Maintained Nursery Schools Financial outlook: 2025 report

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Executive Summary

Maintained nursery schools are a key resource for government in delivering its Opportunity Mission and Best Start in Life strategy. Yet they remain in an extremely precarious financial position within the wider context of a volatile and rapidly changing environment in which a doubling of government funding to the sector has been focused on increasing places not addressing structural under-investment.

Our survey was completed by 31% of maintained nursery schools and found that:

1. The expected out-turn for the 2024-25 financial year was that 60% would break even and **40% would be in deficit**.
2. **Only 20% were breaking even or making a surplus without using reserves**. As 35% have no reserves or a deficit and 18% have used up any remaining reserves by the end of the last financial year, this is not a sustainable way forward.
3. **Fifteen local authorities are failing to pass on a total of £3.5m of MNS supplementary funding** (MNSSF). Conversely, 10 local authorities are passing on an additional £1.6m to their MNS.
4. For 2025-26, **42% are not confident about their future beyond the next 12 months,** and 4% are unsure whether they could get through the next 12 months.
5. **Only 21% of MNS are confident of being able to continue to offer the same level of services and places**, while 27% can only do so by implementing cuts.
6. **35% of MNS do not expect to be able to balance their budget in 2025-26** and a further 18% do not yet know if they can.
7. The most significant challenges include staffing costs, insufficient funding to meet the costs of SEND support and general inflation**. 71% of MNS are planning further cuts or cost savings**, with significant impact on staffing and services.
8. **The new entitlements, changing demographics and the opening of new PVIs and school-based nurseries are creating a highly volatile situation** in which it is increasingly challenging.to plan for the number of children who will be on roll and budgeting accordingly.
9. **16% of respondents expect the government's new School-Based Nursery capital grants to put their viability at risk** through further competition from local schools.
10. **If eligibility for the SBN capital grants is extended to MNS**, **69% have capacity to expand to meet demand.**
11. There has been a clear increase in demand for 2-year-old places for working parents, but, concerningly, also widespread fall in demand for places for

disadvantaged 2-year-olds, for the 30 hours for 3- and 4-year-olds and the universal 3- and 4-year-old entitlement. **Attempts to prioritise the most vulnerable children are impacted by the need to maximise enrolments to sustain viability, meaning that if disadvantaged families apply later in the cycle, fewer places are available.**

12. There is a continuing issue that **support funding for children with SEND does not cover the 30 hours**. There are also concerns about **increased demand to admit children with SEND** where other providers can or will not meet their needs.

13. There are concerns about **rising needs in the face of falling resources** in relation to the **growing prevalence of poverty and deprivation** and **rising need from children with SEND**. The wider context also includes a lack of inclusivity elsewhere in the early years sector and the knock on both for MNS and for children and families.

14. The ability of MNS to meet need is **improved where LAs fund them to provide specialist provision**, although demand generally continues to exceed supply.

15. There has been **some improvement in the financial position of MNS compared to 2023**, which may be a result of the introduction of a minimum floor of £3.80ph for the Maintained Nursery School Supplementary Funding (MNSSF).

Recommendations

For local authorities

1. To be clearer and more transparent about the various funding streams they pass on to MNS.
2. To pass on MNSSF in full.
3. To fund MNS to run resourced provision to support sufficiency of suitable high-quality provision for children with significant SEND.

For government

1. To fulfil the commitment to review ways to bring in centralised payment of MNS business rates, in line with other schools, to increase fairness and transparency.
2. To review the MNSSF formula to better reflect the true costs of hourly provision for all the funded entitlements and ensure that the percentage of this passed to MNS is in line with national pass-through rates (currently 96%).
3. To call in for review any decisions by LAs to close MNS where the local authority has not passed on the MNSSF in full, and where necessary direct the local authorities to pass through 100% of MNSSF to safeguard MNS at risk of closure.
4. To keep under review the impact of the new entitlements on access for the most disadvantaged families and consider how to mitigate these in ways that do not penalise providers for prioritising vulnerable children
5. To extend eligibility for the School Based Nursery capital grants to MNS to take advantage of their capacity, quality and inclusivity.
6. To ensure more thorough and effective analysis of the potential impact of new or expanded SBN provision on MNS and local PVI providers and not fund SBNs which will displace existing high-quality provision.
7. To review levels of funding for deprivation and SEND to ensure rising levels of need are matched by funding that allows services to be maintained or increased to address the needs of the most vulnerable children and families, including extending SEND funding to cover the 30 hours entitlements.

Introduction

There are now just 379 maintained nursery schools (MNS) in England – local authority-run schools taking children below statutory school age who have to meet the same standards as other schools for admissions, governance, Ofsted inspections and staffing, including employment of a headteacher, QTS SENCO and qualified teachers, on nationally or locally agreed pay and conditions.

For more than four decades, there has been a steady stream of closures of MNS, due to financial pressures and a lack of action by local and national government. At least one more is already scheduled to close in 2025, with others at risk. At a time when government is investing in school-based nurseries, it would do well to remember that MNS are the original model of a school-based nursery (or, we might say, a nursery-based school). For over a century, local authorities have had the power to open nursery schools, but often cut costs and opened nursery classes in primary schools instead. Had we had a century of investment in opening MNS in the communities where there was greatest need, the quality and accessibility of our early years sector would be very different today and we would be in a far better place to meet the government's Opportunity Mission. It is not too late to learn from history on this. Recent Ofsted analysis suggests that sufficiency would be best addressed by opening new provision rather than expanding existing provision (although their analysis did not include school-based nurseries). If this is the case, opening new MNS would be the most impactful way of addressing sufficiency, particularly in the most disadvantaged areas.

It is by now well-evidenced that MNS provide above-average quality of education, primarily serve disadvantaged communities and are successful at closing the achievement gap for vulnerable children, including the many disadvantaged 2-year-olds whose early education entitlements they provide. They also successfully support a higher proportion of children with SEND than any other part of the early years sector.

They are important not only to their local communities, but regionally and nationally as they provide system leadership for the early years sector (including early years in schools), for example through their prominent leadership of Early Years Stronger Practice Hubs.

Studies have confirmed that there is an additional cost to this additional value, as a consequence of which they are allocated Maintained Nursery School Supplementary Funding (MNSSF) in addition to the standard hourly rates and supplements of the Early Years National Funding Formula. However, this was based on historical funding rates at local levels in 2016-17. It was calculated on a formula that has progressively eroded its value due to inflation and due to the diversification of types of funded place which MNS now offer over and above the universal 3- and 4-year-old offer in place at the time of its introduction.

