



Education & Skills
Funding Agency

Early years entitlements: local authority funding of providers

Operational guide 2021 to 2022

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1. Introduction

1.1 Who is this publication for?

This guide is for:

- local authorities
- early years providers
- other early years stakeholders who may find it useful

Local authorities should follow this guidance when funding providers to deliver the early years entitlements in the financial year 2021 to 2022.

The Department for Education (DfE) provides local authorities with 6 relevant funding streams which together form the early years block of the dedicated schools grant (DSG). They are:

- the 15 hours entitlement for disadvantaged 2-year-olds
- the universal 15 hours entitlement for all 3 and 4-year-olds
- the additional 15 hours entitlement for eligible working parents of 3 and 4-year-olds
- the early years pupil premium (EYPP)
- the disability access fund (DAF)
- maintained nursery school (MNS) supplementary funding

Some of the rules and principles described in this guide will be set out in secondary legislation.

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 DfE funds local authorities themselves, as this is set out separately. Details of local authority initial funding allocations for the early years funding block in 2021 to 2022 will be published in December 2020 alongside a technical note.

1.2 Related guidance

The DfE has also provided further guidance relevant to the funding of the early years entitlements.

Early years [funding](#) arrangements during coronavirus (COVID-19).

[Early education and childcare: statutory guidance](#)

[Early education and childcare: operational guidance](#)

[High needs operational guidance](#)

1.3 Monitoring and compliance

We will use the planned budget information provided by local authorities in their annual section 251 early years proforma to monitor compliance with all the policies set out in this guide and the underpinning regulations.

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

2. The early years national funding formula (EYNFF)

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 3 and 4-year-olds. There is a separate formula that sets the hourly funding rates for 2-year-olds.

The 2-year-old and 3 and 4-year-old hourly funding rates for 2021 to 2022 for all local authorities can be found on the [early years funding: 2021 to 2022](#) page on GOV.UK.

3. Changes for 2021 to 2022

The main changes from the requirements for the 2020 to 2021 financial year are:

- In section 6.2 on page 17, first paragraph: clarification of continuation of supplementary funding for MNS for the financial year 2021 to 2022.
- Also in section 6.2 on page 17, third paragraph: additional information about the publication of indicative and conditional supplementary funding allocations for MNS.

4. Local authority funding of the entitlement for disadvantaged 2-year-olds

There are a number of differences between how local authorities should fund the entitlement for disadvantaged 2-year-olds, compared to the entitlements for 3 and 4-year-olds.

First, unlike 3 and 4-year-olds, there is currently no regulatory requirement to pass through a set amount of the government's funding to providers for delivery of the 2-year-old entitlements. This is because data from local authorities' planned budgets (via section 251) shows that the vast majority of the government's funding is already being passed through to providers. We expect this to continue, as it is important that the government funding reaches providers in order to deliver 2-year-old places, and we will continue to monitor any 2-year-old central spend in future years.

Secondly, there are no compulsory supplements for 2-year-olds, and local authorities are encouraged to fund providers on the basis of a flat hourly base rate for all providers.

Finally, local authorities are not required to establish a special educational needs inclusion fund (SENIF) for 2-year-olds. However, they may wish to do so as part of their provision for children with special educational needs (SEN).

5. Local authority funding of the entitlements for 3 and 4-year-olds

5.1 Single rate for both entitlements

The DfE 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 2 entitlements are the same.

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 hourly base rate and same supplements for both entitlements.

5.2 95% pass-through requirement

Local authorities are required to plan to pass-through 95% of their 3 and-4-year-old funding from the 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 government's free entitlements.

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.

5.2.1 What is included within 95% pass-through

The '95%' includes the following budget lines:

- base rate funding for all providers
- supplements for all providers
- lump sum funding for MNS (please note any funding from the DfE's MNS supplementary allocation will be excluded—see below)
- the top-up grant element of SENIFs paid to providers
- contingency funding

Please note that the 95% is calculated with reference to the EYNFF hourly funding rate and therefore does not take account of any MNS supplementary funding allocation a local authority receives from the government. As such, the MNS lump sum funding referred to above only applies to any further funding for MNS paid from a local authority's EYNFF allocation.

