GLM data on 29 March 2022. However, we are not using these figures for the 2024 to 2025 NFFs and are instead continuing to use the previously available GLM data for 2013 to 2014. The method of compiling the recent GLM data was different compared to the 2013 to 2014 figures, and the new data is not compatible with the existing ACA methodology in the NFFs. We are continuing to consider the 2021 GLM data to determine how best to make it compatible with the existing ACA methodology in the NFFs going forward, given the change in methodology.
39. GLM values for Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex have been recalculated based on the average of their fringe and non-fringe 2013 to 2014 GLM values, weighted together by the proportions of 2-year-old disadvantaged January 2022 PTEs delivered in the respective districts.
40. Each local authority's 2-year-old NIPRCA factor is calculated as a weighted sum of their nursery rates cost adjustment (NRCA) and infant and primary rates cost adjustment (IPRCA) factors as follows:  
$$(1 - \% \text{ of 2-year-old PTEs in schools}) \times \text{NRCA} + (\% \text{ of 2-year-old PTEs in schools}) \times \text{IPRCA}$$
41. Given we only have estimates for national and LA-level PTE data for the new 2-year-old entitlement for working parents we have initially calculated the percentage in schools weighting based on the recorded 2-year-old disadvantaged entitlement PTEs data. We will keep this under review once the new entitlement has been fully rolled out.
42. See 'ACA' tab of the early years funding rates and step-by-step calculations: 2024 to 2025 spreadsheet for more details on this calculation.

# Funding for under 2s entitlement for working parents

## 2024 to 2025 under 2s entitlement funding total

43. The illustrative national funding allocations total is £729 million in 2024 to 2025 which is based on the department's Spring Budget 2023 resource allocations for financial year 2024 to 2025 and the part-time equivalents (PTEs) total explained in pupil counts for under 2s entitlements section.

## Pupil count for under 2s entitlement

44. To inform the Spring Budget 2023 announcement, the department estimated the number of children aged 9 months up to, but not including, 2-year-olds of working parents who will be eligible and take up 15 hours of free childcare. Further details about this estimate can be found in the ['Spring Budget 2023 Childcare Expansion: Policy costing information note'](#).
45. For the purposes of illustrative funding allocations in 2024-25 when actual take-up is unknown, we have utilised these estimates. The total pupil count from these calculations for the under 2s entitlement for working parents is 115,558 PTEs. This assumes that all eligible children will take up their full entitlement of 15 hours per week for 22 weeks in financial year 2024 to 2025, based on a later September 2024 start date.<sup>5</sup> This national estimate is inherently uncertain as it relies on the assumed national average take-up rate that is difficult to predict.
46. The national estimate has been split into estimates for each individual local authority using the same method as used for the 2-year-old working parent entitlement, i.e. using the January 2022 PTEs for the 3- and 4-year-old additional hours entitlement for working parents to calculate each local authority's *proportion* of the national total PTEs. Multiplying a local authority's *proportion* by the national estimate of under 2s entitlement for working parents PTEs gives the local authority's estimated pupil count.

## Calculation of under 2s funding formula factor allocations

47. The calculations are the same as used for the 2-year-old entitlements, but are implemented using a different illustrative funding total and pupil count, which results

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<sup>5</sup> One PTE is defined as a child taking up 15 hours per week over 38 weeks. Therefore, the later start date for the under 2s entitlement has been reflected in the calculation of the number of PTEs.

in different formula factor rates. This subsection therefore gives an abbreviated description of how local authorities' under 2s entitlement formula factor allocations are derived from the 2024 to 2025 illustrative allocations total.