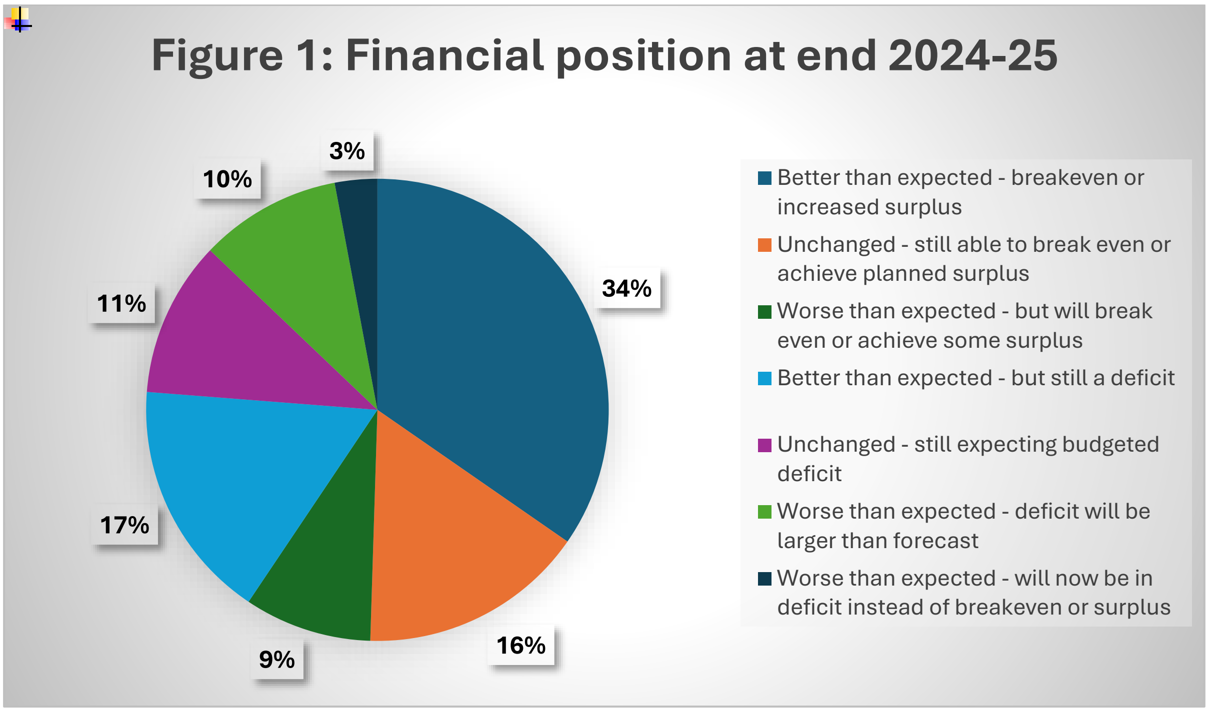
There is an urgent need to ensure the MNSSF is reviewed to be fit for purpose, particularly in the context that the whole early years sector is currently under-funded. The insufficiency of SEND funding and the under-funding of the 3- and 4-year-old rate has a particularly large impact on MNS, as does the low level of targeted disadvantage funding that insufficiently recognises the needs of the most vulnerable children. While the whole system needs review, this report focuses on the issues for MNS.

Our survey received responses from 119 of the 379 maintained nursery schools which are currently open, representing a 31% response rate. Some respondents answered once on behalf of multiple schools, and the figures below are per response, not weighted by the number of schools represented by each response.

1. Financial outlook for the 2024-25 financial year

We asked MNS about their financial position for the 2024-25 financial year, compared to budget. Although 52% had an outturn that was better than anticipated, it was still the case that only 60% of respondents expected to break even while 40% expected to be in deficit.

This is an improvement from our last survey when only 27% expected to break even in 2022-23. It seems plausible this improvement may be due to the introduction of a minimum floor of £3.80 per hour for MNSSF in 2023-24 which addressed the historical inequities in the allocation of the funding for the lowest-funded MNS.

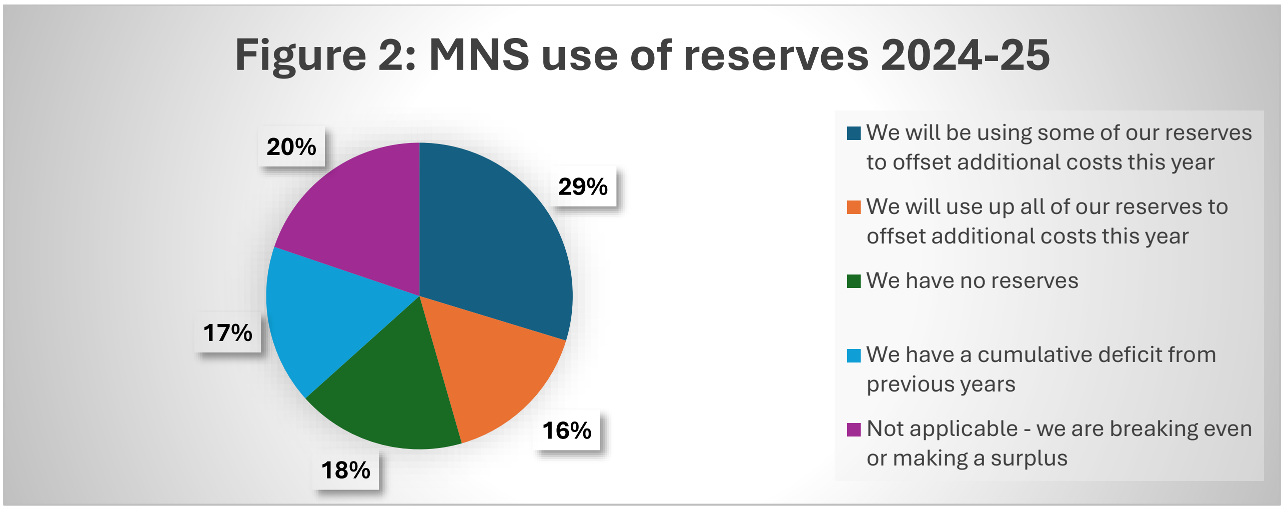


2. The impact of deficits and diminishing reserves

Only 20% were breaking even or making a surplus without using their reserves.

