



Education & Skills
Funding Agency

Early years entitlements: local authority funding of providers

Operational guide 2018 to 2019

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Contents

Introduction	4
Who is this publication for?	4
Related guidance	4
Context: the early years funding system	5
The Dedicated Schools Grant (DSG)	5
The Early Years National Funding Formula (EYNFF)	5
Key points for 2018 to 2019	6
Changes for 2018 to 2019	7
Local authority funding of the entitlement for disadvantaged two year olds	8
Local authority funding of the entitlements for three and four year olds	9
Single rate for both entitlements	9
95% pass-through requirement	9
Monitoring compliance with the 95% pass-through requirement	12
Disapplications from the 95% pass-through requirement	15
Local authority formula setting	17
Universal base rate	18
Funding supplements	18
Additional funding for Maintained Nursery Schools	19
Special Educational Needs Inclusion Fund	20
Eligibility	20
Value	20
Sources of funding	20
Allocation of funding	20
Eligible providers	21
Compliance	21
Disability Access Fund	22
Eligibility	22
Identifying eligible children	22
Eligibility checking	23
Distributing DAF to early years providers	23
Timing of payments	23

Early Years Pupil Premium	24
Eligibility	24
Identifying eligible children	25
Eligibility checking	25
Distributing EYPP to early years providers	28
Monitoring and compliance	28
Further information	29

Introduction

1. This document provides a guide for local authorities to the rules relating to how they fund providers to deliver the early years entitlements in the financial year 2018 to 2019. The early years entitlements are:
 - the 15 hours entitlement for disadvantaged two year olds
 - the universal 15 hours entitlement for all three and four year olds
 - the additional 15 hours entitlement for eligible working parents of three and four year olds
2. The guide also covers the additional funding available for eligible three and four year olds through:
 - the Early Years Pupil Premium (EYPP)
 - the Disability Access Fund (DAF)
3. Some of the rules and principles described in this guide will be set out in secondary legislation.

Who is this publication for?

4. This guide is for:
 - local authorities
 - early years providers
 - other early years stakeholders who may find it useful

Related guidance

5. The Department for Education has also provided further guidance relevant to the funding of the early years entitlements:
 - [Early education and childcare: statutory guidance](#)
 - [Early education and childcare: operational guidance](#)
 - [High needs operational guidance 2018 to 2019](#)
 - [Schools forums operational and good practice guide](#)

Context: the early years funding system

6. This guide is intended to help local authorities to fund early years providers to deliver the early years entitlements. It is not intended to cover the way in which the Department for Education funds local authorities themselves as this is set out separately. However, it is summarised here for context.

The Dedicated Schools Grant (DSG)

7. The Department provides local authorities with six relevant funding streams which together form the early years block of the DSG. They are:

- the early years entitlement for disadvantaged two year olds
- the early years universal entitlement for three and four year olds
- the early years additional entitlement for three and four year old children of eligible working parents
- supplementary funding for Maintained Nursery Schools (MNS)
- the Early Years Pupil Premium (EYPP)
- the Disability Access Fund (DAF)

8. Details of local authority initial allocations for the early years funding block in 2018 to 2019 will be published in December 2017 alongside a 'Technical Note' and the 'DSG Conditions of Grant'.

The Early Years National Funding Formula (EYNFF)

9. Since its introduction in April 2017, the EYNFF has set the hourly funding rates that each local authority is paid to deliver the universal and additional entitlements for three and four year olds¹. For some local authorities, these rates will be different in 2018 to 2019 compared to 2017 to 2018 as a result of the transitional protections that accompanied the formula's introduction.

10. The 2018 to 2019 EYNFF rates for all local authorities have been published alongside this guide.

¹ There is a separate established formula that sets hourly funding rates for two-years olds.

Key points for 2018 to 2019

11. The key points on local authority funding of providers are that local authorities:

- should set a single funding rate (including same base rate and supplements) for both entitlements for three and four year olds (that is, both the universal 15 hours, and the additional 15 hours for working parents)
- must plan to spend at least 95% of their three and four year old funding from government on the delivery of the government entitlements for three and four year olds
- may request that the 95% requirement be disapplied in specific, exceptional circumstances
- should be moving towards a universal base rate for all types of provider in their local three and four year old formula, and should do this by 2019 to 2020
- must use a deprivation supplement in their local three and four year old formula, and any other supplements used must fall within one of the allowable categories
- must not channel more than 10% of their funding for three and four olds through funding supplements
- can continue to use 'lump sums' (as well as a differential base rate) to distribute Government funding, including the supplementary MNS funding for Maintained Nursery Schools to enable the protection of their 2016 to 2017 funding rates
- must provide a SEN Inclusion Fund (SENIF) for three and four year olds
- must pass on EYPP in full to providers for eligible three and four year olds
- must pass on DAF funding in full to providers for eligible three and four year olds

12. We will monitor compliance with the above through Section 251 (s251) returns. We will also monitor provision on the ground in order to follow up any anomalous results.

