

DEDICATED SCHOOLS GRANT – EARLY YEARS Budget Monitoring Report 2018-19

Purpose of the Report

1. To present budget monitoring information against the Early Years Block Dedicated Schools Grant (DSG) for the financial year 2018-19 as at 31st December 2018.
2. To recommend an in-year change in the funding arrangements of the Early Years Inclusion Fund.

Main Considerations

1. This report outlines the Early Years Block budget monitoring summary as at 31st December 2018.
2. An overspend of £2.307 million is currently projected against the overall schools budget. The forecast overspend on the High Needs Block is £3.331 million and this is offset by underspends in early years and central blocks.
3. The High Needs Working Group was set up in September to identify contributing factors and to make proposals to reduce the cost pressure on the high needs block. An update from the High Needs Working Group is a separate agenda item.

Early Years Budgets

4. The most recent allocation for Early Years from the DfE is £26.756 million.
5. Budgets for the free entitlement for 30 hours childcare for 2, 3 & 4 year olds are currently forecast to be underspent by £0.778 million. This estimate is now wholly based on a full year of 30 hours entitlement. It is important to note that the underspend reported above for 2, 3 and 4-year-old grant will have a post financial year adjustment from the DfE - previously this has borne little relation to the final variance due to the formula and floors and ceilings used by the DfE in their calculation.
6. The table below shows the forecast underspend as at 31st December 2018:

	Budget 18/19 £ million	Forecast 18/19 £ million	Forecast Variance £ million
Free Entitlement 3 and 4 Year Olds at £4.14 per hour	23.440	22.323	(1.117)
Free Entitlement 2 Year Olds at £5.32 per hour	2.531	2.870	0.339
Disability Access Fund	0.143	0.143	0
Early Years Pupil Premium	0.110	0.110	0
Early Years - Inclusion Support Funding*	0.110	0.110	0
Free Entitlement Team & ICT contribution	0.191	0.191	0
Early Learning & Development Team	0.060	0.060	0
Early Years & Childcare Team	0.171	0.171	0
Overall	26.756	25.978	(0.778)

7. The table below show this forecast underspend relates to volume of take up.

	Planned Volume (in FTE)	Forecast Volume (in FTE)	Forecast Volume (in FTE)
2-year-old Funding	417	436	19 (or 4%)
3 & 4-year-old Funding	4,943	4,802	(141) (or -3%)
Overall	5,360	5,238	(122) (or, -2%)

Historical trends show that on average, take up rates are less than 100%. An average across 2015/16 – 2017/18 was 96.97% take up.

8. In light of the high needs block funding pressures it is unlikely that schools forum will be able to allocate any of the high need block funding to support early years inclusion support fund expenditure in 2019/20.
9. The report for 2019/20 early years block budget proposes that the rate for 3 and 4 year olds is raised to £4.18 per hour on the basis that early years inclusion support funding will be fully funded from early years block and that the 19/20 take up rates will reflect historical trends.
10. The DfE guidance is clear that local authorities should target SEN Inclusion Funds at children with lower level or emerging SEN. Children with more complex needs and those in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.
11. The proposal is to reduce the 3 and 4-year-old funding contingency or current underspend and fund the total Early Years Inclusion Support Funding from the early years block in order to align funding streams with early years expenditure for the 2018/19 financial year, i.e. not to adjust the baseline. The overall funding remains ringfenced to early years.

	Current Budget 18/19 £ million	Proposed change 18/19 £ million	Proposed Budget £ million
Free Entitlement 3 and 4 Year Olds	23.240	(0.357)	22.883
Free Entitlement 2 Year Olds	2.531		2.531
Early Years - Inclusion Support Funding	0.110	0.357	0.467
Free Entitlement Team & ICT contribution	0.191		0.191
Early Learning & Development Team	0.060		0.060
Early Years & Childcare Team	0.171		0.171
Overall	26.756	NIL	26.756

12. This will not impact the passporting calculation as neither are classed as centrally retained.

13. This proposal will align inclusion support costs ie: early years activity to the early years funding block and will reduce the Early Years underspend of £0.778 million to £0.421 for 2018/19. The risk is – as always – that the lagged DfE adjustment will remove more funding in 2019/20 than the actual 18/19 underspend however, this has not been recent experience as the DfE floors and ceilings have provided a level of protection for local authorities.

Proposals

14. Schools Forum is asked to note the budget monitoring position for December and to agree the proposal for funding changes in 2018/19 financial year.
15. Should the proposal be agreed, this should not form a precedent for the 2019/20 budget discussions later in the agenda.

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