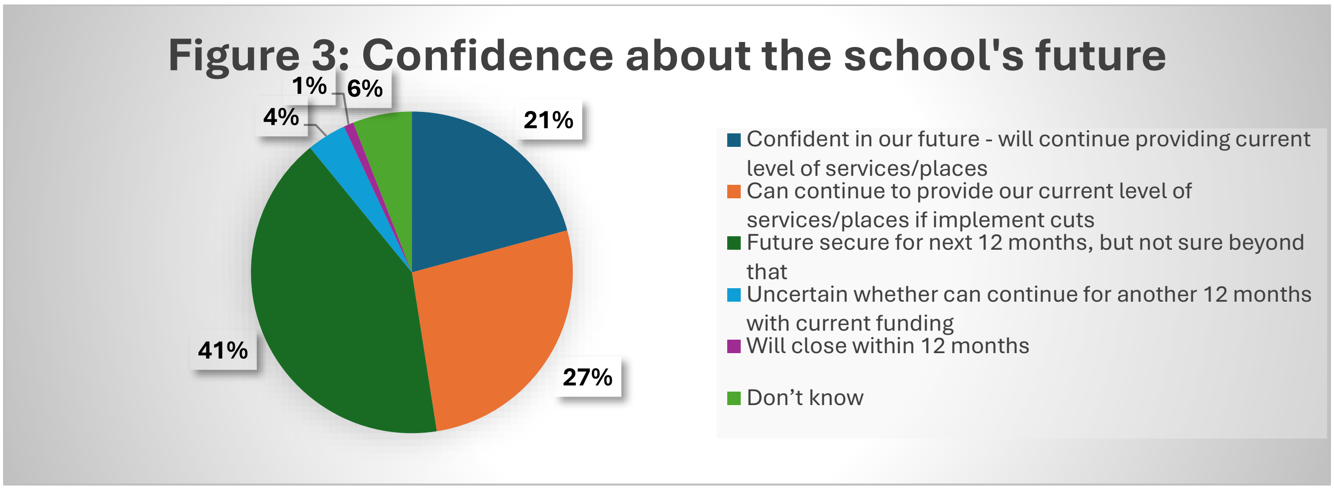
DfE data shows that 34% of schools already have a deficit carried forward, with a combined total of £29m. This looks set to grow as 16% of respondents to our survey were expecting to use up all of their reserves, and 30% to use some of their reserves to help cover costs. Others did not have this option: 17% have a cumulative deficit, 18% have no reserves.

There were possible signs of improvement compared to 2023 when only 6% were breaking even or making a surplus and 56% of providers expected to use up some or all of their reserves. The proportion who would have no reserves by the end of the year was 35% in 2025 rather than 40% in 2023. However, given the sample size and considering the government data on the continuing growth of school deficits, it is also possible these changes reflect differences in the sample rather than evidence of a significant improvement in the finances of MNS.

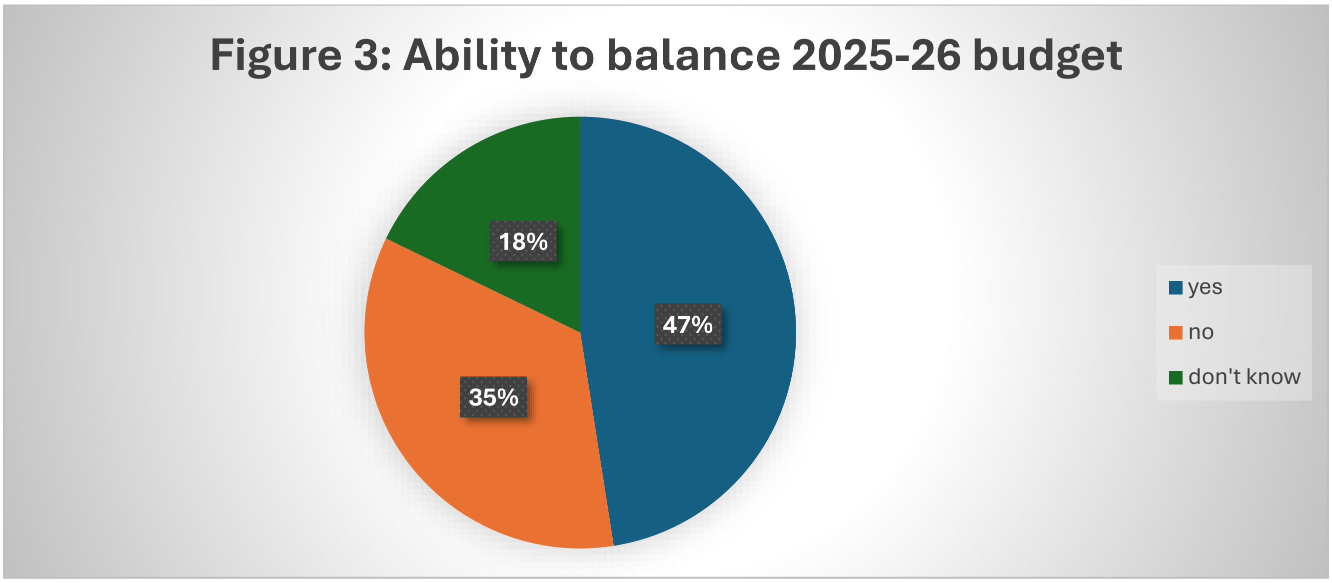


3. Financial outlook for 2025-26

In the light of funding pressures for 2025-26, 21% of respondents were confident of being able to continue to provide their current level of services or places (up from 3% in 2023), while 27% could maintain these if they implemented cuts (down from 30%). 42% were not confident about their future beyond the next 12 months (39% in 2023). 4% (down from 18%) were unsure about their ability to get through the next 12 months, The closure of one MNS was already scheduled, despite the DfE's policy of presumption against closure of MNS.



On the basis of the hourly rates published by LAs for 2025-26, 47% of respondents expected to be able to set a balanced budget for 2025-26 (significantly up from 13% in 2023), 35% did not (compared to 63%) and 18% (24% in 2023) did not yet know if they could do so.



Difficulties setting budgets included the lack of information from government about how much funding schools were to receive for the additional cost of NICs and the need to revise business models to fit with the new guidance on charging.

> The childcare reforms in particular wrap around provision such as Breakfast clubs and charging for lunches pose a big concern for us currently and could potentially result in a big loss of our self-generated income, which is what we rely on to keep us out of deficit position. Our funding alone would not be enough to sustain us.

Historic deficits were an issue for some schools:

> We balance in year for first time in 5 years but carry a previous deficit largely created during Covid and a result of years of underfunding, now £148,000

> We have a huge deficit, which we expect to carry forward. It looks as if we may have managed to balance in year but not reduced the deficit at all.

> We have a historic deficit which has built up over the last 7 years due to low funding levels. Now we are able to have in-year surpluses, it is difficult to invest to save when the surplus goes straight against the deficit. We are under notice of financial concern but there is no plan or path to reaching an overall balanced position.

> We need our LA to support our Federation to put in place a realistic deficit repayment plan, that recognises the unique factors which have contributed to our financial situation. A more equitable MNS Supplementary Funding distribution would support all 5 MNS in C-------. The current methodology effectively puts us in competition with each other and leads to growing inequalities between MNS building up considerable reserves, and those being pushed towards closure.

> Huge historical deficit means that any surplus goes towards that rather than investing in and building school back up again. We are working on the bare minimum of everything in order to achieve an in tear balanced budget with surplus to pay deficit.

Even where budgets had been balanced, respondents commented on this being due to having made cuts to staffing and operating on a "skeleton staff".

> The hourly rate does not cover head teacher, deputy head, Senco, teachers, office staff, kitchen staff, caretaker

> We only have a balanced budget as the School does not employ a Deputy Headteacher, a School Business Manager or a Site Manager. If we were adequately structured, then we would have a significant deficit. Even so, we still have a small in year deficit which is offset against the carry forward due to years of an unsustainable structure.

