

## **Briefing note: the Comprehensive Spending Review and funding for maintained nursery schools**

### **How we got here**

1998 to 2010: early years funded entitlements introduced, paid from the Dedicated Schools Grant, at rates set by local authorities, with different approaches for maintained and non-maintained settings (annually v. termly, participation v. places)

2010-2017: introduction of the Single Funding Formula required greater transparency and consistency within each LA, but involved different rates for Private, Voluntary and Independent (PVI) providers, nursery classes and nursery schools. Significant variation between LAs in the formulas used.

2017: the Early Years National Funding Formula (EYNFF) introduced a single base rate for all providers within a local authority, with local variation intended to reflect local costs. Education ministers recognised the crucial role of maintained nursery schools (MNS) and their additional costs (eg they are required to employ a headteacher and qualified teachers, pay staff on national/local pay scales). Within the timescale of introducing the Early Years National Funding Formula (EYNFF) DfE were not able to put forward a suitable formula to meet the needs of MNS. Instead, supplementary funding was provided to maintain MNS funding at 2016-17 levels as a stop-gap until a permanent solution could be found.

2020: In principle, ministers are proposing to introduce a funding model for MNS, subject to obtaining the necessary funding in the Spending Review.

This has left MNS with severe strains on their budgets and an uncertain future. Many face the possibility of closure. These problems are even more serious for schools in areas such as Barnet and Harrow which do not receive supplementary funding because of removal of funding prior to the 2017.

### **Solving the funding crisis for maintained nursery schools**

The minister, Vicky Ford, has stated that the new formula must:

- a) preserve services for the most vulnerable including children in need and those with SEND
- b) be transparent and easy to understand
- c) be sustainable to allow nursery schools and local authorities to plan
- d) be fair between local authorities and between providers within a local authority and be clear on value for money and the wider role of nursery schools
- e) avoid volatility across the sector.

We welcome the transparency of these principles and have set out below what might be needed to deliver them.

### **Estimated additional funding for maintained nursery schools**

In total, we believe that a revised funding formula needs to provide MNS with the following in addition to the universal base rate and supplements under the EYNFF:

Universal 3-/4-year-old entitlement additional MNS funding	£64m
Additional funding for 30 hours and 2-year-old entitlement	£26m
Reimbursement of rates for all MNS	£8m
Transitional protection – dependent on actual formula	tbc
<b>Total (excl transitional protections)</b>	<b>£98m</b>

These figures are based on the following assumptions

- Enhanced universal entitlement rate** At present, supplementary funding for MNS totals £58m per year, covering only the universal entitlement. **To return this to 2016-17 funding rates in real terms would require a 14% increase taking it to £64m**, representing an average hourly MNS supplement of £3.47 on top of the universal base rate and supplements under the Early Years National Funding Formula (EYNFF), or an **average hourly total of £8.47**. This needs to be distributed on a more transparent and equitable basis than at present to remove historical anomalies between local authorities.
- Enhanced 2-year-old and 30 hours entitlement rates** The current system fails to recognise that additional delivery costs apply to the 2-year-old offer and 30 hours. As there are 7,500 funded 2-year-olds and 9,600 children receiving the 30 hours entitlement at MNS, in addition to the 32,600 receiving the universal entitlement, this is a significant omission. Supplementary funding to cover these costs would require **an additional £26 million**.
- Consistent reimbursement of rates** At present some MNS have rates reimbursed and others do not, and amounts paid vary hugely. MNS should have parity with other LA maintained schools which have their rates reimbursed from the schools funding block. Data on the total amount of rates paid by MNS is not available centrally, but S251 returns suggest that 10 LAs currently reimburse approximately £790,000 in rates as part of their supplementary funding. If this is representative of the sector as a whole, the **total rates bill would be in the region of £8 million**. We note that Treasury is currently conducting a review of business rates and would urge that reliefs and exemptions for all early years providers are prioritised as part of the aim of funding all early years providers fairly.

Additional factors to be considered to create a new formula are as follows:

- Deprivation funding** Additional needs funding is 17.6% of the schools formula, but equivalent supplements are a maximum of 10% in EYNFF and 6% as a current sector average. Early Years Pupil Premium is £302 per child compared to £1345 for pupil premium in primary schools. MNS share funding challenges with other EY providers serving disadvantaged communities. **Greater fairness of EY funding would be helped by increasing the rates of EYPP and/or disadvantage supplements for all providers, to target funding where it is most needed.**
- Reducing volatility** MNS have higher costs because they are schools, and their funding should reflect the costs associated with being a school eg of a headteacher, qualified teachers including a SENCO, and provide stability of funding for those core costs. **MNS should receive a lump sum equivalent to that received by primary schools (c. £120,000).** Factoring in a lump sum

for all MNS might require some transitional protection within the formula. The supplementary funding is calculated on the basis of an hourly rate at national level, failing to reflect that many LAs pay their MNS a lump sum.