Changes for 2018 to 2019

13. The main changes from the requirements for the 2017 to 2018 financial year are:
- the pass-through rate increases from 93% in 2017 to 2018 to 95% in 2018 to 2019
 - clarification that local authorities' formulas should not distinguish between the two entitlements for three and four year olds
 - clarification that funding supplements are intended to be in addition to the base rate and not used to reduce it; that is, they should not be 'negative'
 - subject to the appropriate Parliamentary procedures, a new Universal Credit earnings threshold in the eligibility criteria for Early Years Pupil Premium, from 1st April 2018.

Local authority funding of the entitlement for disadvantaged two year olds

14. There are a number of differences between how local authorities should fund the entitlement for disadvantaged two year olds, compared to the entitlements for three and four year olds.

15. First, there is no 'pass-through requirement' for two year olds as s251 data demonstrates that the vast majority of such funding is already being passed through to providers. We expect this to continue, as it is important that this funding reaches providers in order to deliver two year old places, and we will continue to monitor levels of two year old central spend in future years.

16. Secondly, there are no compulsory supplements for two year olds, and local authorities are encouraged to fund providers on the basis of a flat hourly rate for all providers.

17. Finally, local authorities are not required to establish a SEN Inclusion Fund for two year olds. However, they may wish to do so as part of their provision for children with Special Educational Needs.

Local authority funding of the entitlements for three and four year olds

Single rate for both entitlements

18. The Government funds local authorities on the same basis for both the universal 15 hours entitlement and the additional 15 hours entitlement for working parents. This is because the statutory framework and the quality requirements for the two entitlements are the same.

19. We therefore expect local authorities to fund their providers in the same way for both sets of hours and not to distinguish between the two. This means using the same base rate and same supplements for both entitlements.

95% pass-through requirement

20. Local authorities are required, from 2018 to 2019, to pass 95% of their three and four year old funding from Government to early years providers. This pass-through requirement ensures that the vast majority of Government funding reaches providers so that they can deliver the free entitlements.

21. The 95% is calculated with reference to the hourly EYNFF funding rate that local authorities receive from Government, and assessed on their planned (budgeted) spend. This means that local authorities, in planning their budget allocations for the forthcoming financial year, need to allocate at least 95% of their EYNFF hourly rate to providers to deliver the Government's entitlements for three and four year olds.

22. The '95%' includes the following budgets:

- base rate funding for all providers
- supplements for all providers
- lump sum funding for MNS
- the top-up grant element of SEN Inclusion Funds paid to providers
- contingency funding

23. Please note that the 95% is calculated with reference to the EYNFF funding rate and therefore does not take account of MNS supplementary funding. The MNS lump sum funding referred to above are the lump sums funded only from the EYNFF allocation.