> Our only cost saving mechanism left is to reduce number of QTS which will impact quality.

> This is the first time in my 10 years where it looks like we have not had to use our reserves to balance in year. This is after a very severe restructure 3 years ago.

For some MNS self-generated income e.g. from parent-paid fees, was vital to breaking even, but MNS in the areas of highest deprivation see much less demand and may not have this option. Income generation through additional activities also impacts on staff already under pressure.

> Many of our families are not in paid employment or have lost their jobs. We have seen a significant decrease in 30 hour funding. A barrier to getting families back to work is not being able to access funding/nursery places mid-term. Much of our local employment is seasonal either hospitality or farming food production. Parents are unable to access this employment due to funding being termly.

> This is the first year we have come out of deficit, largely due to bringing in additional income working as a Stronger Practice hub. However, this has hugely increased my workload to complete work for the hub whilst leading 3 MNS.

4. Cost pressures

Respondents ranked the issues providing the greatest challenges to balancing their budgets.

The increase in staff pay costs was highest on the list, as in 2023, despite receiving funding which nominally covers the cost of pay rises for teachers in addition to the funding rates nominally covering increases to the national minimum wage. The realities were clearly that, as salaries make up the majority of costs, this is the biggest pressure on budgets. Although MNS, as schools, have been reassured that funding would be provided for the increase in NICs employer contributions, no detail was available at the time of the survey, which may have added to uncertainties.

> Any increase in hourly rates has been lost to increase in salary costs - pay awards and NI increases, and increase in running costs

The second highest rated cost pressure was inadequate funding for SEND support, which is a particularly acute issue for MNS due to their above average proportion of children with additional needs, and children with the highest levels of need. This has moved up from the fourth highest concern in 2023, swapping places with shortfalls in the funded entitlement rates, perhaps reflecting that although the 3- and 4-year-old rate has not materially improved, most areas have seen an increase in the funding rate for 2-year-olds and younger children, while pressure on SEND funding has got worse.

> We are in deficit due to 2 main factors. 1) the supplementary funding is only paid on 40% of our school roll. 2) we are chronically underfunded for the children with SEND that we support, many of whom have been turned away from other settings
>
> It is difficult to forecast numbers of children and can only go on previous years. Also the higher cost of staff salaries and utilities and maintaining buildings is difficult with current rates. We do not get support with some of the grants like the education sector from 5 years old. We also have to manage SEND children with funding that is not sufficient to support staff ratios and provision required.

Table 2: Budgetary challenges ranked from highest to lowest

1. Increased staff pay costs
2. Funding for SEND support not covering costs/increased need
3. General inflation eg for utilities, food and supplies
4. Funded entitlement rate not covering costs
5. Cover costs for agency or temporary staff
6. Fall in number of funded entitlement children
7. Fall in number of parent-paid hours taken up
8. Fall in demand for out of hours and holiday provision

As a result of increasing cost pressures, 71% of respondents were planning further cuts or cost savings (down from 89% in 2023). The impact of these is made clear later in the report.

Table 3: Planned cuts and cost savings

Cutting bought-in services/SLAs	37
Freezing vacancies or filling on temporary basis only	36
Reducing staff hours/numbers	29
Reducing provision for children with SEND	18
Seeking cost savings through federation/merger	16
Reducing range and quality of learning activities on offer	15
Other	18
No, we are not planning any cuts	29

5. MNSSF funding not passed on by local authorities

The government has recognised the additional costs the MNS face and has provided MNS supplementary funding towards these. However, in answer to a question about whether their local authority passed on MNS supplementary funding in full, 60 said yes, 11 said no and 30 were unsure. In some cases, the responses correlated with data provided by LAs to government. In others, it seems likely the LA is passing on the funding, but not in a sufficiently transparent way for the MNS to be clear about this. Sometimes this relates to whether the supplementary funding includes an amount for business rates and how that is treated.

Recommendation:

Local authorities: to be clearer about the funding they pass on to MNS and to pass on MNSSF in full.

Government: to fulfil the commitment to review ways to bring in centralised payment of MNS business rates, in line with other schools, to increase fairness and transparency.

However, the data from LAs indicate that 15 of them do not pass MNS supplementary funding on in full to their MNS (see Table 1 below). This could be an issue with how the funding is represented in the return or – in the case of the smaller amounts – differences between initial and final allocations, which change according to numbers on roll. However, we have confirmation for at least some of these LAs that the figures do accurately reflect their policy on MNS funding. As the money is not ring-fenced, and the DfE's pass-through rates are not specific to the MNSSF, they are breaching the spirit of the funding guidance but not the letter.

However, it is hard to understand the logic of failing to pass on funding in full if MNS are then unable to balance their budgets, and eight out of the 15 LAs have MNS in deficit. In Stockport the local authority has made the decision to close one of its MNS, whose financial deficit could be met several times over by the £620,000 it appears not to be passing on to its MNS. There is currently no mechanism that holds LAs to account for this, although in theory such decisions should be taken at schools' forums.

Recommendation:

Government: DfE to call in for review any decisions by LAs to close MNS where the local authority has not passed on the MNSSF in full, and where necessary direct the local authorities to pass through 100% of MNSSF to safeguard MNS at risk of closure.

Where MNS not receiving their full supplementary funding allocation are not in deficit, this has generally been achieved through cuts and restructures that impact on the quality of provision. While LAs may be seeking to address underfunding elsewhere in the sector, this is not the intended purpose of the funding and creates inequities in what is supposed to be a fair national formula.

The DfE data also shows that there are 10 local authorities which appear to be providing additional funding totalling £1.6m to their MNS. This further suggests that the MNSSF formula does not adequately reflect the funding needed.

Table 1: LAs not planning to pass through allocated MNNSF 2024-25

Sources: Planned LA and School Expenditure 2024-25, Early years funding 2024-25, LA and School expenditure 2023-24

LA Name	Amount of Budget Total (entitlement hours + SENIF) made up of MNS Lump Sums	2024-25 Initial allocation for MNS Supplementary Funding allocation	MNS supplementary funding allocation not included in MNS lump sums	Total deficit for MNS in LA 2023-24
Hampshire	£603,999.99	1,386,810.00	£782,810.01	0
Luton	£1,113,537.00	1,889,028.00	£775,491.00	0
Stockport	£172,000.00	791,776.00	£619,776.00	-£113,419
Buckinghamshire	£276,000.00	530,018.00	£254,018.00	0
Lancashire	£4,806,315.42	5,053,759.00	£247,443.58	-£920,866
Surrey	£1,127,681.40	1,308,361.00	£180,679.60	0
Tower Hamlets	£600,000.00	778,894.00	£178,894.00	-231,785
Wokingham	£180,000.00	318,434.00	£138,434.00	-109,079
Kent	£132,511.00	232,743.00	£100,232.00	0
Cambridgeshire	£1,279,999.98	1,368,526.00	£88,526.02	-429,723
St Helens	£112,913.00	161,333.00	£48,420.00	0
Derbyshire	£1,324,540.16	1,363,747.00	£39,206.84	-4,862
Westmorland and Furness	£290,179.82	318,699.00	£28,519.18	n/a
Camden	£203,649.60	214,229.00	£10,579.40	-3,306,812
Hackney	£658,476.00	665,333.00	£6,857.00	-18,421
Total underpayment			**£3,499,886.63**	