48. The amount of the total funding allocated to each local authority is determined by the same formula as used for 2-year-old children, i.e. the 2-year-old and under funding formula, i.e. a base rate factor and four additional needs factors constructed using the same FSM, EAL, IDACI and DLA proxy indicator data.
49. The illustrative allocations funding total is broken down to the five component factors using the same method and formula factor weightings as used for the 2-year-old entitlements, i.e. 89.5% of the allocation is used for the universal base rate and 10.5% is then split between the four additional needs factors. The only exceptions are the IDACI band weightings, see Annex B for more detail.
50. The universal base rate factor is calculated using the total number of under 2s entitlement PTEs in each local authority as described in the previous subsection.
51. The FSM factor is calculated using the same proxy indicator based on full-time older children who are known to be eligible for free school meals in nursery and primary schools, as is used for the 2-year-old entitlements. The assumed number of FSM eligible under 2s entitlement PTEs in each local authority is calculated as:
  - the proxy FSM proportion  $\times$  the total number of under 2s entitlement PTEs in the local authority
52. An IDACI factor is calculated using the same proxy indicators as used for the 2-year-old entitlements. The assumed number of under 2s entitlement PTEs in each IDACI band in each local authority is calculated as:
  - the proxy IDACI band proportion [A to F]  $\times$  the total number of under 2s entitlement PTEs in the local authority (the calculation is followed separately for each band A to F)
53. A EAL factor is calculated using the same proxy indicator as used for the 2-year-old entitlements. The assumed number of eligible EAL under 2s entitlement PTEs in each local authority is calculated by:
  - the proxy EAL proportion  $\times$  the total number of under 2s entitlement PTEs in the local authority
54. A DLA factor is calculated using the same proxy indicator as used for the 2-year-old entitlements. The assumed number of eligible DLA under 2 entitlement PTEs in each local authority is calculated by:
  - the proxy DLA proportion  $\times$  the total number of under 2 entitlement PTEs in

the local authority

55. The next step is to calculate hourly rates for each factor. For each factor, the hourly rate is calculated as:

national funding total for the factor

divided by

the national sum of: each local authority's pupil count for the factor × 15 hours  
× 38 weeks × the local authority's ACA.

56. The ACAs used in this calculation step are the same as used for the 2-year-old entitlements. For example, we are initially using the actual PTE data from the 2-year-old disadvantaged entitlement to calculate the schools weighting that is used to calculate the NIPRCA factor. We will keep this under review once the new entitlement has been fully rolled out.
57. The resulting hourly rates for each formula factor are shown in table 2.

**Table 2: Under 2s formula factor hourly rates**

<b>Funding factor</b>	<b>Hourly rate (£/hour)<sup>6</sup></b>
Universal base rate	<b>£8.82</b>
Free school meals (FSM)	<b>£1.73</b>
English as an additional language (EAL)	<b>£0.75</b>
Disability living allowance (DLA)	<b>£5.98</b>
IDACI bands A	<b>£1.69</b>
IDACI bands B	<b>£1.29</b>
IDACI bands C	<b>£1.21</b>

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<sup>6</sup> The formula factor hourly rates are unrounded and shown to 2 decimal places for presentational purposes only.

IDACI bands D	<b>£1.11</b>
IDACI bands E	<b>£0.71</b>
IDACI bands F	<b>£0.58</b>

58. Then, each local authority's under 2s entitlement funding allocation for each factor is given by:

Hourly rate for the factor (see table 2) × local authority's pupil count for the factor × 15 hours × 38 weeks × local authority's ACA (this calculation is followed separately for each IDACI band A to F)

59. Each local authority's total under 2s entitlement funding allocation is the sum of their allocations for each of the five factors.

60. To derive the local authority's formula-driven under 2s hourly rate, this is then divided by the local authority's under 2s entitlement PTE count × 15 hours × 38 weeks.

61. See 'Under 2s 2024 to 2025 step-by-step' tab of the early years funding rates and step-by-step calculation: 2024 to 2025 spreadsheet for each local authority's formula-driven hourly rate broken down by factor.

## 2024 to 2025 average hourly funding rates

62. The table below summarises the national average funding rates for each entitlement based on the total 2024 to 2025 illustrative allocations for each entitlement and their respective PTEs. See 'national details' tab of the early years funding rates and step-by-step calculation: 2024 to 2025 spreadsheet for more details on these calculations.