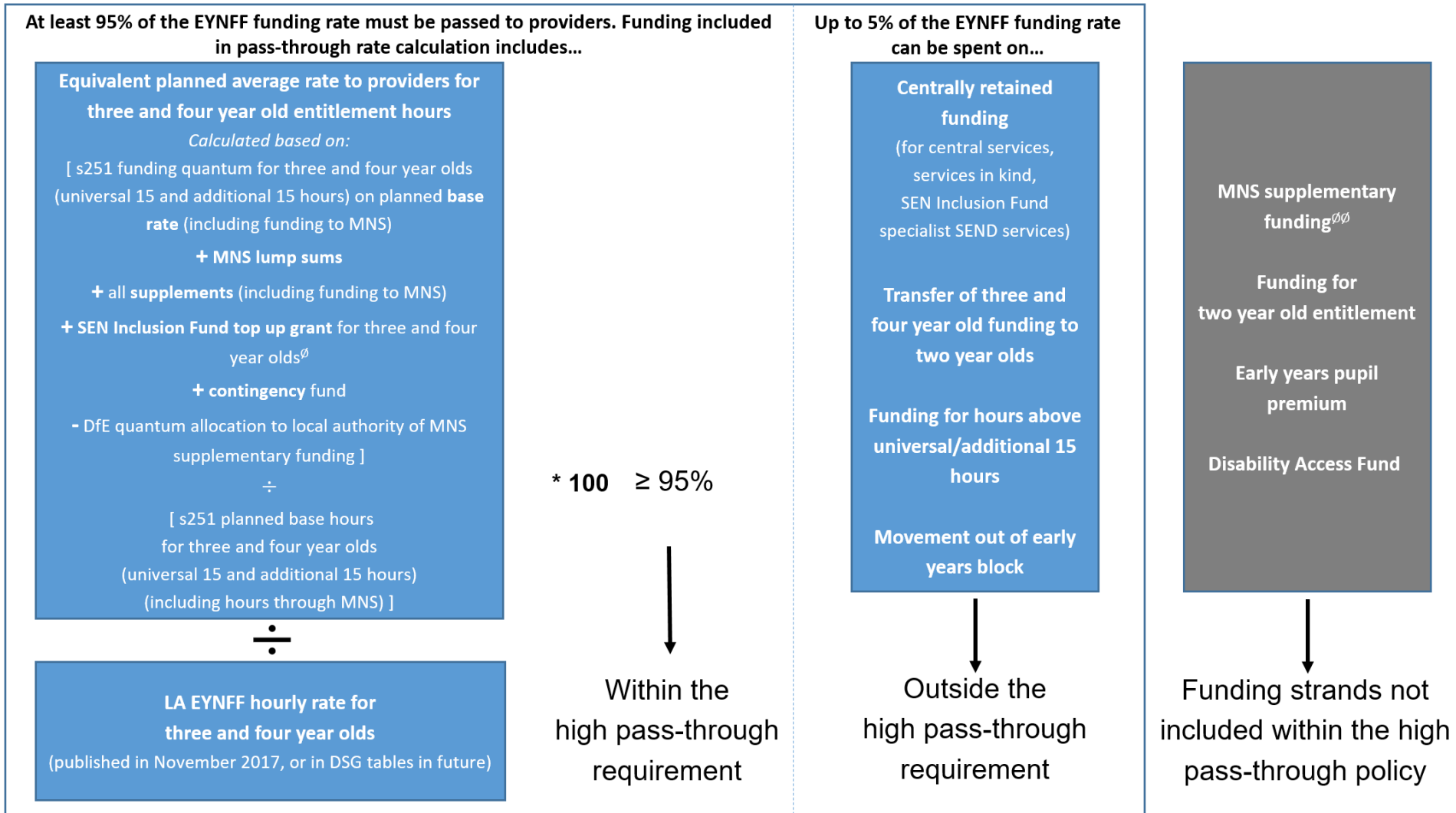
24. The '5%' includes the following types of expenditure:

- centrally retained funding (for central services or services in-kind, including specialist SEND services from the SEN Inclusion Fund)
- transfer of any funding to two year olds
- any extra hours that local authorities choose to fund in addition to the Government's entitlements for three and four year olds
- any funding movement out of the early years block

25. Please note the following DSG early years block funding streams are out of scope of the high pass-through calculation (as a direct result of the pass-through percentage being calculated with reference to the EYNFF funding rate):

- funding for the entitlement for disadvantaged two year olds
- supplementary funding for MNS
- the Disability Access Fund (DAF)
- the Early Years Pupil Premium (EYPP)

26. The diagram overleaf sets this out visually using, where applicable, the relevant s251 budget lines.



[∅] SEN Inclusion Fund must be established by combining an amount from either one or both of their early years block and high needs block.

^{∅∅} DfE allocated MNS supplementary funding quantum to local authority. Only the MNS funding from the EYNFF allocation is considered within the pass-through rate calculation.

Figure 1: Diagram illustrating which funding strands are included in the high pass-through rate calculation, and which are excluded

Monitoring compliance with the 95% pass-through requirement

27. Local authority compliance with the 95% pass-through requirement is measured with reference to local authorities' planned budgets. We will monitor compliance via the early years proforma in the annual s251 budget returns.

28. The calculation to determine compliance will be made as follows:

Step 1, calculating an equivalent average rate to providers:

$$\left[A - B \right] \div C = D$$

Where:

A = Anticipated budget quantum for three and four year olds for: base rate (including funding to MNS), MNS lump sums, all supplements (including funding to MNS), SEN Inclusion Fund top up grants, and contingency fund, as reported in s251 budget early years proforma.

B = DfE initial quantum allocated to local authority for MNS supplementary funding (will be published in DSG allocation table in December 2017).

C = Planned base rate hours for universal 15 and additional 15 hours for three and four year olds (including hours through MNS), as reported in s251 budget early years proforma.

D = Equivalent average rate to providers.

Step 2, calculating the pass-through rate:

$$\left[\frac{D}{E} \right] \times 100\% = F$$

Where:

E = Local authority EYNFF hourly rate for three and four year olds ([EYNFF hourly rates for 2018 to 2019](#) are published alongside this document).

F = Pass-through rate

A local authority will be considered meeting the requirement if:

$$F \geq 95\%$$

29. While MNS supplementary funding is not considered in the determination of the high pass-through, we expect local authorities to use this to maintain MNS stability.