As well as the quantum of MNSSF available, there is the issue of how to divide it among MNS within an LA. Comments from survey respondents included positive examples of an LA working with its MNS to find a fair distribution of the funding in some cases, but also examples of concerns regarding the method of making and notifying funding decisions:

> Our LA also plan with us how we split up and distribute the supplementary funding between our 27 NSs in a way where no one loses out or are worse off.
>
> MNS is not fully discussed at EYRG when discussing funding and often do not find out the supplementary amount until last minute making it difficult to forecast or plan ahead.
>
> We had a battle in 2023 to be allocated our fair share of the MNSS funding. The funding has now been allocated using a % per participation model and, as such, our income has significantly increased. Before this, we were heading for a substantial deficit and faced closure. Our gain unfortunately came at a cost to another nursery in our authority.
>
> MNS Supplementary Funding is distributed on pupil numbers. We requested this to be changed to a more equitable equal 5-way split, but this was not agreed. As two of the smaller MNS in [name of LA], we are being penalised for taking more 2-year-olds and 30 hour places as they are not included in the pupil number distribution methodology. This needs to change urgently.

This latter point reflects another issue much raised, that determining the supplementary funding based only on the universal offer for 3- and 4-year-olds penalises MNS for delivering government priorities including supporting disadvantaged 2-year-olds and places for working families. This will only worsen as MNS consider whether to provide places for younger children under the latest extension of the entitlements. It is further exacerbated by the roll out of school-based nurseries in primary schools if they choose to focus on 3- and 4-year-olds, creating pressure on MNS to focus on children aged two and under.

> Our number of working families has increased which reduces our supplementary funding

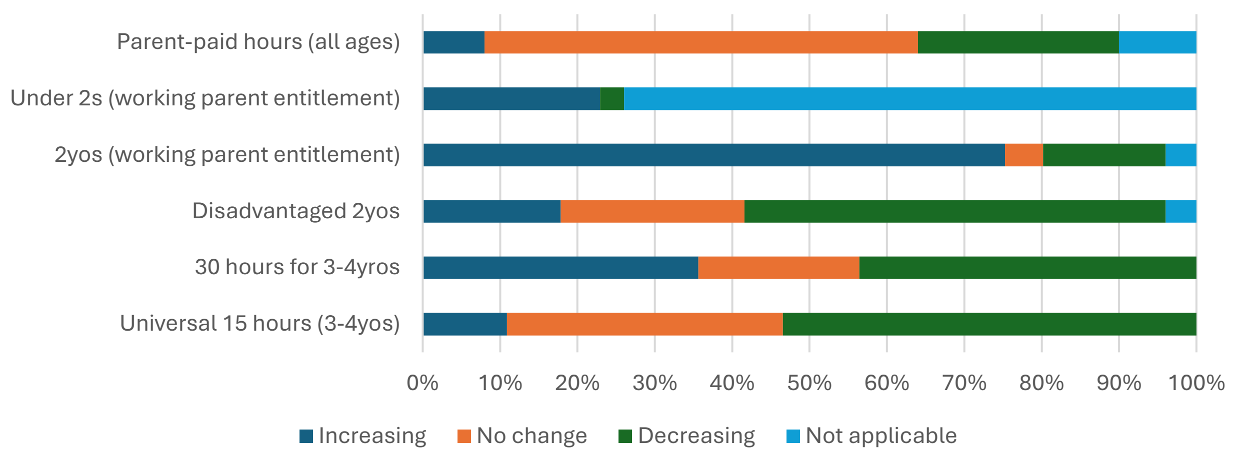
Recommendation:

Government: to review the MNSSF formula to better reflect the true costs of hourly provision for all the funded entitlements, and ensure that the percentage of this passed to MNS is in line with national pass through rates (currently 96%).

6. Changing demand

We asked how numbers of children at the MNS and any EY registered provision run by it, were changing because of the new funded entitlements. The largest increase in demand was for the 2-year-old entitlement for working parents, with some MNS seeing increases in demand for other entitlements or funded hours, but many also seeing a fall in demand, particularly for disadvantaged 2-year-olds and the universal 15 hours for 3- and 4-year-olds, but also for the 30 hours for 3- and 4-year-olds of working parents.

Figure 4: Changes in demand for entitlements



This demonstrates the volatility of the current environment. The changes may be a result of changing demographics linked to the falling birth rate, particularly in areas of the country such as London. Respondents reported a mix of rising and falling numbers, and differing changes in demand at local level, and unpredictable ways in which the entitlements were interacting:

> We are definitely experiencing a fall in child numbers, due mainly to birth rate drops. This is having a major impact on our viability.

> Parents are not taking up disadvantaged funding if send as it's only 15 hours and from Sept working parent get 30 hours.

> Not sure if lower numbers of disadvantaged 2yos are connected to the expansion of free entitlement.

The volatility that was reported may also reflect the unmanaged changes to the market which are occurring as early years providers and schools attempt to react to the new entitlements and to the impact of changing demographics on their own organisations. While government may be trying to encourage the opening of more school-based nurseries in primary and infant schools to meet unmet demand, there is a real risk that it may exacerbate these changes, resulting in supply and demand changing simultaneously in unpredictable ways. This is not a new phenomenon, and for many years the viability of early years providers, including MNS, has been impacted by other actors in the system as providers expand or contract.

> The opening of a new Nursery Class a year ago has meant we have lost approx 10 x 3- and 4-year-olds a year. The LA have let two new large PVIs also open locally. It feels like we have been squeezed out

> All schools in our area of L----- have school-based nurseries for 3-4 year olds, so our nursery has become a mainly 2-3 year old nursery.

> We will be under threat should schools choose to offer places to under 3s which they are not doing in our area at present.

> Because it is a different registration process for under 2s we are not able to offer these places currently so we are worried that parents will start with other providers and use their funded hours then be reluctant to move. We are also aware at the other end of the scale schools opening up 3- & 4-year-old provision and reducing numbers there.

> Numbers for 3-4 year olds decreasing due to local schools taking more nursery spaces and risers meaning less children overall

> We have seen a slight decline in 2yo numbers at C----- nursery school since a private day nursery (who are open longer hours) was allowed to expand just down the road from us. We are now having to look at expanding our wraparound care (currently offer a tea club until 4pm) until 6pm so that we can be competitive and attract more working parents.

Respondents commented that they were not always able to expand to meet demand, due to budgets, space or staffing challenges.

> We have plenty of children but what is impacting us most is the ability to recruit any qualified staff.

> We get far less response to advertised post than we have ever experienced and are having to train support assistants from scratch

> With more working families we are needing to consider more wrap around services for them to stay with us and this is also costly and difficult to staff.

