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Guidance

# Use of free early education entitlements funding during coronavirus (COVID-19)

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This guidance sets out how, in exceptional circumstances and only when other options have been exhausted, local authorities may use their dedicated schools grant (DSG) funding differently during the coronavirus (COVID-19) outbreak. This is so children of critical workers and vulnerable children who are eligible for the free early education entitlements are able to receive their places.

The government's priority for the early years sector during the coronavirus (COVID-19) outbreak is first and foremost to ensure sufficient childcare for vulnerable children and children of critical workers who cannot be looked after at home. Many local authorities are successfully ensuring enough open childcare in their local areas through their market knowledge and positive relationships with providers, however ensuring provision is available for children who need it will not always be straightforward. This guidance for local authorities and early years providers sets out the priorities the government wants local authorities to consider in using their DSG funding to provide free early education entitlement childcare places for eligible children during the coronavirus (COVID-19) outbreak.

See actions for early years and childcare providers during the coronavirus (COVID-19) outbreak (<https://www.gov.uk/government/publications/coronavirus-covid-19-early-years-and-childcare-closures/coronavirus-covid-19-early-years-and-childcare-closures>) for more information about the business support available to early years settings to support them to continue offering provision.

This guidance includes:

- information about the payment of early years DSG funding during the coronavirus (COVID-19) outbreak
- details about the early years DSG funding flexibility available to local authorities to support them in securing sufficient childcare for children who need it
- a description of the cohorts of children for whom local authorities can continue to fund places under the free early education entitlements
- how the early years DSG funding flexibility works with the Coronavirus Job Retention Scheme
- an update on powers under the Coronavirus Act 2020 to require early years settings to open or reopen

## **Securing sufficient childcare places**

Local authorities will continue to be paid their early years DSG as normal. It is expected that the initial early years DSG allocations for 2020 to 2021, announced in December 2019, will be updated to provisional allocations in July 2020 in the usual way (that is, using the January 2020 early years census and schools census).

Local authorities are best placed to monitor and manage their local childcare market and have responsibility for ensuring sufficient childcare places. Local authorities should initially aim to secure the required childcare places by using places that are already funded through early years DSG. This may possibly include moving children between providers where one provider has closed, and another has empty DSG-funded places. That will be possible in many cases without additional cost to the local authority.

Whilst the majority of local authorities report that there is sufficient childcare provision for key workers, some local authorities will already be using clusters or hubs of provision. This means using larger providers with a suitable quantity of available places to deliver the childcare needed in a local area. We have published guidance on using clusters and hubs to maintain educational provision (<https://www.gov.uk/government/publications/using-clusters-and-hubs-to-maintain-educational-provision/cluster-and-hub-provision-coronavirus-covid-19>), including information for early years settings.

Local authorities may also wish to assess the capacity of childminders to support critical workers, to increase the number and flexibility of childcare places available for critical worker parents who may work atypical hours.

In some cases, ensuring sufficient places during the coronavirus (COVID-19) outbreak may incur additional costs, where the providers that need to remain open cannot do so in a financially sustainable way. Early years DSG block contingency budgets, where local authorities have them, or uncommitted central spend in the early years budget (that is, funds not passed onto providers in the ‘95% pass-through rule’) should be considered first in order to meet any such costs.

Only in exceptional circumstances, when these options have been exhausted, may local authorities consider using their flexibility to redistribute funding for the free early education entitlements in a clearly focussed and targeted way from providers who have closed to those who are open and caring for eligible children, where necessary during the coronavirus (COVID-19) outbreak.

As demand for childcare is currently low due to restrictions on who may attend, it is expected that there will be very little requirement to do this in practice. Local authorities should – as they already do – work in partnership with their early years sector and, wherever possible, agree any funding changes with individual providers rather than imposing them.

## **When to use the funding flexibility**

Where it is necessary to redistribute early years DSG in order to fund sufficient places for vulnerable children and children of critical workers, local authorities should redetermine the amounts allocated to early years settings that have closed, in order to redistribute necessary funding to settings which are open and providing places for these children. We consider that local authorities can use their existing powers in regulation 16 of the School and Early Years Finance (England) Regulations 2020 (<http://www.legislation.gov.uk/ukxi/2020/83/contents/made>) to redetermine the amounts allocated to early years providers to do this during the coronavirus (COVID-19) outbreak.

If a local authority has exhausted other options and deems it necessary to use this ability, they should make sure to engage their early years providers sensibly when doing so. We expect this to be a time-limited response, kept under regular review by the local authority, based on local sufficiency.

Local authorities should only remove early years DSG funding from early years settings that are closed during the coronavirus (COVID-19) outbreak.

