

Part of [Education and childcare during coronavirus](#)



# Guidance

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

Updated 17 December 2020

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The latest updates are as follows:

- updates to set out the government's plans for [funding local authorities and providers in the 2021 spring term](#)
- confirmation that the previously published [funding for local authorities and early years providers](#) is still valid until 31 December 2020
- information about funding arrangements for the 2020 summer term has been removed

### Section 1: funding for local authorities and early years providers in the spring term 2021

#### Funding from the Department for Education (DfE) to local authorities in the spring term 2021

The normal process for determining funding allocations for local authorities for the early years entitlements is to take an annual census count of the number of hours taken up by children in each local authority in January. This is the mid-point of the academic year and so balances the relatively lower numbers eligible for the free entitlements in the autumn term and the higher numbers in the summer term. This means that local authorities would in normal circumstances be paid for the spring term 2021 based on the January 2021 census data.

In July we asked local authorities to continue funding providers as if coronavirus (COVID-19) had not happened and said that by exception we would base local authorities autumn term funding on the January 2020 census count. We also announced that our intention was to return to the normal funding process from 1 January, and use the January 2021 census count to drive funding allocations for the 2021 spring term. The number of children attending childcare has been increasing across the autumn term and attendance is much higher than during the first national lockdown.

Therefore, we will fund all local authorities on the basis of their January 2021 census for the spring term.

However, we recognise that the number of children attending childcare may not have returned to normal levels in all areas when we take the January 2021 census, and it may not therefore represent the mid year point in the normal way. This may cause concern for some local authorities who then see attendance rise over the course of the spring term.

Therefore, by exception, in a local authority where attendance is below 85% of their January 2020 census levels, and where that local authority can provide evidence for increased attendance during the spring term, we will provide a top-up to their January 2021 census. The top-up would only fund the additional places taken-up after the January 2021 census week count and would be limited to a cap equivalent to 85% of their January 2020 census. This will give local authorities additional financial confidence to pay providers for increasing attendance later in the term.

The final funding allocation for 2020 to 2021 will be adjusted in July as described on the [dedicated schools grant \(DSG\) technical note](#), and further guidance for local authorities will be provided in the new year, setting out the details of how the top-up will be applied and the evidence required from local authorities to receive the top-up.

#### Funding for local authorities to early years providers in the spring term 2021

Local authorities should return to the normal funding approach (that is, 'funding following the child') for all providers from 1 January 2021. This is in line with the approach announced in July 2020.

Providers should note that the guidance on [Early Years providers' access to the Coronavirus Job Retention Scheme \(CJRS\)](#) has been updated to reflect this approach to funding in the spring term, to take account of the position of any providers who see reductions in entitlements funding as a result.

Local authorities must take account of the provisions within the [Early education and childcare statutory guidance](#) for local authorities in making decisions on funding for providers which have restricted attendance, or are closed or temporarily closed for reasons connected to coronavirus (COVID-19). Local authorities should ensure that providers are:

- not penalised for short term absences of children, for example sickness, arriving late or leaving early, or a family emergency through withdrawing funding, but use their discretion where absence is recurring or for extended periods taking into account the reason for the absence and the impact on the provider
- aware of the local authority policy in the area in which they practice on reclaiming funding when a child is absent from a setting
- not penalised through withdrawal of funding for short term closures of a setting, for example, as a result of local or national elections or damage to the premises

#### Planning for the summer term 2021

The early years DSG funding allocations for the 2021 summer term are also driven by the January 2021 census count. Our current intention is in line with our approach for spring term, that we will continue the normal funding process from 1 January, and use the January 2021 census count to drive funding allocations for the 2021 summer term. However, given the uncertainty we continue to work within, we are keeping our plans for funding local authorities for the 2021 summer term under close review. We will confirm the approach in a further guidance update as soon as possible in the new year.

#### Early years funding allocation

The final early years funding allocations for the financial year 2020 to 2021 will be updated from the current provisional allocations in July 2021 as described for the spring term funding approach.

The initial early years funding allocations for the financial year 2021 to 2022 will be published in December using the January 2020 census as normal and will be updated to provisional allocation in July 2021.