**Table 3: 2024 to 2025 average hourly funding rates**

Entitlement / funding stream	Average hourly rate <sup>7</sup>
2-year-old entitlements	£8.17
Under 2-year-old entitlement	£11.06

## 2024 to 2025 EYPP and DAF national funding rates

63. We are intending to uplift EYPP and DAF in line with the increases to the 3 and 4-year-old entitlements and then round to the nearest penny and pound respectively.
64. Our illustrative modelling suggests that the national funding rate for EYPP will be 68 pence per eligible child per hour and that the national funding rate for DAF will be £902 per eligible child per year in 2024 to 2025. We will confirm the final national rates for EYPP and DAF in the autumn.

**Table 4: 2024 to 2025 illustrative national funding rates**

Entitlement / funding stream	National funding rate
Early years pupil premium – hourly funding rate	£0.68
Disability access fund – yearly funding rate	£902

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<sup>7</sup> National average hourly funding rates are subject to change when allocations are updated to make use of January 2024 PTEs and January 2025 PTEs.



## Annex A: Data for consultation and final rate modelling

65. The table below summarises the data that has been used in the consultation modelling and the data that will be used to calculate the final hourly funding rates for 2024 to 2025 in the Autumn.

**Table A1: Data sources for 2-year-old and under entitlements**

Data	Source of data	Date of data used in illustrative consultation modelling	Date of data used for final rates
9m to 2-year-old working parent entitlement (PTEs)	DFE	National take up estimate from September 2024 (as at Spring Budget 2023)  (LA-level take up – estimated using Jan-22 3-4yo additional hours PTEs distribution)	National take up estimate from September 2024 (as at Spring Budget 2023)  (LA-level take up – estimated using Jan-23 3-4yo additional hours PTEs distribution)
2-year-old entitlement for work parents (PTEs)	DFE	National take up estimate from April 2024 (as at Spring Budget 2023)  (LA-level take up – estimated using Jan-22 3-4yo additional hours PTEs distribution)	National take up estimate from April 2024 (as at Spring Budget 2023)  (LA-level take up – estimated using Jan-23 3-4yo additional hours PTEs distribution)
2-year-old entitlement for disadvantaged families (PTEs)	DfE annual school, early years, and alternative provision censuses	Actual take up  January 2022	Actual take up  January 2023

Free school meals (FSM)	DfE annual school census <sup>8</sup>	January 2022 (Performance Tables measure)	January 2023 (Performance Tables measure)
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Data	Source of data	Date of data used in illustrative consultation modelling	Date of data used for final rates
English as an additional language (EAL)	DfE Annual School Census	January 2022	January 2023
Disability living allowance (DLA)	Department for Work and Pensions (DWP)	February 2020	February 2021
Index of Deprivation Affecting Children Index	Department for Levelling Up, Housing and Communities (DLUHC)	2019	2019 <sup>9</sup>
Office for National Statistics (ONS) mid-year population estimates	Office for National Statistics (ONS)	Mid-2020	Mid-2021
Nursery rates cost adjustment (NRCA) <sup>10,11,12,13</sup>	Valuation Office Agency (VOA)	Average of 2020, 2021 and 2022	Average of 2021, 2022 and 2023

<sup>8</sup> The FSM and EAL data used are taken from the department's statistical release "[Schools, pupils and their characteristics: January 2022](#)".

<sup>9</sup> IDACI ranks are updated roughly every 3-5 years.

<sup>10</sup> The data supplied by VOA is derived from the datasets used in their official statistics release "[Non-domestic rating: stock of properties including business floor space 2022](#)".

<sup>11</sup> NRCA dataset is based on special category (085) Day Nurseries / Play Schools.

<sup>12</sup> The NRCA floorspace measure is based on net internal area (NIA) where available else gross internal area (GIA).

<sup>13</sup> Maintained nursery schools that have been identified in the NRCA data have been removed and added to the IPRCA dataset.