30. This calculation is set out as a worked example in the table below:

Calc	Line	Description	Amount
A	1	Anticipated budget for base rate (including funding to MNS) for 3 and 4 year olds	£13,000,000
	2	Anticipated budget for MNS lump sums for 3 and 4 year olds	£700,000
	3	Anticipated budget for supplements for 3 and 4 year olds: Deprivation (including funding to MNS)	£600,000
	4	Anticipated budget for supplements for 3 and 4 year olds: Quality (including funding to MNS)	£300,000
	5	Anticipated budget for supplements for 3 and 4 year olds: Flexibility (including funding to MNS)	£200,000
	6	Anticipated budget for supplements for 3 and 4 year olds: Rurality (including funding to MNS)	£200,000
	7	Anticipated budget for supplements for 3 and 4 year olds: EAL (including funding to MNS)	£100,000
	8	Anticipated budget for 3 and 4 year old SEN inclusion fund (top up grant element)	£400,000
	9	Anticipated budget for 3 and 4 year old contingency	£1,000,000
			Subtotal =
B	10	DfE initial quantum allocation to local authority of MNS supplementary funding	£98,000
C	11	Planned total base rate hours for universal 15 and additional 15 hours for 3 and 4 year olds	2,950,000 hours
D	12	Equivalent average rate to providers for entitlement hours for 3 and 4 year olds = (A-B) / C = (lines 1+2+3+4+5+6+7+8+9 - 10) / (line 11)	£5.56 per hour
E	13	LA EYNFF hourly rate for 3 and 4 year olds (published alongside this document, or in DSG tables in future)	£5.83 per hour
F	14	Test of meeting requirement $F = (D / E) * 100 = ((\text{line } 12) / (\text{line } 13)) * 100$	95.4%
<p>In this example, since the local authority is passing on 95.4% of the EYNFF hourly rate they received from central government for 3 and 4 year olds to their providers, the local authority will meet the policy requirement in 2018 to 2019. To be compliant, the calculated pass-through rate <u>must be</u> $\geq 95\%$, i.e. <i>rounding up</i> 94.9% will not be considered as meeting the requirement.</p>			

Table 1: Worked example of calculating the pass-through rate

Disapplications from the 95% pass-through requirement

31. We do not expect that many local authorities will need to request a disapplication of the regulation which sets out the 95% pass-through requirement. However, Ministers are willing to consider individual requests to disapply this requirement in exceptional circumstances in 2018 to 2019 as the changes to early years funding bed in.

32. We are publishing criteria for such disapplications here so that local authorities are clear on how we will consider requests for 2018 to 2019.

33. For all disapplications, local authorities must present strong evidence that, if disapplication was to be allowed, delivery of the Government's entitlements would not be jeopardised. Such evidence would always need to include:

- the pass-through percentage that the local authority has applied for and the calculation that shows its derivation
- the impact of the proposed lower pass-through threshold (if disapplication was to be allowed) on the average funding rate paid to providers in 2018 to 2019 (and comparison of the proposed 2018 to 2019 rate to the 2017 to 2018 rate)
- evidence that sufficient numbers of providers will be willing to deliver enough places to meet demand for the entitlements for three and four year olds in 2018 to 2019 (both for the universal 15 hours entitlement and the additional 15 hours for working parents) at the proposed funding rate

34. For all disapplications, local authorities must additionally provide evidence of any potential impact of the proposal on protected characteristics, for the purposes of the public sector equality duty (section 149 of the Equality Act 2010).

35. The Department for Education will validate local authorities' evidence against other data and intelligence including from our support contractor, Childcare Works, and may request further information from local authorities if required.

36. Local authorities must also present evidence that one or more of the following conditions are met:

- a) Disapplication is essential to avoid a significant (>100 children per authority) reduction in full-time places (or additional hours) offered under local eligibility criteria (that is, places or hours offered above the Government entitlements for three and four year olds). Such evidence should include:
 - a description of the local eligibility criteria and data on the number of children who will benefit
 - financial data setting out the costs of providing the extra places or hours

- the degree to which these places would need to be constrained were the local authority to comply with the 95% pass-through requirement, as well as the impact this might have
- b) Disapplication is essential to avoid a significant overall reduction in the level of specialist early years SEND services offered to providers free or on a subsidised basis. Such evidence should include:
- a description and costing of current services
 - an assessment of how these might need to be constrained were the local authority to comply with the 95% pass-through requirement, and the impact this might have
 - why it is not possible for local authorities to offer such services on a 'buy-back' model
- c) Disapplication is essential for the local authority to meet its statutory early years duties, for example, delivering the entitlement for disadvantaged two year olds. Such evidence should include:
- a description and costing of meeting the statutory duties in question
 - an assessment of how these duties might need to be constrained were the local authority to comply with the 95% pass-through requirement, and the impact this might have
 - an explanation of why it is not possible to implement a more efficient operating model

37. If a local authority does wish to request a disapplication, this request must be submitted by **19 January 2018** through the [exceptions and disapplications proforma](#). Requests to disapply the 95% pass-through requirement will necessitate the completion of both sections of the template. Local authorities should consult with their schools forum prior to submitting a disapplication request.

