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[Home](#) > [Education, training and skills](#) > [School and academy funding](#)

> [Funding for different types of schools and settings](#) > [Early years funding](#)

> [Early years supplementary grant 2023 to 2024](#)



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Guidance

# Early years supplementary grant 2023 to 2024:

# conditions of grant for local authorities

Updated 1 September 2023

## Applies to England

### Contents

- [1. Introduction](#)
- [2. Allocation and payment to local authorities](#)
- [3. Allocation and payment to childcare providers](#)
- [4. Permitted use of EYSG funding](#)
- [5. Certification](#)
- [6. Further information](#)

## 1. Introduction

**1.1** The 2023 Spring Budget announced additional funding for the existing early years entitlements for disadvantaged 2-year-old children and 3 and 4-year-old children for the 2023 to 2024 and 2024 to 2025 financial years.

**1.2** In July 2023 we announced £204 million of supplementary funding to local authorities through a new early years supplementary grant (EYSG) from September 2023 for the 2023 to 2024 financial year. The funding increase to local authorities applies from September 2023. We are providing this funding to increase the hourly amounts paid to local authorities, so that they can increase the amount of funding their early years childcare providers receive for delivering the entitlements for the period September 2023 to March 2024.

**1.3** For the 2024 to 2025 financial year, an additional £288 million will be allocated to local authorities through the early years funding block of the dedicated schools grant (DSG), and there will not be a separate EYSG.

**1.4** The following terms and conditions apply to EYSG from 1 September 2023 to 31 March 2024.

## 2. Allocation and payment to local authorities

**2.1** All local authorities in England that fund early years provision will receive the EYSG. The Education and Skills Funding Agency (ESFA) will pay the EYSG funding to local authorities.

**2.2** Local authorities will receive EYSG for all existing early years funding streams:

- 15 hours entitlement for disadvantaged 2-year-olds
- 15 hours universal entitlement for 3 and 4-year-olds
- 15 hours additional entitlement for 3 and 4-year-old children of working parents
- maintained nursery schools supplementary funding
- early years pupil premium
- disability access fund

**2.3** We expect to publish local authorities' initial EYSG allocations in late September 2023. The allocations will be based on the published [EYSG local authority funding rates](#) for September 2023 to March 2024. Details of future adjustment to allocations is included at section 7 of the [Early years supplementary grant 2023 to 2024: methodology](#).

## 3. Allocation and payment to childcare providers

**3.1** Local authorities in receipt of EYSG must increase the amounts they pay to their early years providers in accordance with the EYSG conditions from September 2023.

**3.2** Local authorities must pass on the EYSG, in full, to early years providers for each of the existing early years funding streams, as described in section 2 above. By 'passing on in full', we mean the existing definition of 'pass-through' as described in section 4.2 of the [early years entitlements operational guide 2023 to 2024](#) and a pass-through rate of 100%. The definition of pass-through refers to the budget lines which are normally included within the existing early years DSG pass-through rule, which includes contingency funding but excludes centrally retained budget. See section 4 'Permitted use of EYSG funding' below on the permitted use of EYSG for

contingency funding.

**3.3** Local authorities must pass on the funding in a clear and transparent way, so that providers can understand how the funding increase has been determined.

**3.4** The funding rate increase from the EYSG for childcare providers must remain the same for the 7-month period from September 2023 to March 2024. Local authorities must not reduce the funding rate during this period.

**3.5** Local authorities do not need to consult with their schools forum on passing on the EYSG funding to early years providers.

## **4. Permitted use of EYSG funding**

**4.1** Local authorities must ensure that EYSG funding is only spent for the purposes of supporting the existing early education entitlements, as described in section 2.2 above.

**4.2** In determining the funding uplift providers will receive from September 2023 to March 2024, local authorities are permitted to set aside contingency funding from EYSG to ensure the uplift can be paid on all entitlement hours for that 7-month period, including the uplift for any increases in hours not fully captured in the January 2024 census. As such, the amount of contingency that a local authority can set aside from EYSG should be no more than the local authority's EYSG rate multiplied by their current best estimate number of entitlement hours that may not be captured in the census.

**4.3** The EYSG must not be used for

- increasing the existing contingency funding in relation to the core early years block of the DSG. Local authorities are expected to have made appropriate contingency funding arrangements for the DSG early years block as part of their usual financial planning for the 2023 to 2024 financial year for managing any fluctuations in hours beyond the annual census adjustments
- local authority central or administration costs

**4.4** The EYSG is a one-off grant, it is not part of the schools budget. At the end of the 2023 to 2024 financial year, local authorities are permitted to:

- use any EYSG surplus funding for the purpose of the early years block of the

DSG in financial year 2023 to 2024 **or** carry forward any EYSG underspends and use them in support of all early education funding streams in section 2.2 as part of their schools' budget for 2024 to 2025

- if there is a shortfall in the EYSG, local authorities may use the early years block of the 2023 to 2024 DSG for the purposes of the EYSG to make up the shortfall. The [DSG: conditions of grant 2023 to 2024](#) have been amended to allow this

## 5. Certification

Each local authority will be required to certify to us that they have complied with these terms and conditions.

We will set out the arrangements for certification in Spring 2024.

## 6. Further information

Books and other documents and records relating to the recipient's accounts shall be open to inspection by the Secretary of State and by the Comptroller and Auditor General.

The Comptroller and Auditor General may, under Section 6 of the National Audit Act 1983, carry out examinations into the economy, efficiency and effectiveness with which the recipient has used its resources in discharging its grant-aided activities.

Local authorities shall provide information as may be required by the Secretary of State to determine whether they have complied with these conditions.

[↑ Back to top](#)

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