<b>Data</b>	<b>Source of data</b>	<b>Date of data used in illustrative consultation modelling</b>	<b>Date of data used for final rates</b>
Infant and primary rates cost adjustment (IPRCA)  14,15,16	Valuation Office Agency (VOA)	Average of 2020, 2021 and 2022	Average of 2021, 2022 and 2023
% of PTEs in schools weighting used to calculate NIPRCA <sup>17</sup>	DfE annual school and early years censuses	January 2022	January 2023
General labour market (GLM)	Department for Levelling Up, Housing and Communities (DLUHC)	2013 to 2014 <sup>18</sup>	2013 to 2014

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<sup>14</sup> IPRCA dataset is based on special category (159) local authority schools with secondary and independent schools filtered out. VOA have made use of additional floor space data that is not published in their official statistics release.

<sup>15</sup> The IPRCA floor space measure is based on GIA where available, else NIA.

<sup>16</sup> Properties that have no floor space data or zero rateable value are filtered out of IPRCA (and NRCA) datasets.

<sup>17</sup> PTEs in schools is defined as the total number of 2-year-old disadvantage entitlement PTEs recorded on the school census divided by the total number of 2-year-old entitlement PTEs recorded on the school and early years censuses for each local authority.

<sup>18</sup> DLUHC published updated 2021 GLM data on 29 March 2022. However, we are not using these figures for the 2024 to 2025 NFFs and are instead continuing to use the previously available GLM data for 2013 to 2014. The method of compiling the recent GLM data was different compared to the 2013 to 2014 figures, and the new data is not compatible with the existing ACA methodology in the NFFs.

## Annex B: IDACI factor weightings and factor rates

66. The IDACI factor is one of two deprivation factors used in the formula (the FSM factor being the other). These factors target more deprived LAs, assuming additional needs costs are greater in these areas.
67. The IDACI element of the deprivation factor is based on the IDACI dataset for 2019, which is published by the Department for Levelling Up, Housing and Communities (DLUHC). IDACI is a relative measure of socio-economic deprivation: an IDACI 'score' is calculated for a lower layer super output area (LSOA, an area with typically about 1,500 residents) based on the characteristics of households in that area.
68. The IDACI score of a given area does not mean that every child living in that area has particular deprivation characteristics: it is a measure of the likelihood that a child is in a household experiencing relative socio-economic deprivation. LSOAs are ranked by score, from the most deprived LSOA, with the highest score, to the least deprived LSOA.
69. For funding purposes, the new 2024 to 2025 formula uses IDACI ranks to group LSOAs into seven bands of decreasing deprivation; for example, Band A comprises the most deprived 2.5% of LSOAs. Table B1 shows the six bands that attract funding.

**Table B1: Percentile limits of IDACI bands A – G**

Factor	Ranks	Band
Pupils in the most deprived 2.5% of LSOAs	1 to 821	A
Pupils in the next 5% most deprived LSOAs	822 to 2463	B
Pupils in the next 5% most deprived LSOAs	2464 to 4105	C
Pupils in the next 5% most deprived LSOAs	4106 to 5747	D
Pupils in the next 10% most deprived LSOAs	5748 to 9032	E
Pupils in the next 10% most deprived LSOAs	9033 to 12316	F

**Table B1: This table shows the IDACI bands used across NFFs. Band G does not attract funding.**

70. For the new early years formula, we determine the number of children aged 0-4 in each LSOA, according to the mid-2020 ONS population estimates. We then aggregate to local authority level to determine the number of children aged 0-4 in each band within each local authority.

71. The percentage of children aged 0-4 in each band within each LA is then calculated and these percentages are applied to the 2YO PTEs for each LA to create an assumed number of 2YOs living within each IDACI band, within each LA. [This calculation is followed separately for under 2s using under 2s PTEs.]

72. The new early years formula is designed so that the unit funding for each band increases from F to A in the same proportions as the per-pupil Primary School unit values in the calculation for the IDACI factor in the schools block national funding formula.

