

# Early Years Budget 2025/26 - In Year Position

**Report being considered by:** Schools' Forum

**Date of Meeting:** 1<sup>st</sup> December 2025

**Report Author:** Lisa Potts & Beth Kelly

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

## 1. Purpose of the Report

1.1 An overview of the current Early Years Block position

## 2. Recommendation

2.1 This report is for information.

**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:

No:

## 3. Executive Summary

3.1 The local authority receives varying levels of funding across different streams. To produce a robust forecast for the year, it is essential to understand the number of hours utilised in each of these streams so far to establish a reliable trend. However, the MRI system is currently not providing accurate reports for this data, making effective forecasting difficult.

### Issue Identification

3.2 MRI is West Berkshire Council's software supplier of the system that collects attendance data from Early Years providers and calculates their payments of Government Funded Entitlements paid from the DSG.

3.3 September 2025 saw the implementation of the last tranche of childcare entitlement expansion and MRI issues have led to errors in some aspects of the funding calculations and system processing errors have led to delays in updating our reporting for EY providers and Finance reports.

3.4 Whilst this systems issue has caused an error with the funded hours reports for forecasting, the amounts paid to suppliers of Early Years education has only had minor errors.

## Consultation and Engagement

3.5 We have consulted with the local authority IT department plus the external system provider.

## Monitoring and Evaluation

3.6 This is for information only.

## 4. Introduction and background

### MRI software issues impacting funding accuracy and data reporting.

4.1 MRI is West Berkshire Council's software supplier of the system that collects attendance data from Early Years providers and calculates their payments of Government Funded Entitlements paid from the DSG.

4.2 September 2025 saw the implementation of the last tranche of childcare entitlement expansion and MRI issues have led to errors in some aspects of the funding calculations and system processing errors have led to delays in updating our reporting for EY providers and Finance reports. For example:

- A system issue stopped us running payments to our expected timeline. Despite being chased several times, MRI took an extended time to write a script to correct the error. This left us limited time to update our required complex reports.
- Payments of Early Years Pupil Premium (EYPP) to certain providers were incorrectly calculated. Two errors have been identified; one resolved and the other still an outstanding issue with MRI, affecting the base rate that is applied to a small number of children eligible for EYPP. We are unable to confidently update our Finance reports to reflect the changes of funding and payments until the issue is resolved.

### Early Years 2025/26 forecast

4.3 The local authority receives varying levels of funding across different streams. To produce a robust forecast for the year, it is essential to understand the number of hours utilised in each of these streams so far to establish a reliable trend. However, the MRI system is currently not providing accurate reports for this data, making effective forecasting difficult.

4.4 Despite these limitations, we wanted to provide a brief update to share the information currently available and outline our view of where 2025/26 appears to be heading.

### Early Years Block Position -

4.5 At the end of 2024/25, the Early Years Block deficit stood at £927,956. This year-end figure was based on the assumption that £547k of grant funding would need to be returned to the DfE. However, we received confirmation during the summer that the actual amount to be returned is significantly lower, at £55k.

4.6 This adjustment has a positive impact on the overall position and will be reflected in the revised forecast for 2025/26.

## Early Years Budget 2025/26 - In Year Position

Year end 24/25	£927,956
Year end adjustment (received July 25)	-£492,030
<b>Revised deficit total</b>	<b>£435,926</b>

- 4.7 We have spent time analysing the variance between the assumed and actual grant received. The difference is primarily linked to the methodology used in calculating allocations for the new funding streams, specifically those supporting working parents of two-year-olds and children aged nine months and above. These adjustments impacted the original assumptions and resulted in a significantly lower repayment figure.
- 4.8 The local authority is required to pass through 96% of the funding received to providers via their hourly rate, while the remaining 4% can be retained centrally for administrative and central costs.
- 4.9 For 2025/26, the Early Years grant is expected to be in the region of £27 million. Currently, we are not utilising the full 4% allowance for central costs, which indicates potential savings that could help reduce the overall deficit further.
- 4.10 We anticipate being able to provide a more accurate forecast once we have reliable data on the actual hours used across each funding stream.

## 5. Conclusion

- 5.1 The Early Years block has seen a reduction in the deficit balance from March 2025.

## 6. View from the Heads' Funding Group

- 6.1 As the deficit on the Early Years Block has reduced significantly, HFG have requested that officers investigate the feasibility of a block transfer from the Early Years block to High Needs, ensuring compliance with the pass-through rate.

## 7. Appendices

- 7.1 None