

# Early Years Budget 2024/25

**Report being considered by:** Schools' Forum on 11<sup>th</sup> March 2024

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**Item for:** Decision **By:** All Forum Members

## 1. Purpose of the Report

- 1.1 To set out the proposal for the Early Years budget 2024/25, which is based upon the recommendations of the Early Years Funding Group.

## 2. Recommendations

- 2.1 That the Early Years DSG budget for 2024/25 to be set at the level detailed in the budget model and agreed. Thus increasing the 3 & 4 year old rate, the 2 year old rate, the quality rate and deprivation along with an increase in the SEN Inclusion Funding.
- 2.2 That there remains a focus on deficit recovery and lowering of the pass-through rate.

Is the Schools' Forum required to make a decision as part of this report or subsequent versions due to be considered later in the meeting cycle?	
Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>

## 3. Implications and Impact Assessment

Equalities Impact:				Commentary
	Positive	No Impact	Negative	
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		

<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
<b>Data Impact:</b>		X		
<b>Consultation and Engagement:</b>	Early Years Funding Group			

#### 4. The funding rate Framework for 2024/25

4.1 At the Spring Budget 2023, the government announced increases in rates for providers from September 2023 – March 2024 as shown in the table at 4.3.

4.2 Further to this, the government also announced the 30 hours entitlement will be extended in stages from April 2024 to children aged nine months to three years by 2027/28. The new entitlements will be rolled out in stages –

- From April 2024, all working parents of 2 year olds can access 15 hours per week
- From September 2024, all working parents of children ages 9 months up to 3 years can access 15 hours per week.
- From September 2025, all working parents of children aged 9 months to 3 years old can access 30 hours free childcare per week.

4.3 Grant funding rates from central government to West Berkshire Council are shown in the table below:

	<b>2023 to 2024 EYNFF rate (April to March) (£ per hour)</b>	<b>2023 to 2024 effective combined rate (September to March) (£ per hour)</b>	<b>Local authority rates for 2024 to 2025</b>
3&4 year old funding rate (per hour)	£5.32	£5.86	£6.21
2YO Funding Rate (per hour)	£6.67	£8.84	£8.66
Under 2YO Funding Rate (per hour)			£11.75
DAF (per child)	£828.00	£881.00	£910.00
Early Years Pupil Premium (per hour)	£0.62		£0.68

4.4 The funding rate for 3 to 4 year olds includes 6p per hour for Teachers pay and pensions.

4.5 It is important to point out that the additional funding to support teacher pay and pensions was previously allocated through a grant directly to schools along with their allocation for the rest of the teaching staff in their school.

- 4.6 Local Authorities are required to set an average funding rate for providers for 3 and 4 year olds which is at least 95% of the authority's funding rate. This minimum funding level is referred to as the pass through rate.
- 4.7 An SEN Inclusion fund continues to support our young children with SEN.

**5. Forecast Outturn for 2023/24**

- 5.1 The figures in the forecast below are based on actual hours for the 2023/24 year, with a small contingency to allow for any final changes in the Spring 2024 hours.
- 5.2 There is a forecast overspend of £794k on the delegated funds, which is mainly due to the rate changes in the form of the supplementary grant received for September 2023 – March 2024.
- 5.3 The centrally managed funds have a forecast saving of £36k, which is mainly due to a lower uptake of the Disability Access Fund than we were funded for and a small underspend in the SEN Inclusion Fund.
- 5.4 The initial budget allocation was based on January 2022 census, based on the current census we are due to receive £88k additional funding from the DFE, but final figures won't be known until July 2024.
- 5.5 The 2022-23 funding adjustment of £166k is the adjustment from the prior year.
- 5.6 The table below shows the forecast outturn for 2023/24 :

	2023/24 Budget Set £	2023/24 Forecast £	2023/24 Variance £
<b>Funds Delegated to Early Years Providers</b>			
PVI Providers (90036)	6,202,254	6,678,226	475,972
Nursery classes in Mainstream Schools (90037)	2,016,594	2,138,774	122,180
Maintained Nursery Schools (90010) (including MNSS lump sum)	931,085	1,028,904	97,819
2 Year Old Funding (90018)	724,257	824,739	100,482
Pupil Premium Grant (35%) and deprivation funding (65%) (90052)	218,933	216,144	-2,789
<b>Total Delegated Funds</b>	<b>10,093,123</b>	<b>10,886,787</b>	<b>793,664</b>

<b>Centrally Managed Funds</b>			
Central Expenditure on Children Under 5 (90017)	339,480	341,867	2,387
Early Development Intervention Team (EDIT) (90287)	64,040	65,070	1,030
SEN Inclusion Fund (90238)	108,000	90,000	-18,000
Disability Access Fund (90053)	43,060	22,000	-21,060
SSRs	77,730	77,730	0
<b>Total Centrally Managed Funds</b>	<b>632,310</b>	<b>596,667</b>	<b>-35,643</b>
<b>TOTAL EXPENDITURE</b>	<b>10,725,432</b>	<b>11,483,454</b>	<b>758,021</b>
Early Years DSG Block Funding In Year	-10,654,355	-10,742,069	-87,714
Early Years Supplementary Grant (re rate increase Sept 23 - Mar 24)		-710,703	-710,703
<b>In year overspend (under spend)</b>	<b>71,077</b>	<b>30,682</b>	<b>-40,396</b>
Early Years funding adjustment		166,303	166,303
Early Years DSG Block Overspend from previous year	1,080,632	1,051,531	-29,101
<b>FORECAST CUMULATIVE DEFICIT AT YEAR END</b>	<b>1,151,709</b>	<b>1,248,516</b>	<b>96,806</b>