73. To allocate the funding for the IDACI factor:

- a. IDACI is split into six separate factors, which cover the bands A-F as explained above. The differences in the Primary unit costs used within the schools block IDACI factor for each band, together with the estimated 2YO PTE population estimates within each band are used to produce these splits as described below and set out in Table B2.
- b. The relative increase of each schools block Primary unit value for each band from the schools block band F Primary unit value is calculated.
- c. For each band, these relative increases are weighted by the corresponding ACA weighted 2YO PTE population per band figures. This gives the relative funding required for each band. From this, the percentage of total IDACI funding for each band is then calculated. [This calculation is followed separately for under 2s using ACA weighted under 2s PTEs.]
- d. Finally, this percentage is multiplied by 4%, which is the weighting of the total IDACI factor.
- e. The full calculation for 2-year-olds is set out in the table B2 below and for under 2s in table B4.

**Table B2: 2-year-old entitlements IDACI band calculations**

		Band A	Band B	Band C	Band D	Band E	Band F
[a] SB 2023-24 NFF Primary unit values		£670	£510	£480	£440	£280	£230
[b] = Relative increase from band F	[b] = band rate / band F rate	2.913	2.217	2.087	1.913	1.217	1.000
[c] = ACA weighted estimated 2YO PTEs per band <sup>19</sup>		12,992	25,017	24,222	23,709	44,861	42,895
[d] = Population per band uplifted by relative increase from F	[d] = [b]*[c]	37,847	55,473	50,551	45,357	54,613	42,895
[e] = Weighting to apply	[e] = [d]/total of row [d]	13.20%	19.35%	17.63%	15.82%	19.05%	14.96%
Factor weight	[f] = [e]*4% (IDACI total weighting)	0.53%	0.77%	0.71%	0.63%	0.76%	0.60%

**Table B3: 2-year-old entitlements IDACI factor rates**

		Band A	Band B	Band C	Band D	Band E	Band F
Factor total allocation	[g] = [f]*total IDACI allocation	£8.6m	£12.6m	£11.5m	£10.3m	£12.4m	£9.7m
Factor rate	[h] = [g]/ACA weighted PTEs for each band/15/38	£1.16	£0.88	£0.83	£0.76	£0.48	£0.40

<sup>19</sup> Calculated by applying the ACA to the estimated number of 2-year-old entitlements PTEs in each IDACI band for each LA.

**Table B4: Under 2s entitlement IDACI band calculations**

		Band A	Band B	Band C	Band D	Band E	Band F
[a] SB 2023-24 NFF Primary unit values		£670	£510	£480	£440	£280	£230
[b] = Relative increase from band F	[b] = band rate / band F rate	2.913	2.217	2.087	1.913	1.217	1.000
[c] = ACA weighted estimated under 2s PTEs per band <sup>20</sup>		3,772	7,474	7,258	7,297	14,164	13,994
[d] = Population per band uplifted by relative increase from F	[d] = [b]*[c]	10,987	16,573	15,147	13,959	17,243	13,994
[e] = Weighting to apply	[e] = [d]/total of row [d]	12.50%	18.85%	17.23%	15.88%	19.62%	15.92%
Factor weight	[f] = [e]*4% (IDACI total weighting)	0.50%	0.75%	0.69%	0.64%	0.78%	0.64%

**Table B5: Under 2s entitlement IDACI factor rates**

		Band A	Band B	Band C	Band D	Band E	Band F
Factor total allocation	[g] = [f]*total IDACI allocation	£3.6m	£5.5m	£5.0m	£4.6m	£5.7m	£4.6m
Factor rate	[h] = [g]/ACA weighted PTEs for each band/15/38	£1.69	£1.29	£1.21	£1.11	£0.71	£0.58

<sup>20</sup> Calculated by applying the ACA to the estimated number of under 2s entitlement PTEs in each IDACI band for each LA.



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