

# Early Years Deficit update 2021/22

**Report being considered by:** Schools' Forum on 24<sup>th</sup> January 2022

**Report Author:** Avril Allenby and Lisa Potts

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

## 1. Purpose of the Report

1.1 To set out how the Early Years deficit is progressing.

## 2. Recommendation

2.1 For the Schools' Forum to note the report.

**Will the recommendation require the matter to be referred to the Council or the Executive for final determination?**

Yes: ☐

No: ☒

## 3. Deficit Recovery 2021/22

3.1 The Early Years Funding Group were consulted on reductions to the funding rates to recover the current deficit on the early Years Block. A range of options were presented to the group. It was important to consider that any reductions didn't affect any provider group more so than any others. The option chosen by the group is shown below:

	Year 1	Year 2	Year 3	Year 4	Year 5
3 & 4 year olds	3p	4p	6p	7p	8p
quality rate	3p	3p	4p	4p	5p
2 year olds	10p	12p	14p	14p	15p
deprivation	25p	35p	45p	50p	60p

3.2 From 1<sup>st</sup> April 2021, the deficit recovery plan took effect and reduced the rates to providers. This was put into place to try and recover £1m over 5 years.

	Rate from April 2020	Rate from April 2021
3 & 4 year olds	£4.40	£4.37
quality rate	£0.66	£0.63
2 year olds	£5.65	£5.55
deprivation	£1.47	£1.22

3.3 The table below shows how much has been achieved to date, based on actual hours for the Summer and Autumn 2021 terms, together with an estimate for Spring 2022 hours.

	Summer term 2021 actual hours	Autumn term 2021 actual hours	Spring term 2022 est hours	rate reduction	deficit recovery based on actual hours	deficit recovery based on estimated hours	provisional value towards deficit
2 Year olds	36290	49104	27696	10p	£8,539	£2,770	£11,309
3-4 year olds standard rate	317402	290278	301857	3p	£18,230	£9,056	£27,286
3-4 year olds - quality rate	378799	216941	247646	3p	£17,872	£7,429	£25,302
deprivation	61050	42782.6	34574	25p	£25,958	£8,644	£34,602
	793541	599105	611773		£70,600	£27,898	£98,498

3.4 The estimate for spring 2022 is based on the hours from spring 2021. We felt that with the new Covid variant being prevalent, these hours were more likely, even though some providers are forecasting higher numbers from January.

3.5 When the deficit recovery was set, the target to achieve in year 1 was £123,202. Consideration may be needed for the on-going impact of Covid-19 on the uptake of early year's entitlements due to work style changes, provider viability and parental confidence.

#### 4. Funding for 2022/23

4.1 On 27<sup>th</sup> October, at the Spending Review, the chancellor announced increases in the funding for early years entitlements. £160 million in 2022-23, £180 million in 2023-24 and £170 million in 2024-25.

4.2 This is for local authorities to increase the hourly rates paid to childcare providers by 21 pence for 2 year olds and 17 pence for 3 and 4 year olds. These rate increases reflect cost pressures, as well as anticipated changes in the numbers of eligible children.

4.3 It was also announced that pupil premium will be increased by 7 pence to 60 pence per hour, the equivalent of £342 per eligible child to support better outcomes for disadvantaged three and four year olds.

4.4 Disability Access Fund (DAF) is also increasing to £800 per year. DAF is paid to childcare providers to support eligible 3 and 4 year olds. Children should be in receipt of disability living allowance and receiving the universal 15 hours offer.

4.5 The supplementary funding rate for Maintained Nursery Schools has also been increased by 3.5%, this is equivalent to the increase in the three and four year old rate in 2022-23 and secured for the three year period. The indicative allocation for the Maintained Nursery Schools is £218,225.

#### 5. Conclusion

5.1 The DFE have confirmed the rates WBC will receive from April 2022 for 2 year olds and 3-4 year olds. We are now working to model how best to recognise these changes in rates while addressing the necessary deficit recovery.

5.2 It will be necessary for rates to providers to be set at a level which recognises the additional costs for providers, whilst still recovering the total deficit on the block.

Work will be taking place with the Early Years Funding Group to ensure a fair and transparent allocation of the additional funding.