5.2.2 Remaining 5% expenditure

The remaining 5% of expenditure could include the following:

- centrally retained funding (for central services or services in-kind, including special educational needs and disability (SEND) services)
- transfer of any funding to 2-year-olds
- any extra hours that local authorities choose to fund in addition to the government’s entitlement hours for 3 and 4-year-olds
- any funding movement out of the early years block

5.2.3 What is not included within pass-through

The following DSG early years block funding streams are not included in the 95% passthrough calculation:

- funding for the entitlement for disadvantaged 2-year-olds
- payments to MNS from DfE’s MNS supplementary funding allocation
- the disability access fund (DAF)
- the early years pupil premium (EYPP)

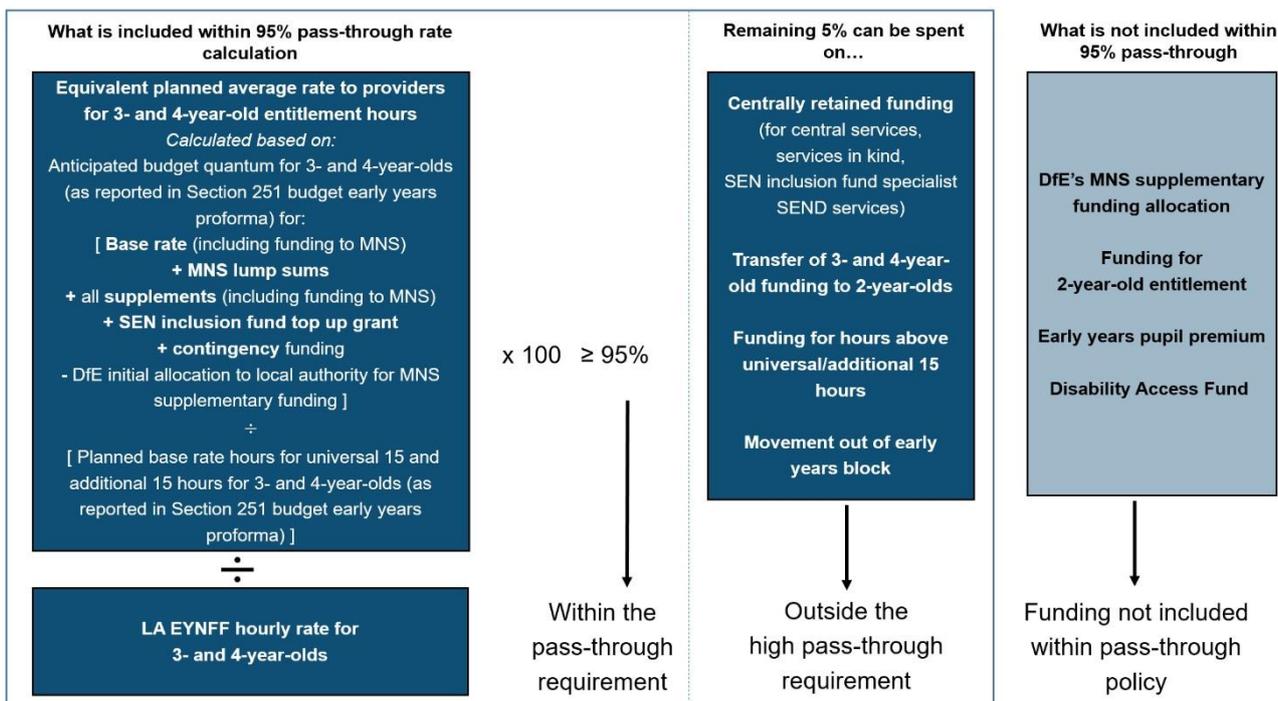


Figure 1: Diagram illustrating which funding strands are included in the high pass-through rate calculation, and which are excluded

5.3 Monitoring compliance with the 95% pass-through requirement

We will monitor compliance with the 95% pass-through requirement via the early years proforma in the annual section 251 budget returns. We may consider the future use of section 251 outturn data to monitor compliance with the pass-through.

The calculation to determine compliance is made using the following steps:

Step 1, calculating an equivalent average rate to providers:

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

Where:

- 'A' is anticipated budget quantum for 3 and 4-year-olds (as reported in the section 251 budget early years proforma) for:
 - base rate (including funding to MNS)
 - MNS lump sums
 - all supplements (including funding to MNS)
 - SENIF top up grants
 - contingency fund
- 'B' is DfE initial quantum allocated to local authority for MNS supplementary funding
- 'C' is planned base rate hours for universal 15 and additional 15 hours for 3 and 4-year-olds (including hours through MNS), as reported in s251 budget early years proforma
- 'D' is equivalent average rate to providers

Step 2, calculating the pass-through rate:

$$[D \div E] \times 100 = F$$

Where:

- 'E' is the local authority EYNFF hourly rate for 3 and 4-year-olds ([EYNFF hourly rates for 2021 to 2022](#) were published in December 2020)
- 'F' is the pass-through rate

A local authority will be considered to be meeting the requirement if 'F' is more than or equal to 95%:

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.