> Although our under 2s applications are increasing, the ratios and cost of staff mean we cannot increase our budget by taking more children under 2.

> We don't have the physical space to admit any more pupils. We have been trying to engage with the LA for the last 2 years to increase our capacity through building work as we saw this coming when SEND numbers rose and new entitlements were coming. We are still waiting

> We are having to readjust the balance between 3/4s and 2s as we have many more applications for younger children. This affects staffing in terms of ratios and cost.

> We have a waiting list for 2-year-old places now and need to expand our offer but will require expansion funding

These changes pose a particular challenge to MNS who receive MNSSF only for the universal 3- and 4-year-old 15 hours, not for any of the other entitlements:

> Any reduction in Universal 15 hours (3-4) will be compounded by a reduction in MNS Supplementary Funding.

> As more parents take up the 30 hours funding, it reduces our supplementary funding

Respondents were also aware of the need to ensure disadvantaged children were not squeezed out by the increase in working parents seeking places:

> Currently we seem to be doing well with the working family funded places. We are trying to ensure a balance of disadvantaged 2YO places and working family funded but the demand is greater for the latter, especially for under 2s.

> The impact of the working parent 2-year-old funding has had an impact on the funded disadvantaged 2s as they can only receive funding the term after they are 2 and do not know if they will be receiving funding so cannot reserve a place.

> We have 3-4 YO and funding for them has not changed. 30 hours is still for working families which puts more vulnerable non-working families at a disadvantage

Some respondents were being negatively affected by the falling birth rate and a surplus of places.

> Birth rate locally has lowered and there are fewer children with high sufficiency of places for childcare.

Some commented that one unintended consequence of increased numbers of 2-year-old places being taken up for 30 hours rather than 15 was a reduced number of children who would then go on to take up the universal 3- and 4-year-olds places from within the nursery:

> We are going to be taking on lots of 2-year-old working families for 30 hours in September which will affect the numbers in main nursery the year after

A few positive examples of the new entitlements' impact were mentioned:

> Funded hours for Under 2s are helping balance significant income loss from reduced makeup of paid for sessions, especially holiday care

> Our change to our offer this year has improved our outlook. We are hoping that this will make us sustainable for the future.

We have had a small number of children accessing nursery place on 'baby funding for a term. This has given us an increase in the funded rate.

We are receiving more funding through the funding entitlement than we were charging

With the expanded 2s offer we seem to be able to fill more spaces through the year

We are currently full which is a term sooner than we normally become full.

7. Access for vulnerable children

Respondents were asked whether the new entitlements were impacting access to their school for children eligible for the disadvantaged 2-year-old entitlement or children with SEND or other vulnerabilities. Reassuringly, the majority thought not, or were not yet certain. Some reserved spaces for disadvantaged 2-year-olds or had expanded their number of places.

We ensure we keep some dedicated spaces free for disadvantaged 2 yr olds

We have expanded our number of 2-year-old places

We have specific SEND provision within our Garden room. We are currently planning works to take place at Easter to expand the space available for this provision so that we can meet increased demand.

However, some were seeing a knock-on effect on access for disadvantaged 2-year-olds, or were having to think carefully about how they could manage this while still maximising occupancy to ensure viability:

Huge impact on our sufficiency to provide places to economic disadvantaged 2yr olds due to places taken earlier by 30hr children. This will be worse in September

Increased demand may mean that during the Summer (busiest) term we cannot offer the entitled spaces (until Sept) and therefore this will affect all children who would normally qualify for funding during this term.

This has been a huge topic of discussion at my setting. We are situated in an area of disadvantage and traditionally all of our 2 year spaces have been taken by children eligible for disadvantaged funding. We increased our numbers in Sept 2023 to meet need. However, many of these spaces were taken up 'at the last minute'. Our concern is that working families tend to apply early and therefore may take up spaces that could be used for those with disadvantaged funding. We discussed ring fencing some spaces for these pupils - but agreed not to do so to ensure viability. We are at the early stages of assessing impact

Families with EAL we also feel are being negatively impacted as WP tend to be more aware and act faster which leaves less availability for families who are new to the country/ area/ system.

Some commented that the new entitlements were leading to an increase in the number of children with SEND and others raised the issue of funding for children with SEND not covering the 30 hours to which an increasing number were entitled, and the challenges of costs and funding for supporting children with SEND for the additional hours, and of finding staff:

> Not impacting but increasing demand on SEND support for additional hours which are not funded by LA e.g. higher level funding for complex needs only paid for 15 hours

> We know we will see an increase in the number of children with SEND as other local providers will not have the capacity to take them or state that they are unable to meet need.

> Due to capacity issues, requiring 90% take up of places we have to prioritise 30 hour places, the additional staffing/resources required to support children with SEND are not available to take every child with SEND safely into the school

> Increasing staffing costs to support our many children with SEND will start to affect our viability if the numbers of children with SEND continue to rise.

> We are an enhanced specialist provision and have enquiries every week about these places, but we are unable to secure suitably qualified and experienced staff to allow us to expand our provision to admit more children.

For children who could qualify as either disadvantaged 2-year-olds or for the working parent entitlement, the picture was unclear:

> It's difficult to see if the disadvantaged 2s has reduced due to numbers of children or parents who were on low income moving on to working parents funding.

> Parents do not want to apply for disadvantaged if they are a working 2 and LA pays less for working than disadvantaged

There was also concern about the impact of the impact of the different number of hours to which children were entitled:

> We are now receiving more working families than disadvantaged. The whole system seems wrong where we are trying to improve the life chances of disadvantaged children but we only give them 15 hours. Whereby working families get the 30. How can we close this gap when disadvantaged children are only with us for half the time!

Recommendations:

Government: to keep under review the impact of the new entitlements on access for the most disadvantaged families and consider how to mitigate these in ways that do not penalise providers for prioritising vulnerable children.

8. Impact of new school-based nurseries

The viability of MNS has long been impacted by neighbouring primary or infant schools opening new nursery provision.

> All schools have 3– to 4-year-old nurseries. Our 3– to 4-year-old numbers have gone from 180 to around 70.

> All our local schools already have provision and openly encourage children to leave here to join them to the extent that one school has 2-year-olds in their nursery class.

> All but one have school-based nursery classes but they are also now taking risers impacting on us further.
>
> All the schools in K----- opened nursery provision 7 years ago and some have been aggressively pressuring parents to take their child there. It halved the number of 3/4 yr olds and so we have had to work hard to establish more 2-year-old spaces. Our grounds are a massive selling point, so we have tried to build on this and offer outdoor provision. Relationships with schools has been difficult. They regularly want to come and look at our provision so they can get theirs right, but it is hard for us to have schools come and steal our ideas and practice and then our children. Schools in K----- are now all looking at 2-year-old spaces so will be affected again by that!!