Local authorities should consider very carefully the impact of removal on the longer-term sustainability of that setting and the local childcare market. They should consider whether any reduction in early years DSG would put at risk the ability of the setting to meet ongoing operational costs even whilst closed, for

example, paying rent, and to consider what impact the amount of DSG being removed would have on the number of staff the setting might need to furlough under the Coronavirus Job Retention Scheme.

Settings where early years DSG funding is removed may need to increase the proportion of their salary bill eligible for the Coronavirus Job Retention Scheme. Similarly, any providers receiving increased early years DSG to provide additional childcare for children of critical workers should reduce the proportion of their salary bill that is eligible for Coronavirus Job Retention Scheme accordingly. Follow the guidance on financial support for education, early years and children's social care during the coronavirus outbreak (<https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care>).

Local authorities will need to consider and consult with providers on which settings are best able to manage such changes in funding. They should, wherever possible, give providers appropriate notice of their intention to remove early years DSG funding in order to allow settings to adapt their business planning accordingly.

## **Eligibility**

Local authorities should only redistribute early years DSG funding if absolutely necessary to fund provision for children who are eligible for free early education and care under one of the free early education entitlements. This is intended to ensure that those families are able to continue accessing their entitlement to free childcare during the coronavirus (COVID-19) outbreak.

The free early years entitlements are:

- the 2-year-old entitlement (up to 15 hours per week)
- the universal entitlement for 3- and 4-year-olds (up to 15 hours per week)
- the extended entitlement for 3- and 4-year-olds of eligible working parents (up to 30 hours per week)

Within the existing cohort of children who access the early years entitlements, only those who meet the government's definition of children of critical workers (<https://www.gov.uk/government/publications/coronavirus-covid-19-maintaining-educational-provision/guidance-for-schools-colleges-and-local-authorities-on-maintaining-educational-provision>) and vulnerable children (<https://www.gov.uk/government/publications/coronavirus-covid-19-early-years-and-childcare-closures/coronavirus-covid-19-early-years-and-childcare-closures#staying-open-for-children-of-critical-workers-and-vulnerable-children>) should be accessing early years provision at this time, in line with measures to limit the spread of coronavirus (COVID-19).

### **Temporary extension of eligibility criteria for the 2-year-old entitlement**

During the coronavirus (COVID-19) outbreak, we are temporarily extending eligibility criteria for the 2-year-old entitlement to include children assessed as being vulnerable and meeting the definition in Section 17 of the Children Act (1989) and who have No Recourse to Public Funds (NRPF).

The Secretary of State for Education has decided to temporarily extend eligibility for the free early education entitlement to 2-year-olds from families in receipt of Section 17 support who have NRPF, for the duration of the coronavirus (COVID-19) outbreak only. This is to support their safety and wellbeing whilst restrictions are in place. Eligible children are British-born child(ren) who are entitled to be in the

country yet are not receiving support by virtue of their parents' immigration status, which triggers the NRPF. This is a temporary measure during coronavirus (COVID-19) and is intended to support vulnerable children not usually eligible for a free place through the free early education entitlement.

Local authorities will be reimbursed for eligible children who have taken up a temporary free 2-year-old place by attending an early years childcare setting during coronavirus (COVID-19). We are working on the process to reimburse local authorities and further guidance will be made available in due course.

We will inform local authorities when this temporary extension of the eligibility criteria has come to an end.

## **Things for local authorities to consider**

When considering redistributing early years DSG funding from a closed setting to an open one, local authorities need to take into account:

- the current sufficiency of childcare for children of critical workers and vulnerable children
- the current financial security of a setting

If there is sufficient childcare then a local authority does not need to shift early years DSG funding but may consider it necessary if there are insufficient places and moving funding would help resolve the issue.

If a local authority removes early years DSG from a setting which equates at least in value to the salary of a staff member, that setting will be able to consider furloughing that staff member and accessing additional support from the Coronavirus Job Retention Scheme, provided the conditions set out in the guidance on financial support for education, early years and children's social care

(<https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care>) are met. The relationship between the amount of early years DSG and a staff member's eligibility to be furloughed will depend on an individual provider's circumstances. The local authority should be confident the setting has the financial security to withstand lower DSG income during the coronavirus (COVID-19) outbreak.

Support is available to local authorities to help with sufficiency planning and managing their local markets efficiently at this time. This resource can be commissioned through the ESFA, is free and may include drawing on the financial management expertise of school resource management advisors, where appropriate. Local authorities should email [DfE.CoronavirusHelpline@education.gov.uk](mailto:DfE.CoronavirusHelpline@education.gov.uk) to commission the most relevant support according to local need.

## **Using the Coronavirus Job Retention Scheme**

The Coronavirus Job Retention Scheme is a temporary scheme which allows employers to claim to cover wages for employees on temporary leave ('furlough') due to coronavirus (COVID-19). Employers can furlough employees and apply for a grant that covers 80% of their usual monthly wage costs, up to £2,500 per employee, plus the associated National Insurance contributions and pension contributions (up to the level of the minimum automatic enrolment employer pension contribution) on that subsidised furlough pay.