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

| Calculation | Line | Description | Amount |
|-------------|------|---|-----------------|
| A | 1 | Anticipated budget for base rate (including funding to MNS) for 3 and 4-year-olds | £13,000,000 |
| A | 2 | Anticipated budget for MNS lump sums for 3 and 4-year-olds | £700,000 |
| A | 3 | Anticipated budget for supplements for 3 and 4-year-olds: deprivation (including funding to MNS) | £600,000 |
| A | 4 | Anticipated budget for supplements for 3 and 4-year-olds: quality (including funding to MNS) | £300,000 |
| A | 5 | Anticipated budget for supplements for 3 and 4-year-olds: flexibility (including funding to MNS) | £200,000 |
| A | 6 | Anticipated budget for supplements for 3 and 4-year-olds: rurality (including funding to MNS) | £200,000 |
| A | 7 | Anticipated budget for supplements for 3 and 4-year-olds: EAL (including funding to MNS) | £100,000 |
| A | 8 | Anticipated budget for 3 and 4-year-old SEN inclusion fund (top up grant element) | £400,000 |
| A | 9 | Anticipated budget for 3 and 4-year-old contingency | £1,000,000 |
| N/A | N/A | Subtotal = | £16,500,000 |
| 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 = ((line 12) / (line 13)) * 100 | 95.4% |

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

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.

To be compliant, the calculated pass-through rate must be at least $\geq 95.0\%$. Rounding up 94.9% will not be considered as meeting the requirement.

5.4 Disapplications from the 95% pass-through requirement

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, in exceptional circumstances, the department will consider individual requests to disapply this requirement.

Local authorities must 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 3 and 4-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 'buyback' model

- c) Disapplication is essential for the local authority to meet its statutory early years duties, for example delivering the entitlement for disadvantaged 2-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

For all disapplications, local authorities must also 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 2021 to 2022
- evidence that sufficient numbers of providers will be willing to deliver enough places to meet demand for the entitlements for 3 and 4-year-olds in 2021 to 2022 (both for the universal 15 hours entitlement and the additional 15 hours for working parents) at the proposed funding rate

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).

The DfE will validate local authorities' evidence against other data and intelligence and may request further information from local authorities if required.

Requests for disapplications for the pass-through rate for 2021 to 2022 should be submitted by 30 January 2021 or as early as possible if you are considering a disapplication in order to receive a decision ahead of finalising local authority business planning. Applications must be submitted using the appropriate [disapplication proforma containing the early years pass through section](#). Both sections of the proforma must be completed. Local authorities should consult with their schools forum prior to submitting a disapplication request (though the final decision on whether to make a request rests with the local authority).

6. Setting a local formula

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 2021, 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.

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](#).

Local authorities must calculate and notify initial budgets to providers by 31 March 2021. 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.

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 3 different weeks during the year (many authorities use termly counts).

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

Disapplications can be made at other times of the year using the [general disapplication proforma](#).

6.1 Funding factors

6.1.1 Universal base rate

All local authorities are required to pay a universal hourly base rate for all their childcare providers in their local 3 and 4-year-old early years single funding formula. The universal base rate must, in all cases, be multiplied by the number of estimated hours of attendance of children.

6.1.2 Funding supplements

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

Local authorities must have a deprivation supplement for 3 and 4-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 total planned value of funding supplements must not be more than 10% of the total value of planned formula funding to providers. Compliance with this 10% cap 'supplement cap' will be based on section 251 budget data and calculated as follows:

X = supplements quantum from planned section 251 budget

Y = total base rates for 3 and 4-year-olds quantum + supplements quantum from planned section 251

$Z = X/Y$

If $Z \leq 10.0\%$ then requirement has been met (please note rounding down 10.1% will not be considered as meeting the requirement)

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, $\frac{£1.5m}{£13.5m + £1.5m}$.

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 providers offering wraparound care, out-of-hours provision, or on-call type provision to support parent's working patterns and needs.

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.

Providers must not be forced to attend training unless they have achieved less than 'good' in an Ofsted inspection report and the training has been identified in the Ofsted report. This is prohibited by the Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2014 (regulation 8)(2)) and the Childcare (Early Years Provision Free of Charge) (Extended Entitlement) Regulations 2016 (regulation 38(2)). Further details can be found at section A4b of the [Early education and childcare: statutory guidance](#).

The supplement can only be used to cover the cost of providing the system leadership; no one should benefit financially outside of it, either those supporting or those being supported. Only costs of service provision should be met.

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

To recognise differences in attainment in the early years foundation stage between children whose first language is English, and those who have English as an additional language (EAL).