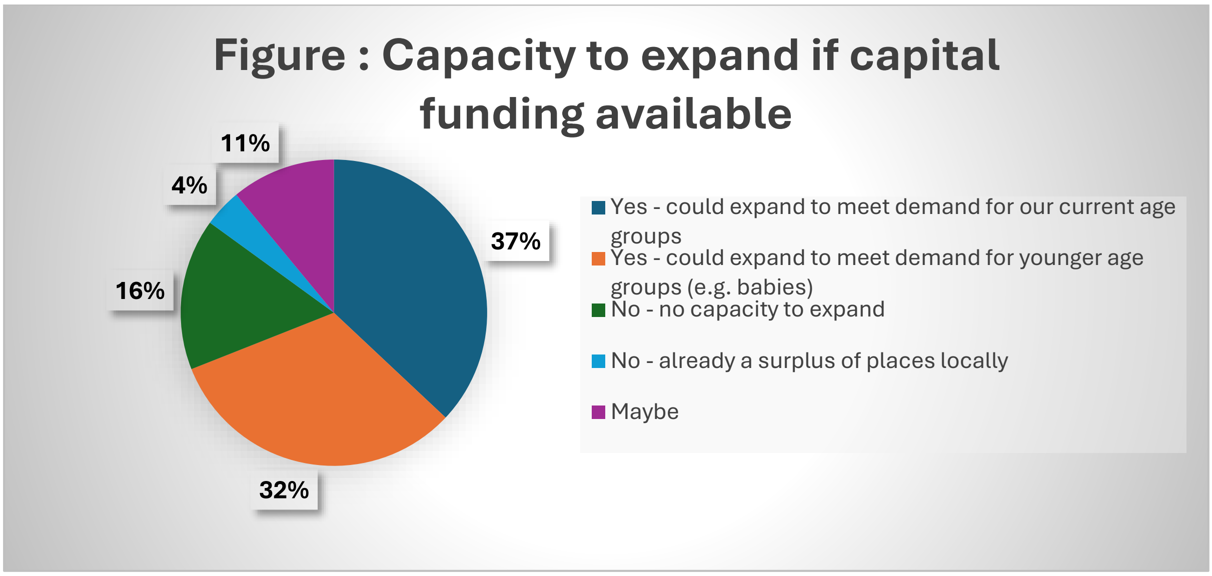
Only two respondents reported increasing numbers as a result of local changes – and in the context of under-funded SEND provision, one of these was not to the benefit of the MNS concerned:

> I have local primary schools closing nurseries. We are picking up some of their children.
>
> Some neighbouring primary schools have opened younger provision but this has increased our SEND intake as they are not being fully inclusive.

In addition to those for whom this was a long-running issue, 16% of respondents expected that their viability would be impacted by new school-based nurseries. Only 33% of respondents did not expect to be impacted by new school-based provision. A significant number did not know.

> We have 7 primaries within 10 min walk opening nurseries.
>
> We are a collaboration of 4 nursery schools. In 3 of the MNS areas we are seeing school-based nurseries open. All are academies and once open we feel particularly at one school this will close our MNS.
>
> There is a school close to us who will be opening a nursery in September due to the school-based nursery programme. We will have to wait to see what the impact on the nursery is.
>
> Potentially but we do not yet know where this will happen in our LA, no information sharing, LA say there is no sufficiency problem and will not let me address waiting list for 2-year-olds as they say there are other providers within a 3 mile radius who could offer that place!
>
> Maintained nurseries are a speciality and their whole purpose is to give young children the best start in life. We have to face so many financial hurdles simply to survive. These are hurdles that Primary schools don't have to face. To allow Primary schools to open up nursery provision within the locality of a maintained nursery school is madness and will only lead to the eventual closure of many nursery schools. Such a sad situation after such a proud history.

If capital funding were available to MNS under the School Based Nursery programme, 37% of respondents said that they could potentially expand to meet increased demand for the age groups they currently had and 32% could expand to meet demand for younger children and babies. Only 20% did not have capacity to expand or were aware there was already a surplus of places locally. 11% were unsure.



Respondents wanted a level playing field to be able to have the same opportunities to expand as other providers:

> Our main issue is a private day nursery that have been funded by the LA to expand without any consultation with ourselves. We are impacted as we are unable to apply for the help to expand wraparound that primary schools can access. £22k would make a huge difference to us for this. We are lucky to be in a positive financial provision so that we can fund this for ourselves

> We could expand due to our waiting lists but the local authority will not support this and we are unable to access that funding as yet.

> Our concern going forward is we have not been able to access any capital funding grant and we currently need more 2-year-old spaces, if my 2 year olds waiting to get in go elsewhere then I have a future issue on the horizon.

Recommendation:

Government:

To extend eligibility for the School Based Nursery capital grants to MNS to take advantage of their capacity, quality and inclusivity.

To ensure more thorough and effective analysis of the potential impact of new or expanded SBN provision on MNS and local PVI providers and not fund SBNs which will displace existing high quality provision.

Some had put proposals for expansion to their LA but were not always getting support to expand:

> We have been engaging with the LA for the last 2 years to gain funding for building work on a big playground within our grounds. We have approached them with ideas for increasing both our SEND provision and 2-year-old provision. Our current building isn't big enough. I can see the desperate need for increased provision in my area.

> We approached our LA over a year ago about the use of an empty neighbouring building so we could expand to under 2s but they have not got backed to us.

> LA won't allow increase in PAN so not able to expand age range to include under 2s as no places available within existing PAN. Would need building work done too but the demand is there!

> Our biggest issue at C----- is the fact that the LA are supporting a private day nursery to expand. We were not consulted and have offered to work with them regarding expansion. We were simply told that the LA could not put their own nursery schools (of which there are just 3 in the district) ahead of private providers as they 'Can't unbalance the market'.

In a few cases, the main barrier to expansion was not capital funding but staffing, in some cases exacerbated by the cuts MNS have already had to make:

> We have space to expand and the children on a waiting list, but we have no staff.

> We would have loved the opportunity to offer places to under 2s but after having to do two staffing restructures our capacity is now very low.

There was also one comment about the impact of extended hours on children and staff:

> Demand for places is extremely high. Parents expect wrap around care, very few 15 hr or 9-4 children anymore. Increase in 50 hour children which is having a massive impact on behaviour and attachment and also staff wellbeing.

9. Particular challenges facing MNS

In the open comments of the survey, three clear themes emerged: the increasing prevalence and impact of poverty, deprivation and SEND, and the reduced capacity of MNS to respond to these as a result of a lack of resource and staffing.

Respondents noted an emerging "poverty gap" between 15 and 30 hours children, and the wider impacts of poverty on children and families, and the impact of reduced support services, not just in deprived areas, but in those which are viewed as affluent:

> We are in an area of high deprivation in C-------. The impact is homelessness, food poverty, parental ill mental health and drug and alcohol dependency. The services for all families but particularly for children with SEND have been cut back we are constantly having to support families in meeting their housing, social care and Send needs.

