

# All Party Parliamentary Group for nursery schools, nursery and reception classes

14 September 2020

# MNS during COVID-19

- During lockdown 71% of state nurseries were open v 35% of EY settings
- After wider opening, 93% of state nurseries open v 62% EY (16/7/20)

# Survey findings: funding challenges

(Responses from 143 out of 389 MNS in 62 LAs)

- 11% have not had supplementary funding passed on in full sometimes/always
- 42% have seen core funding decrease in cash terms
- 31% say income from disadvantage supplement has decreased and 38% have seen decreases in SEND funding.
- At least 50% do not get rates reimbursed
- Other costs (pay, pensions, business rates, etc) have increased above inflation

# A sector on the edge

- 33% were in deficit at end 2019-20
- Pre-pandemic expectations for 2020-21 were that 34% would have an in-year deficit and 10% had a recovery plan for a pre-existing deficit
- 76% had reduced teaching staff to min nos
- 56% at min staffing ratios
- 70% had frozen vacancies/made temporary appointments
- 45% had a headteacher less than full-time
- 24% facing cuts/closures linked to children's centre budgets

# The impact of COVID-19

- 30% expect a deficit at end of year who could have balanced the budget before; 34% expect a higher deficit than budgeted; 8% will not meet recovery plan targets
- Only 17% were able to use the furlough scheme
- 23% feel at risk of closure; 40% face cuts; only 10% confident about operating within current budgets

# The minister's principles for MNS funding

A new funding 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.

# Specialist support

## MNS:

- have a higher proportion of children with SEND (15% compared to a sector average of 6%) and prioritise children with SEND in their admissions policies
- are instrumental in diagnosing children's needs and getting Education and Health Care (EHC) plans in place
- are more likely than other provider types to offer a greater range of service types According to the [Survey of Childcare and Early Years Providers \(2018\)](#), 64% of MNS versus 36% sector average deliver specialist services for children, 58% versus 24% deliver specialist family support and 73% versus 21% deliver system leadership
- 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.

# Pressures on funding

- Supplementary funding at 2016-17 levels **represents a cut of 8% over four years, and in relation to the increase in costs faced by early years providers, this represents a 14% cut.** Supplementary funding provides an average of 31% of maintained nursery schools' budgets.
- The **hourly base rate across the sector has not kept up with inflation** since 2016-17, despite increase in costs eg business rates, staff costs (pay and pensions)
- Funding for **SEND support has decreased**
- The percentage of **MNS in deficit rose from 3.5% in 2009-10 to 17.7% in 2018-19.** It dropped from a high of 20.3% in 2017-18, but **total deficit jumped from £4.9m to £6.7m in that one year**
- **Child:teacher ratios** have increased from 16 to 23 children per teacher between 2010 and 2018.



# The cost of MNS provision

- [Frontier Economics study of the cost and value of maintained nursery schools](#) estimated the hourly cost of teaching 3- to 4-year-olds as £4.92 (small sample, wide confidence interval)
- [Study of Early Education and Development \(SEED\)](#) estimated the hourly cost of teaching 3-4 year olds in MNS as £6.65 (with confidence intervals of £5.18 to £8.13).
- the DfE's [Survey of Childcare and Early Years Providers \(2018\)](#) calculated the mean unit cost for MNS at £7.23 (for all age groups) compared to £3.83 for private providers and £4.16 for voluntary providers.
- MNS had an income to cost ratio of 1.0 compared to a sector mean of 1.3 and a mean for private providers of 1.7
- The average hourly rate in 2020-21 is £8.05, yet 1 in 6 MNS are in deficit

# What funding is needed

- Supplementary funding only tops up the hourly rate for the universal 3-4yo offer. New formula needs to apply to all children. MNS teach:
  - 7,500 2yos
  - 32,600 3-4yos (universal offer)
  - 9,600 3-4yos (extended offer)

# Historical variation in funding

- MNS in 4 LAs receive no supplementary funding
- Funding varies eg in inner London from 0 to £12ph in supplementary funding
- No consistency in reimbursement of business rates – some get in full, some in part, some not at all. Rates vary (up to £120,000 pa). Other LA schools get reimbursed; academies and voluntary sector get rates relief.

# When is a school not a school?

- MNS are schools, so have to have:
  - a headteacher
  - qualified teachers
  - a SENCO who is a qualified teacher
  - a governing body
  - an admissions policy to prioritise the most vulnerable
  - pay staff on national/locally agreed paycales (only 3% of MNS workers aged 25+ are paid at or below NLW compared to 24% in rest of EY sector)
- To cover these core costs and provide stability of funding, MNS need a lump sum equivalent to that paid to infant and primary schools

# Disadvantage funding

- Additional needs funding is 17.6% of the schools formula, but equivalent supplements are on average 6% in EY (with the EYNFF setting a maximum of 10%).
- 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.**

# The funding ask

Current supplementary funding totals c. £60m per year

An estimate of the scale of funding needed in future:

Universal entitlement (distributed as lump sum and/or hourly rate)	£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>