Guidance on financial support for education, early years and children's social care (<https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care>) is available and includes information on how to access funding through the Coronavirus Job Retention Scheme.

An early years provider can access the Coronavirus Job Retention Scheme to cover up to the proportion of its salary bill which could be considered to have been paid for from that provider's private income. This would typically be income received from 'parent-paid' hours and excludes all income from the government's free early education entitlements (or 'early years DSG income') for all age groups. In line with the conditions of the scheme, providers should initially use the month of February 2020 to represent their usual income in calculating the proportion of its salary bill eligible to be covered by the scheme. The reason for using February is to provide the closest 'usual' month before any coronavirus (COVID-19)-related closures or absences.

Where local authority payments are termly, it will be appropriate for providers to calculate on the basis of the income which could reasonably be attributed to February from their full termly payment – local authorities will need to inform providers of an indicative termly budget share for this purpose if they have not already done so.

Where income and outgoings were artificially affected by half-term, providers should apply average income/costs across the 3 non-half-term weeks to the whole month. There is no requirement or expectation that local authorities are responsible for checking applications for Coronavirus Job Retention Scheme made by providers.

If a provider sees their early years DSG income reduced by their local authority in order to fund childcare places elsewhere, they may be able to increase the proportion of their salary bill eligible for Coronavirus Job Retention Scheme in the next furlough period, provided the conditions set out in the guidance on financial support for education, early years and children's social care ([https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care](https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care)) are met.

For settings receiving increased DSG to provide additional childcare for vulnerable children and children of critical workers, the proportion of their salary bill eligible for Coronavirus Job Retention Scheme may be reduced accordingly, provided the conditions set out in the guidance on financial support for education, early years and children's social care ([https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care](https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care)) are met.

## **Using the funding flexibility**

It is important to note that the percentage of costs that can be 'claimed' from the Coronavirus Job Retention Scheme must be made up of identifiable members of staff, who can be furloughed and claimed by name and Pay As You Earn (PAYE) number in the online claims portal. Therefore, an employer can furlough staff whose total pay adds up to the 'claimable' proportion of its salary bill which could be considered to have been paid for from that provider's private income.

If a local authority **withdraws** some early years DSG funding from a provider, the provider will need to assess if this reduction requires additional staff to be furloughed as a result. If necessary, they can then increase the proportion of their salary bill eligible for a Coronavirus Job Retention Scheme application, provided the conditions set out in the guidance on financial support for education, early years and children's social care ([https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care](https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care)) are met.

Where a local authority provides **additional** early years DSG funding to a provider, that provider should reduce the proportion of their salary bill that is eligible for furloughing, and therefore for a Coronavirus Job Retention Scheme application, from the proportions they had calculated at the outset – that is, using February as a 'usual' position of income proportions.

As such if a local authority increases early years DSG funding to the provider, the provider will need to assess the extent to which this increase requires fewer staff to be furloughed as a result. If necessary, they will need to decrease the proportion of their salary bill eligible for the Coronavirus Job Retention Scheme.

## **Moving staff off furlough**

Where the early years DSG income of an early years provider increases to allow for payment of an additional staff member, for example, Coronavirus Job Retention Scheme support will cover the full 3-week period for which that staff member has been furloughed.

The staff member must complete their minimum 3-week furlough period before they can return to work to be 'paid for' by early years DSG funding.

Where early years DSG income reduces in a similar manner, the staff member can be furloughed, as long as:

- the application meets the 5 conditions set out in the guidance on financial support for education, early years and children's social care ([https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care](https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care/coronavirus-covid-19-financial-support-for-education-early-years-and-childrens-social-care))
- an application for support may immediately be made to the Coronavirus Job Retention Scheme (<https://www.gov.uk/guidance/claim-for-wages-through-the-coronavirus-job-retention-scheme>)

## **Reopening childcare settings under the Coronavirus Act 2020**

Wherever possible, local authorities and providers should work in partnership to secure sufficient childcare places for vulnerable children and children of critical workers.

The government's financial support package for providers and the flexibility local authorities have to redistribute early years DSG if absolutely necessary during the coronavirus (COVID-19) outbreak should, in most cases, enable this. However, we recognise that there may be occasions when all other options have been explored and there remain too few places locally for children who need them.



In such exceptional cases, the Coronavirus Act 2020 created a number of powers available to the Secretary of State for Education (or a local authority if authorised to do so), including the power to direct registered childcare providers to close, and the power to direct them to alter how they operate (for example, to open for longer, stay open or re-open). We are currently considering whether to use any of those powers and if so, the best processes to sit around them. We will say more on this when it is appropriate to do so.