6.2 Additional funding for maintained nursery schools (MNS)

Local authorities with MNS will continue to receive supplementary funding for the 2021 to 2022 financial year. This funding is provided in order to enable local authorities to protect their 2016-17 funding rates for the universal 15 hour entitlement for MNS (that is, the rates that existed before the EYNFF) and the government expects it to be used in this way.

As mentioned in section 6.1.1, all providers must be paid the same hourly base rate; this also applies to MNS. However, authorities may continue to use 'lump sums' to distribute additional funding to MNS.

In December 2020 we said that for 2021 to 2022, part of the supplementary funding allocations were published as indicative, and part as conditional. Specifically, we said that the maintained nursery school supplementary funding allocations for September 2021 to March 2022 were conditional and might be subject to change, so local authorities should have treated them as unconfirmed.

In April 2021, the government announced that these allocations are now confirmed, and no longer 'conditional'.

MNS supplementary funding allocations for the full financial year 2021 to 2022 should therefore be treated in the same way as the rest of the allocations for the early years block. They are indicative and will be updated to take account of actual attendance, in the same way as the other entitlements. That is the only adjustment that will be made to these figures.

The [technical guidance](#) published in March 2021 sets out the funding allocation methodology for 2021 to 2022, including how final allocation for each local authority will be calculated.

6.3 Special educational needs inclusion fund

Local authorities are required to have SENIFs for all 3 and 4-year-olds with 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.

6.3.1 Eligibility

Local authorities should target SENIFs 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 DSG. Further information on the high needs funding system can be found in the [high needs funding 2021 to 2022 operational guide](#).

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

6.3.2 Value

The value of the fund should 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 SENIF.

6.3.3 Sources of funding

Local authorities should establish their SENIFs using funding from the early years block and/or the high needs block of their DSG allocation.

6.3.4 Allocation of funding

As part of the preparation and review of their 'local offer', local authorities must consult with early years providers, parents and SEN specialists on how the SEN inclusion fund will be allocated. Under this 'local offer', local authorities should publish details on how their SENIF will be used to support their early years SEN 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.

Local authorities should pass the majority of their SENIF to providers in the form of top up grants on a case-by-case basis. Local authorities can also use part of their SENIFs 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% pass-through—they will be counted within the 5% centrally retained funding.

6.3.5 Eligible providers

All early years providers that are eligible to receive funding for the entitlements for 3 and 4-year-olds are also eligible to receive support from the SENIF.

6.3.6 Compliance

Local authorities must record the planned value of their SENIFs in their section 251 returns.

7. Disability access fund (DAF)

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

The DAF was introduced to support disabled children's access to the entitlements for 3 and 4-year-olds. Providers receive at least £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 attending the setting as a whole.

7.1 Eligibility

Three and 4-year-olds will be eligible for the DAF if:

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

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.

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

7.2 Identifying eligible children

Early years providers are responsible for identifying eligible children and are encouraged to use the DfE's parent declaration template, which is included in the [model agreement](#).

7.3 Eligibility checking

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.

7.4 Distributing DAF to early years providers

All early years providers who are eligible to receive funding for the entitlement for 3 and 4-year-olds are also eligible to receive DAF payments.

Local authorities must fund all settings providing a place for DAF-eligible children at the annual rate of at least £615 per eligible child. Funding allocations for DAF are now based

on DLA receipt data. It may be the case that authorities receive more DAF funding from government than they distributed. In such circumstances, authorities are expected to spend any additional funding in line with the principles and aims of the fund. The DAF is payable as a lump sum and should not be pro-rated according to hours taken up.

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

If a child eligible for the DAF is splitting their free entitlement across 2 or more providers, local authorities should ask parents to nominate the main setting. Local authorities should pay the DAF for the child to that nominated main setting.

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.

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

7.5 Timing of payments

The DAF is intended to aid access to the free entitlements for disabled children. Therefore, when the child takes up the universal 15 hours entitlement for 3 and 4-yearolds, local authorities must issue DAF payments to providers as soon as possible. So, for example, if a child turns 3 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.

8. Early years pupil premium (EYPP)

The EYPP gives providers additional funding to support disadvantaged 3 and 4-year-old pupils.

8.1 Eligibility

Three and 4-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](#) (household income must be less than £7,400 a year after tax, not including any benefits—this is assessed on up to 3 of the parent's most recent Universal Credit assessment periods)—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

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

EYPP is payable ONLY on the universal 15 hours entitlement and not on the additional 15 hours entitlement for working parents.