- **Transitional protection** The significant historical variation in local formulae mean that any new, consistent national formula will require transitional protection to ensure no MNS faces sudden significant cuts to their funding.
- Any funding solution needs to include those schools who, for historic reasons, do not currently receive supplementary funding.

## **Maintained nursery schools: adding value**

### **Added value in return for additional funding**

The 389 remaining maintained nursery schools in England (local authority-run schools for 2, 3 and 4-year-olds) offer outstanding education and care to 40,000 children, including some of the most vulnerable and disadvantaged children in England. Putting MNS funding on a stable long-term footing that allows them to continue this work would be a sound investment. MNS would welcome a funding settlement which formalised these roles, provided that they were adequately resourced to continue them.

The [Statutory Guidance on Early Education and Childcare](#) for local authorities says they should:

*Ensure that the early years expertise and experience of their maintained nursery schools, if they have them, are used to benefit the whole local area. Maintained nursery schools (MNS) are almost exclusively good or outstanding, the majority are located in disadvantaged areas and. Local authorities should ensure that they have a role in the pedagogical leadership for the local early years system. What this means in practice will depend on local need, but it might include for example: commissioning nursery schools to develop and deliver a quality improvement strategy for the area; having nursery schools work with other providers to share their experience and expertise to raise the overall quality of provision across the area; helping nursery schools to work in partnership with other providers to offer parents who choose a MNS the 30 hours entitlement*

This guidance could be strengthened to underline the role of MNS to:

- provide pedagogical leadership in their local areas including supporting initial training and placements, continuing professional development, quality improvement and support, in partnership with local authority early years teams
- have in place admissions policies which priorities the most disadvantaged children including children with SEND and children in need and provide those children and families with additional support.
- provide expert support for children with SEND on roll and within the locality

We recognise that not all MNS deliver the exact mix of services, as a result of size, local community need, local authority decisions as to service provision and other factors, therefore this should be a “best fit” rather than a one-size fits all model. Any

mechanism to assess whether MNS are delivering on these priorities must not involve additional bureaucracy which takes staff away from delivery of core services.

However, any such specification linked to additional MNS funding could in time be a benchmark for extending the network of maintained nursery schools and seeking out other high-performing providers which could “upgrade” to MNS status, subject to meeting similar staffing and governance requirements, and could be “opened” as new nursery schools in areas of deprivation and in local authorities which do not currently have MNS of their own.

### **The cost of cuts**

Studies have estimated that the cost of additional, often “hidden” services provided by maintained nursery schools are higher than the additional funding they receive (eg for [Birmingham](#) or [Yorkshire/Humberside/Lincolnshire](#)). Funding cuts that lead to closures or cut backs would without doubt simply shift costs onto other services, and quite possibly cost more either in the short term to provide alternative services, or in the long-term to pick up the pieces where opportunities for early intervention had been missed. The DfE’s own figures show that the percentage of MNS in deficit has risen from 3.5% in 2009-10 to 17.7% in 2018-19 and the total deficit has jumped from £4.9m to £6.7m in one year. Cuts or closures will jeopardise the value that MNS provide:

- **Quality that improves outcomes** - MNS are consistently judged to be of significantly higher quality than other early years providers (63% are judged Outstanding by Ofsted) and have a track record of closing the gap for their children.
- **Tackling disadvantage** - 64% of MNS are in the 30% most deprived areas of England. 98% of MNS have at least one child in receipt of the Early Years Pupil Premium (EYPP), compared to 30% of the sector as a whole. MNS often also have many children just above the threshold of qualifying for EYPP.
- **Supporting children with SEND** - MNS prioritise children with SEND in their admissions policies and have a higher proportion of children with SEND than other EY providers (15% compared to a sector average of 6%). The highly qualified staff teams and consistent year on year experience of supporting children with SEND means MNS have built up huge expertise, but need funding stability to retain it, which is already being eroded by funding cuts. In the context of an increasing gap in outcomes for children with SEND ([EPI, 2020](#)) this is of considerable concern.
- **Children in need** - MNS typically have a significant role in supporting vulnerable children and are actively engaged with social workers and other professional services, as well as providing support for families in these circumstances. They typically receive no additional funding for this time-consuming working.
- **Additional services** - MNS have higher than average numbers of children needing additional services. As identified in the [Frontier Economics study for DfE](#), “MNS are more likely than other provider types to offer a greater range of service types and to deliver more user hours in larger groups.” According to the [Survey of Childcare and Early Years Providers \(2018\)](#), 64% versus 36%

sector average delivering specialist services for children, and 58% versus 24% delivering specialist family support

- **System leadership** - Maintained nursery schools have a unique role in providing specialist system leadership and school-to-school/setting support for the early years sector. They deliver training and placements, offer continuing professional development programmes to local settings and provide quality improvement support and advice, both formally and through informal networks. Many are Teaching Schools or members of Teaching School Alliances and in London some are Early Years Hubs for the Greater London Authority.

*Early Education, October 2020*

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