Local authority formula setting

38. Local authorities are required to consult providers on annual changes to their local formula. Schools forums must also be consulted on changes to local early years funding formulas, including agreeing central spend by 28 February, although the final decision rests with the local authority. Unless a disapplication is authorised by the Secretary of State, the formula cannot be changed after the financial year has started.

39. Local authorities should ensure their early years providers are sufficiently represented at schools forum meetings to cover votes on specific changes to the formula. Each forum should have at least one representative of the private, voluntary and independent (PVI) sector among its non-school members. More information can be found in the Schools forums operational and good practice guide.

40. Local authorities must calculate and notify initial budgets to providers by 31 March. These should use an estimate of the number of hours for the financial year. Unlike the schools formula, early years budgets should be updated during the course of the year as the estimated hours are replaced by actual counts.

41. When updating provider budgets during the year, local authorities must either use the total number of hours across the year or a count based on at least three different weeks during the year (many authorities use termly counts).

42. Local authorities must notify providers within 28 days of recalculating budgets, and must inform them from when the re-determined budget takes effect.

43. To request a disapplication, the LA must complete both sections of the [exceptions and disapplications proforma](#). We expect to receive any request to disapply the 95% pass through by no later than **19 January 2018**.

44. Disapplications other than the 95% pass through rate can be made at other times of the year using the [exceptions and disapplications proforma](#).

Universal base rate

45. From 2019 to 2020, all local authorities will be required to have a universal base rate for all their childcare providers in their local early years single funding formulas. s251 data shows that 106 local authorities have already implemented a universal base rate for 2017 to 2018.

Funding supplements

46. Funding supplements are amounts of funding paid to providers in addition to the base rate to reflect local needs or policy objectives. When using supplements, local authorities should adhere to the following principles:

- the use of supplements should be transparent and fair and should be open to all providers who meet the eligibility criteria
- supplements should be used to channel additional funding to providers and local authorities should not use them to reduce funding rates for providers that do not meet the eligibility criteria
- local authorities should not distinguish between the universal 15 hours entitlement and the additional 15 hours for working parents; any supplement should apply equally to both entitlements

47. Local authorities must have a deprivation supplement for three and four year olds and are permitted to use other funding supplements provided they fall within the categories specified below. For all supplements, local authorities have the freedom to choose the appropriate metric for allocating funding, but should be transparent about the metric chosen. The allowable supplements are:

- deprivation (mandatory supplement); local authorities must use this supplement to recognise deprivation in their areas
- rurality or sparsity (discretionary supplement); to enable local authorities to support providers serving rural areas less likely to benefit from economies of scale
- flexibility (discretionary supplement); to enable local authorities to support providers in offering flexible provision for parents; this could, for example, be childcare wraparound care, out-of-hours provision, or to encourage a particular type of provider in an area (such as to meet a need for childminders in an area)
- quality (discretionary supplement); to support workforce qualifications, or system leadership (supporting high quality providers leading other providers in the local area); any system leadership supplement should be open and transparent in terms

of the process for choosing the 'leaders', the funding arrangements, and the support to be provided

- English as an additional language (EAL) (discretionary supplement)

48. The total value of funding supplements used must not be more than 10% of the total value of planned funding to be passed through to providers. Compliance with this 10% cap 'supplement cap' will be based on s251 budget data and calculated as follows:

$X = \text{supplements quantum from planned s251 budget}$

$Y = \text{total base rates for three and four year olds quantum} + \text{supplements quantum from planned s251}$

$Z = X/Y$

If $Z \leq 10\%$ then requirement has been met

49. Therefore, an authority with base rate quantum of £13.5m would be able to grant supplements up to a total of £1.5m; that is, $\text{£}1.5\text{m}/(\text{£}13.5\text{m}+\text{£}1.5\text{m})$.

Additional funding for Maintained Nursery Schools

50. Local authorities with MNS continue to receive supplementary funding in 2018 to 2019. This funding is provided in order to enable local authorities to protect their 2016 to 2017 funding rates for MNS (that is, the rates that existed before the EYNFF) and the Government expects it to be used in this way.