## 6. Deficit Recovery

6.1 The 2023/24 figures show an in-year shortfall of £31k. The deficit recovery plan had forecast that the deficit would have reduced significantly by the end of this year. In real terms, the in-year position is almost balanced, but the deficit hasn't decreased as expected. There has been some analysis of the data to understand the reasons for this:

- (1) With the pass-through rate expected to be 95%, this leaves 5% of the expected income to be allocated to the centrally managed funds. The current position shows that the centrally managed funds are approx. 5.21% of the total expected grant income
- (2) The pass-through rate for 3 to 4 year olds was budgeted to be 98.2%, but based on actual hours it is 98.6%.

## 7. Budget Model for 2024/25

7.1 We are now in the third year of the funding announced in the Spending Review in October 2021. The funding in the financial year 2024/25 is £170 million.

7.2 Therefore, when determining the local rates there are two factors that need to be taken into consideration. The deficit recovery and the new funding from government. The table below shows the local rates in the current financial year, the rates as per deficit recovery and the proposed rates when the new funding is applied using our local formula.

	<b>2023/24 Current Base Rate £</b>	<b>2024/25 Rate as per deficit recovery £</b>	<b>2024/25 Proposed Rate £</b>	<b>Change in rate from 2023/24</b>
3&4 year olds funding rate	5.20	5.13	5.39	0.19
Quality Rate	0.63	0.59	0.60	(0.03)
2YO Funding Rate	8.30	8.16	8.30	0.00
Deprivation	1.72	1.22	1.72	0.00
Under 2's	0.00	0.00	11.16	11.16

- 7.3 The Local Authority is allowed to fund from the grant some centrally provided services, including staffing and IT costs in relation to overseeing the delivery of the free entitlement, sufficiency of places, eligibility checking, and administration of funding payments to providers. However funding for these services is limited by the requirement to set a “pass-through rate” for 3 and 4 year olds which is at least 95% of the authority’s funding rate.
- 7.4 The pass-through rate for 3 & 4 year olds for 2024/25 is at 95.2%. This has reduced by 3% from the prior year. New funding streams are also subject to the 95% pass through rate.
- 7.5 It should be noted that 2019/20 the single base rate was increased to support all providers with the additional costs that have impacted on them over the past two years; rises in the minimum wage and pension costs alongside the introduction of the additional free entitlement to working parents. However this rise has impacted upon the pass-through rate taking it above 100% and has resulted in the overspend position that is being addressed.
- 7.6 The 2024/25 budget is shown below using the rates shown above:

		2024/25 Yr 1 Budget £
<b>Funds Delegated to Early Years Providers</b>		
PVI Providers (90036)		7,218,655
Nursery classes in Mainstream Schools (90037)		2,278,296
Maintained Nursery Schools (90010)		1,140,378
2 Year Old Funding (90018)		900,687
2 Year old working parents		2,745,356
Under 2's		1,886,859
Pupil Premium Grant (36%) and deprivation funding (64%) (90052)		219,584
<b>Total Delegated Funds</b>		<b>16,389,815</b>
<b>Centrally Managed Funds</b>		
Central Expenditure on Children Under 5 (90017)		414,060
Early Development Intervention Team (EDIT) (90287)		68,610
SEN Inclusion Fund (90238)		108,000
Disability Access Fund (90053)		90,090
SSRs		82,458
<b>Total Centrally Managed Funds</b>		<b>763,218</b>
<b>TOTAL EXPENDITURE</b>		<b>17,153,033</b>
Early Years DSG Block Funding In Year		-17,371,331
<b>In year surplus</b>		<b>-218,299</b>
Early Years DSG Block Funding carried forward		1,248,516
<b>OVERALL NET POSITION</b>		<b>1,030,217</b>

## **8. Conclusion**

- 8.1 The Early Years Block budget has been set at a level which has seen a realignment of the pass-through rate and reduce some of the deficit budget. While balancing the needs of the local childcare providers and the pressures of the current cost of living issues. Thus providing a viable pass-through rate.
- 8.2 The deficit will be monitored to ensure the overall position of the block is recovering the current shortfall.

## **9. Recommendation**

- 9.1 That the Early Years DSG budget for 2024/25 be set at the level detailed in the budget model are agreed. Thus increasing the 3 & 4 year old rate, the 2 year old rate, the quality rate and deprivation along with an increase in the SEN Inclusion Funding.
- 9.2 That there remains a focus on deficit recovery and lowering of the pass-through rate.