> We are situated in what is termed as a very affluent area however there is also a huge level of hidden deprivation within our locality. Working with families from these areas is such a huge part of our role and has a very significant impact of outcomes for those children. Budget cuts at the current rate will stop us being able to provide much of the support for these families and there simply is no capacity to help them from social care, the primary/ secondary education field or health. The repercussions of these cuts will be felt for many years in the future if nothing is done to prevent them.

Increase safeguarding work load due to babies being on child protection plans.

This school is situated in an area of high deprivation and youth violence, post pandemic in this LA social workers are not encouraging families to take up the free entitlement offer so we have seen these numbers decrease, however through the family wellbeing centre work (Early Help) we are aware that the number of EY children on the social care caseload locally has not decreased. Attending nursery as a protective factor and to increase positive educational outcomes is not being prioritised, instead (and, it seems, as a result in attitudes changing during the pandemic) social care are highlighting that this is not statutory. Previously, social care colleagues would have added uptake of free entitlement on CP plans and ensured that some of the most vulnerable children accessed their opportunity to high quality early years education. These children on the social care caseload often present with additional needs due to lack of parenting capacity and/or trauma so access to an integrated model of early childhood education and family services can be very impactful

Meeting the needs of children with SEND at a time of diminishing resource both within the school and in wider services was a widespread concern:

As with most MNS, we have very high numbers of children with complex needs that are not funded for extra support. PVI's and schools do not take them as they say they can't meet the needs. This put a strain on staffing and finances.

Huge demand for SEND, due to contextual pressures PVIs and Schools are refusing these children, so we have well above average numbers. The LA is growing more reluctant to financially support send children under statutory age

Currently nearly 40% of the main school have SEND. this is not sustainable!

Continue to see families travel across the city to go to high performing/word of mouth nursery schools which is not the best thing for the family to have to travel. Quality of PVIs need to improve AND fairer process for children with SEND to access one of their closest settings.

Demographic is ever changing we now have 33% EYPP 20% SEND and 20% EAL for a small setting this has a huge impact on our capacity to deliver a quality service- it feels very lonely being the only MNS in S---------.

Currently. LA has not made any SENIF payments since September 2024. New SENIF applications have been put on hold.

Our high number of send is currently supporting our income as our authority fund this well and the addition of a satellite SLD provision is generating additional income, however the reputation for SEND is resulting in our SEND provision being oversubscribed.

We are now recognised as an inclusion hub and have seen a threefold increase in numbers of children who require an EHCP accessing , we have now needed to dedicate a non contact day for SENCo work which has costs

We have had to open up an addition room for SEND children in order to meet the children's needs in relation to environment, space and staffing ratios. This is not viable on the funding we receive.

We have taken 2 Reception aged children at the request of our shared site Primary School as they have said they are unable to meet the need of the children with SEND. They actually have 5 support staff in their Reception class so have far more staff than we do.

In an area of high deprivation and SEND need high. LA has reduced the funding from DSB (High needs funding- as needed for primary schools) for Early Years SEND and increased the money from the Early Years Funding block to support EY SEND in 25/26. Which means that there is a minimal increase in the base funding rates passed to the EYs schools/settings in 25/26 to support with the staff pay increases expected.

We are in an area of high deprivation. We will have 19 EHCPs by the end of the year. Our LA will not engage in conversation about becoming an ERP or specialist provision which we think could support us to be viable. Our deficit is mostly attributable to SEND and the outdated MNS supplementary funding which isn't paid on 2YO or 30 hours 3YO

Specific issues relating to deprivation included the level of need and how that was often not reflected in funding:

There has been no increase in deprivation funding amount for the 9 years I have worked here and as M--- is a growing city, new postcodes aren't classified as being in deprived areas as they are new builds but this is a false reflection of the community. There are also numerous anomalies with EYPP entitlement with families being eligible one block but not the next and the family circumstances haven't changed.

The challenges in an area of high deprivation are many parents/families do not choose nursery provision until the last minute, making planning for the budget challenging. Often these children also come with extra needs.

The level of disadvantaged children is unprecedented, particularly with regards to children with complex additional needs. There are very limited options available to parents to find suitable provision in the borough and all of our schools have waiting lists for these children and families. We are increasingly frustrated at the lack of engagement from the LA.

We think we will have to close our kitchen so children will only get sandwiches for lunch and tea. This provision is not funded. We have 50-60% deprivation.

It is important to note the impact these issues have on staff:

Over half of our current cohort is going through SEND assessment or has previously been open to children’s services. We are operating in a highly deprived area and are seen as a sanctuary for the families but the DSL and SENDCo responsibilities are immense on all staff not just those with the title. Many staff have commented on the comparison between their pay and much less stressful positions in other institutions. Without the care and good will of staff the school wouldn’t function.

Number vulnerable children and families continues to grow however budgets do not allow for increase in staff to enable workloads to be shared more

> Safeguarding responsibilities are also impacting on staff workload and ensuring we have capacity to support families in need. Social services impact is not as good as it once was. This is a concern.

Recommendations

Local authorities: to fund MNS to run resourced provision to support sufficiency of suitable high-quality provision.

Government: to review levels of funding for deprivation and SEND to ensure rising levels of need are matched by funding that allows services to be maintained or increased to address the needs of the most vulnerable children and families, including extending SEND funding to cover the 30 hours entitlements.

10. Conclusion

This report sets out the challenges facing maintained nursery schools in March 2025. The new Labour government has set out its Opportunity Mission and its intention to focus on reducing child poverty and improving child development, as embodied by the Plan for Change milestone for 75% of children to reach the Good Level of Development by 2028. It says it intends to announce a new early years strategy, including plans for the workforce, later this year. Maintained nursery schools are experts in delivering on all those priorities. We urge government and local authorities to act to secure their future, not out of favouritism for one part of the sector over another, but because of their track record on delivery for the most vulnerable children.

We close with the plea of one MNS head teacher:

> We are located in an area of high deprivation so do not charge for any services - everything is free at the point of access including food, waterproof clothing to access the outdoor classroom, all trips / visitors and additional activities such as music lessons, yoga, forest schools. We have 70%+ safeguarding and 70%+ SEND, recommended by health and social care colleagues to parents, but receive the same funding as PVI settings who refuse children with SEND and safeguarding needs, often offer places to children who have been asked to leave a PVI provider as they have told parents they cannot meet the child's needs. Have opened a specialist SEND class for children with EHCP's, have set up a social supermarket on site to support the families and wider community with fuel and food poverty. Work with local organisations to secure reduced price or free access for our families and secure as many free items as possible - local businesses provide clothing for free clothes stalls, free Easter eggs / advent calendars/ books / theatre tickets. Salvation Army provide all families with Christmas presents. Ongoing project with local cultural organisations to allow significantly reduced priced educational visits. We cannot afford the cost of coaches to go to the coast - 20 miles away, so get the donkeys to come to school. I am interested to know why the government / DfE do not feel our pupils deserve the same opportunities as children who live in a more affluent area, because we do!