51. Local authorities can use lump sum payments and we will continue to allow local authorities to provide a higher level of funding to MNS once the base rate becomes compulsory in 2019 to 2020.

Special Educational Needs Inclusion Fund

52. Local authorities are required to have SEN Inclusion Funds for all three and four year olds with special educational needs (SEN) who are taking up the free entitlements, regardless of the number of hours taken. These funds are intended to support local authorities to work with providers to address the needs of individual children with SEN. This fund will also support local authorities to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014.

Eligibility

53. Local authorities should target SEN Inclusion Funds at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG².

54. As with other elements of early years funding, SEN inclusion funds should apply to children attending settings in the relevant local authority area, regardless of where they live.

Value

55. The value of the fund must take into account the number of children with SEN in the local area, their level of need, and the overall capacity of the local childcare market to support these children. Local authorities must consult with early years providers to set the value of their local SEN inclusion fund.

Sources of funding

56. Local authorities will establish their SEN Inclusion Funds using funding from either one or both of their early years block and high needs block of the DSG.

Allocation of funding

57. Local authorities must consult with early years providers, parents and SEN specialists on how the SEN inclusion fund will be allocated, as part of the preparation and review of their 'Local Offer'. Under this 'Local Offer', local authorities should publish details on how they are using their SEN inclusion fund to support their early years SEN

² Further information on the high needs funding system can be found in the [High Needs Funding 2018 to 2019 Operational Guide](#).

cohort. These details should include the eligibility criteria for the fund, the planned value of the fund at the start of the year, and the process for allocating the fund to providers.

58. Local authorities should pass the majority of their SEN inclusion fund to providers in the form of 'top up grants' on a case-by-case basis. Local authorities can also use part of their SEN inclusion funds to support specialist SEN services in their local area. However, any funding used for these local authority-wide support services will not count towards the 95% 'high pass-through'.

Eligible providers

59. All early years providers that are eligible to receive funding for the entitlements for three and four year olds are also eligible to receive support from the SEN inclusion fund.

Compliance

60. Local authorities must record the planned value of their SEN inclusion funds in their s251 returns.

Disability Access Fund

61. The Equality Act 2010 requires local authorities and settings not to discriminate, harass or victimise disabled children, which may include making reasonable adjustments. Local authorities must comply with the provisions of the Act in finding suitable provision for eligible disabled children.

62. The Disability Access Fund (DAF) was introduced in April 2017 to support disabled children's access to the entitlements for three and four year olds. Providers receive £615 per eligible child per year. The funds could be used, for example, to support providers in making reasonable adjustments to their settings and/or helping with building capacity, be that for the child in question or for the benefit of children as a whole attending the setting.

Eligibility

63. Three and four year olds will be eligible for the DAF if they meet the following criteria:

- the child is in receipt of [Disability Living Allowance](#) (DLA)
- the child receives the universal 15 hours entitlement

64. Please note that children do not have to take up the full 570 hours of early education that they are entitled to in order to receive the DAF. Children will be eligible where they take up any period of free entitlement and receive DLA.

65. Four year olds in primary school reception classes are not eligible for DAF funding.

Identifying eligible children

66. Early years providers are responsible for identifying eligible children and are encouraged to use the Department's parent declaration template³, which includes a DAF declaration, to do so.

³ The parent declaration template is included in the [Model Agreement](#).

Eligibility checking

67. Local authorities are responsible for checking that the DAF eligibility criteria are met. They should be satisfied that the child in question is receiving DLA and may wish to see evidence of the child's DLA award letter. Local authorities should keep a copy of this evidence on file.

Distributing DAF to early years providers

68. All early years providers who are eligible to receive funding for the entitlement for three and four year olds are also eligible to receive DAF payments.

69. Local authorities must fund all settings providing a place for DAF-eligible children at the fixed annual rate of £615 per eligible child. The DAF is payable as a lump sum and should not be pro-rated according to hours taken up.

70. Local authorities should distribute DAF funding in its entirety to providers, and DAF funding should not be offset against any other funding which the local authority may ordinarily be providing for children eligible for the DAF.

71. If a child eligible for the DAF is splitting their free entitlement across two or more providers, local authorities should ask parents to nominate the main setting. This setting will be where local authorities should pay the DAF for the child.

72. If a child receiving DAF moves from one setting to another, the new setting is not eligible to receive DAF funding for this child until the anniversary of the first payment has passed. DAF funding received by the original setting will not be recouped.

73. In cases where a child who lives in one local authority attends a setting in another local authority, the local authority where the setting is based is responsible for funding the DAF for the child and eligibility checking.