### Section 2: funding for local authorities and early years providers in the autumn term 2020

Guidance on the autumn term 2020 was published on 20 July 2020. There have been some minor drafting changes to this section to align it with the updated guidance on the spring term 2021. Guidance on the autumn term will remain valid until 31 December 2020.

#### Funding support for the Department for Education (DfE) to local authorities in the autumn term 2020

The normal process for determining funding allocations for local authorities for the early years entitlements is to take an annual census count of the number of hours taken up by children in each local authority in January. This is the mid-point of the academic year and so balances the relatively lower numbers eligible for the free entitlements in the autumn term and the higher numbers in the summer term. This means that local authorities would in normal circumstances be paid for the autumn term 2020 based on the January 2021 census data.

We recognise that the number of children attending childcare may not have returned to normal levels by early January, when we take the January 2021 census. In light of the coronavirus (COVID-19) outbreak, the final funding allocation to local authorities for the 2020 autumn term will therefore exceptionally be based on their January 2020 census count.

#### Funding from local authorities to early years providers in the autumn term 2020

From the start of the autumn term 2020, local authorities should continue to fund providers which are open at broadly the levels they would have expected to see in the 2020 autumn term had there been no coronavirus (COVID-19) outbreak. They should also continue to fund providers which have been advised to close, or left with no option but to close, due to public health reasons. Local authorities should not fund providers which are closed, without public health reason, from the start of the autumn term.

The intention is to fund on the basis of 'as if autumn term 2020 were happening normally'. In order to do this, local authorities might, for example, use the numbers of children in places in the previous autumn to inform funding levels this autumn. This means that if a local authority is aware of particular changes in catchment demographics that would have impacted local demand (for example, a big increase in family housing in an area), they should take that into account. Local authorities should be transparent in the approach they take.

#### When to use funding flexibility in the autumn term 2020

Until the start of the autumn term 2020, our guidance to local authorities continues to be that, in exceptional circumstances and as a last resort, they may choose to redirect early years DSG funding from providers that are closed in order to ensure provision of childcare for vulnerable children and children of critical workers.

In the autumn term 2020, we expect the demand for childcare to increase. It will become increasingly important for local authorities to ensure that there is enough childcare and delivery of the early years entitlements for all children, not just vulnerable children and children of critical workers. Our advice on how local authorities should use their existing powers in regulation 16 of the School and Early Years Finance (England) Regulations 2020 to distribute early years DSG funding will therefore change for the autumn term 2020.

Local authorities are best placed to monitor and manage their local childcare market and have responsibility for ensuring sufficient childcare places. The general funding principle remains that local authorities should aim to fund providers which are open and offering the entitlements as far as providers are able and providers that are closed due to public health reasons at broadly the same level they would have expected to if coronavirus (COVID-19) had not happened.

Local authorities should not fund providers which are closed, without public health reason, from the start of the autumn term.

Local authorities may need to use some early years DSG funding which has not been spent on providers which are closed for non-public health reasons to address local sufficiency gaps. DSG entitlements funding is provided with the intention that it is used to fund early years provision. Any entitlements funding should remain within early years expenditure.

We encourage all providers to open to deliver childcare places for all children who need it, and to deliver entitlements places, unless they have been advised to close, or left with no option but to close, due to public health reasons.

You can find more guidance on responding to coronavirus (COVID-19) within settings in [Early years and childcare: coronavirus \(COVID-19\)](#).

Local authorities should consider whether their scheduling of payments to providers offers enough flexibility, should any changes in funding through the term become necessary. For example, a provider which was closed might reopen to offer their usual free entitlements, or government guidance on children not attending multiple settings where possible might create unavoidable 'double-funding' costs. Local authorities might then, for example, increase the frequency of payments to providers from termly to monthly, or reduce the proportion of funding issued to providers at the start of term while ensuring that providers receive appropriate funding to manage their cashflow.

As demand for childcare increases, we expect that providers who furloughed staff will be removing some or all of their staff from the Coronavirus Job Retention Scheme (CJRS). The CJRS will close at the end of March. More information about the interaction with early years DSG funding is in [financial support for education, early years and children's social care during the coronavirus \(COVID-19\) outbreak](#).

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