8.2 Identifying eligible children

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 2-year-olds as many of these children will attract EYPP when they turn 3. Providers are encouraged to use the DfE's parent declaration template, which is included in the [model agreement](#).

It is the responsibility of the local authority's virtual school head to identify the children who are currently in local authority care.

8.3 Eligibility checking

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 made 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.

Local authorities can only share the outcome of eligibility checks with:

- the child's parent(s) or legal carer(s), and
- the provider, or providers, of the child's early years education

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.

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

Local authorities cannot check such eligibility through the DfE'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 in local authority care in either England or Wales.

8.4 Assessing eligibility for parents in receipt of Universal Credit

A parent who is entitled to Universal Credit and has a child born on or after 1 January 2015, will be subject to an earned income threshold¹. 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.

For children born on or after 1 January 2015, eligibility must be checked through an assessment of the parent's net earned income across up to 3 of the Universal Credit assessment periods immediately preceding the date of the request for the EYPP.

¹ [The Free School Lunches and Milk, and School and Early Years Finance \(Amendments Relating to Universal Credit\) \(England\) Regulations 2018](#)

Checking earnings over up to 3 Universal Credit assessment periods will take into account families with fluctuating earnings.

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.

The date of request provides the reference point from which the parent's most recent 3 Universal Credit assessment periods must be determined. Therefore, when carrying out a manual check using evidence provided by the parent, the 3 relevant Universal Credit assessment periods would be the 3 complete assessment periods which immediately preceded the date of request.

The [DfE'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, £616.67² 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.
- 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 3 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 Figure 1.

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.

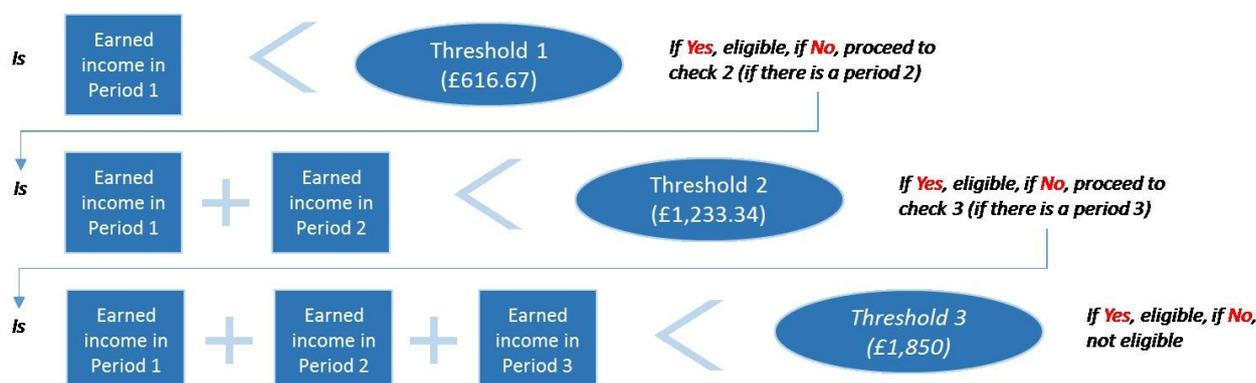
² [The Free School Lunches and Milk, and School and Early Years Finance \(Amendments Relating to Universal Credit\) \(England\) Regulations 2018](#)

This includes earnings from:

- contracted employment
- trades
- professions
- vocations
- elective offices
- any other paid work
- deductions for income tax
- national insurance

The way in which income is assessed jointly for couples also mirrors that in Universal Credit. This ensures that when checking eligibility for the 2-year-old entitlement earnings are treated in the same way as calculations for 'take home pay' under Universal Credit.

Local authorities should use the [DfE's eligibility checking system](#) to verify whether children meet the eligibility criteria under Universal Credit above. [Fig. 1](#)



8.5 Paying EYPP to early years providers

All early years providers who are eligible to receive funding for the 3 and 4-year-old early education entitlement are eligible to receive the EYPP. For childminders who are registered with a childminder agency, local authorities should pay the EYPP to the agency, who should pass it on to the childminder.

Local authorities must fund all eligible early years providers in their area at the national rate of 53 pence per hour per eligible pupil up to a maximum of 570 hours (£302.10 per year). 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.

As with the 3 and 4-year-old entitlement, EYPP becomes payable from the beginning of the term following an eligible child's 3rd birthday.³

³ Entitlement eligibility dates can be found in para A1.7 of the [Early education and childcare: statutory guidance](#)

In cases where a child who lives in one local authority attends a setting in another local authority, funding the EYPP for the child is the responsibility of the local authority in which the setting is based.

9. Further information

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



Education & Skills
Funding Agency

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