Timing of payments

74. The DAF is intended to aid disabled children's access to the free entitlements. Therefore, local authorities must issue DAF payments to providers as soon as possible when the child takes up the universal 15 hours entitlement for three and four year olds. So, for example, if a child turns three in the summer term, they will be able to take up their entitlement in the autumn term and local authorities should issue the first DAF payment as quickly as possible in that term. Where children are still eligible for the DAF, providers should receive a second payment one year later; that is, one year after they first received the DAF.

Early Years Pupil Premium

75. The Early Years Pupil Premium (EYPP) gives providers additional funding to support disadvantaged three and four year old pupils.

Eligibility

76. Three and four year olds will be eligible for EYPP if the child receives the universal 15 hours entitlement and they meet any of the following criteria:

- their family gets one of the following:
 - [Income Support](#)
 - income-based [Jobseeker's Allowance](#)
 - income-related [Employment and Support Allowance](#)
 - support under [part VI of the Immigration and Asylum Act 1999](#)
 - the guaranteed element of [State Pension Credit](#)
 - [Child Tax Credit](#) (provided they are not also entitled to [Working Tax Credit](#) and have an annual gross income of no more than £16,190)
 - [Working Tax Credit](#) run-on, which is paid for 4 weeks after they stop qualifying for Working Tax Credit
 - Universal Credit – For places starting in the summer term of 2018 (on or after 1st April 2018), or any subsequent term, if a parent is entitled to Universal Credit they **must** have an annual net earned income equivalent to and not exceeding £7,400, assessed on up to three of the parent's most recent Universal Credit assessment periods.⁴ Further guidance on checking eligibility is set out below.
- they are currently being looked after by a local authority in England or Wales
- they have left care in England or Wales through:
 - an adoption order
 - a special guardianship order
 - a child arrangements order

77. If a child qualifies for EYPP under more than one set of criteria they will only attract the funding once.

⁴ Subject to the normal Parliamentary procedures.

Identifying eligible children

78. Early years providers are ultimately responsible for identifying eligible children, so that local authorities can provide the appropriate funding. Providers should be encouraged to speak to parents to find out who is eligible for EYPP funding, especially to the parents of children who took up the early education entitlement for two year olds as many of these children will attract EYPP when they turn three.

79. It will be the responsibility of the local authority's Virtual School Head to identify the children who are currently in local authority care.

Eligibility checking

80. Local authorities must check EYPP eligibility when a parent or provider tells them the child may be eligible. An EYPP eligibility check should not be done more than a term in advance of the child taking up their free entitlement, in case the family's circumstances change. Once a provider starts receiving EYPP funding in respect of a particular child, they will not lose it while the child is taking up the early years free entitlement.

81. Local authorities should inform only the child's parent(s) or legal carer(s), and the provider, or providers, of the child's early years education, of the outcome of eligibility checks.

82. Once the child enters reception, they will no longer be eligible for the EYPP, but may become eligible for the [Pupil Premium](#). Eligibility for EYPP does not lead automatically to eligibility for Pupil Premium when the child starts school.

83. Local authorities should follow a different process for checking the eligibility of children who:

- have been adopted from local authority care
- have left care through a special guardianship order
- have left care through a child arrangements order

84. Local authorities will not be able to check such eligibility through the department's eligibility checking system. Instead, the parents, adoptive parents or guardians of these children should show authorities evidence of the court order that proves that the child was formally in local authority care in either England or Wales.

Assessing eligibility for parents in receipt of Universal Credit

85. Parents who wish their child to take-up the EYPP on 1 April 2018 onwards (children starting in summer term 2018, or any subsequent term) and who are in receipt of Universal Credit will be subject to the earned income threshold.⁵

86. This means that when assessing eligibility for EYPP, any child born on or after 1 January 2015 whose parent(s) is entitled to Universal Credit is subject to the income threshold outlined above. Parents of children born before 1 January 2015 who are entitled to Universal Credit are not subject to the income threshold. Therefore, the child's date of birth must be taken into account when assessing eligibility.

87. For children born on or after 1 January 2015, eligibility must be checked through an assessment of the parent's net earned income over up to three of the Universal Credit assessment periods immediately preceding the date of the request for the EYPP. Checking earnings over up to three Universal Credit assessment periods will take into account families with fluctuating earnings.

88. The date of request is the date which the parent submits their information (name, national insurance number, date of birth) and gives permission for their eligibility to be checked. The local authority **should** ensure that the date of request is recorded, and that eligibility is checked as soon as possible after the date of request.

89. The date of request provides the reference point from which the parent's most recent three universal credit assessment periods must be determined. Therefore, when carrying out a manual check using evidence provided by the parent, the three relevant universal credit assessment periods would be the three complete assessment periods which immediately preceded the date of request.

