
Early Years Deficit Recovery Update

Report being considered by: Schools' Forum on 18th July 2022

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

1. Purpose of the Report

1.1 To update the Forum on the deficit recovery for the Early Years Block.

2. Deficit Recovery Plan

2.1 The Early Years Funding Group were consulted on reductions to the funding rates to recover the deficit on the Early Years Block. The option chosen is shown below:

	Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 4 2024/25	Year 5 2025/26
3 & 4 year olds quality rate	3p	4p	6p	7p	8p
2 year olds deprivation	10p	12p	14p	14p	15p
	25p	35p	45p	50p	60p

2.2 The following rate changes came into effect from 1st April 2022:

	previous rate	2021/22 Funding Rate £	2022/23 Rate as per deficit recovery £	2022/23 agreed rate £
3 & 4 year olds quality rate	£4.40	£4.37	£4.36	£4.50
2 year olds deprivation	£0.66	£0.63	£0.63	£0.63
	£5.65	£5.55	£5.53	£5.71
	£2.00	£1.75	£1.65	£1.72

2.3 The increase in rates from 2022/23 take into consideration the increased hourly funding rate announced in the October 2021 Spending Review and the deficit recovery plan.

3. Deficit position at the end of March 2022

3.1 The table below summarises the current position as at the end of March 2022.

3.2 The cumulative deficit has decreased by £56,000 from 2020/21 to 2021/22. Based on the total number of hours in 2021/22 the deficit should have been reduced by around £130k, however there was an adjustment required in the overall funding for the year which has reduced this value to £56k.

	2019/20	2020/21	2021/22
Reserve Balances (surplus)/deficit	31.3.2020	31.3.2021	31.3.2022
	Actual	Actual	Actual
Early Years Block	874	970	914

4. How we are comparing to the plan

4.1 The deficit recovery plan was based on the following projection:

	actual	forecast	forecast	forecast	forecast	
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	2021/22	2022/23	2023/24	2024/25	2025/26	
up to 8p reduction 3 / 4 year olds to £4.32	52,992	73,265	109,897	128,213	146,529	510,896
up to 5p reduction in quality rate to £0.61	29,751	31,312	41,749	41,749	52,186	196,746
up to 15p reduction in 2 year olds to £5.50	12,706	16,074	18,753	18,753	20,093	86,379
up to 60p reduction in deprivation to £1.40	33,957	32,965	42,384	47,094	56,512	212,912
	129,406	153,616	212,783	235,808	275,320	1,006,934

4.2 The plan was to save a lower value in the first few years as providers recovered from the Covid-19 pandemic, with larger savings in the latter years.

4.3 The first year we had planned to save £129k, but due to some adjustments to the income, the total deficit reduced by £56k.

5. Conclusion

5.1 We will continue to monitor the deficit over the planned 5 years recovery period and update the group on an annual basis

5.2 We will review the planned rates for 23/24 so that the deficit can still be achieved.