90. The [Department for Education's eligibility checking system](#) provides a mechanism for local authorities to verify whether children meet the eligibility criteria under Universal Credit above. Eligibility is assessed as follows:

- If the parent's net earned income in their first assessment period (period 1) does not exceed threshold 1, £616.67⁶ the child is eligible.
- If the parent's net earned income exceeds threshold 1, then the sum of the parent's net earned income in the assessment period immediately preceding period 1 (period 2) and period 1 is compared to threshold 2 (£1,233.34). If that total net earned income does not exceed threshold 2, the child is eligible.

⁵ See S.I 2018/148. Subject to the appropriate Parliamentary procedures

⁶ See footnote 5

- If the parent’s net earned income exceeds threshold 2, then the sum of parent’s net earned income in the assessment period immediately preceding period 2 (period 3) and period 1 and period 2 is compared to threshold 3 (£1,850). If that total net earned income does not exceed threshold 3, the child is eligible.

Note that:

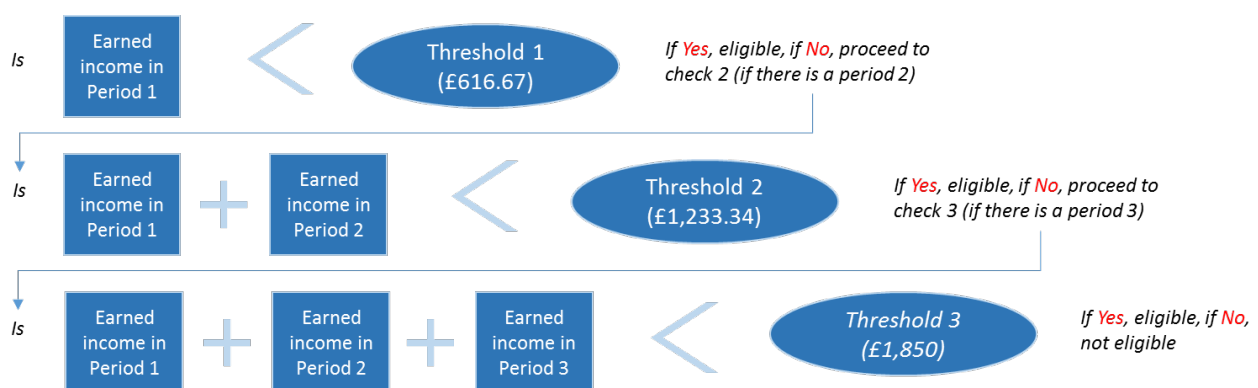
- Period 2 or 3 cannot be assessed on their own independently of period 1. Likewise, period 3 cannot be assessed with period 1 unless period 2 is included.
- Where the parent has completed less than three assessment periods, the steps above will apply up to, but not including, the step when there is no complete assessment period preceding period 1 or 2.

This process is summarised in Fig 1.

91. For the purposes of checking eligibility, net earned income is defined in the same way as “earned income” in the Universal Credit 2013 (SI 2013/376) regulations in accordance with section 43(3) of the Welfare Reform Act 2012. This includes earnings from contracted employment, trades, professions, vocations, elective offices or any other paid work, and deductions for income tax, national insurance etc.⁷ The way in which income is assessed jointly for couples also mirrors that in Universal Credit. This ensures that when checking eligibility for the two-year-old entitlement earnings are treated in the same way as calculations for ‘take home pay’ under Universal Credit.

92. Local authorities should use the [Department for Education’s eligibility checking system](#) to verify whether children meet the eligibility criteria under Universal Credit above.

Fig. 1



⁷ <http://www.legislation.gov.uk/ukxi/2013/376/regulation/52>

Distributing EYPP to early years providers

93. All early years providers who are eligible to receive funding for the three and four year old early education entitlement are also eligible to receive the EYPP. For childminders who are registered with a childminder agency, local authorities should pay the EYPP to the agency and they will pass it on to the childminder.

94. Local authorities must fund all eligible early years providers in their area at the national rate of 53p per hour per eligible pupil up to a maximum of 570 hours (£302.10 per year). In the small number of cases where a child is also eligible for the additional 15 hours entitlement for working parents, EYPP is paid on the universal 15 hours only, up to a total of 570 hours in the year.

95. If a child in local authority care is attending a setting in a different local authority, it is the responsibility of the local authority in which the setting is based to fund the EYPP.

Monitoring and compliance

96. We will use the planned budget information provided by local authorities in their annual s251 early years proforma to monitor compliance with all the policies set out in this guide and the underpinning regulations. We also intend to monitor annual s251 outturn data.

97. We will use the early years funding benchmarking tool to publish information about local authority compliance.

Further information

98. For any questions relating to this guide, please [contact the Education and Skills Funding Agency](#) (ESFA).



Education & Skills
Funding Agency

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