

## APPENDIX D

### DfE Guidance: The Early Years Single Funding Formula for maintained nursery schools (MNSs)

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1. **Higher rate** - Whilst it is recognised that incorporating MNS into the EYSFF – in particular transitioning from funding on places to participation - can present some challenges, it is important to be clear that a local authority **can** pay a MNS a higher rate (per child, per hour) for the free entitlement than it pays to other providers. The guidance (Implementing the Early Years Single Funding Formula Practice Guidance July 2009, <http://www.dcsf.gov.uk/everychildmatters/resources-and-practice/IG00611/> ) has been clear that the single funding formula should be based upon the same *principles* for funding but that this does not necessarily mean the same *rates* of funding. We expect to see differences in rates as a result of unavoidable cost differences (which can be factored into the base rate) and differential effects of supplements on quality, flexibility and deprivation in particular.

The cost analysis for nursery schools has made transparent the higher costs of this type of provision. This is understandable given that these schools have statutory costs that are higher than for other providers (for example);

- the statutory requirement for a headteacher to lead the school
- in some instances a strong need for other senior staff members
- teachers that are paid using the teacher pay scales
- other non teaching staff paid using local authority pay scales (giving a reasonable remuneration for the responsibility of the work under single status and not the traditional lower wages of the private sector – something we hope will be equalised up over time)
- support staff costs will include on costs such as the local government pension scheme which can be more expensive than private alternatives
- nursery schools are often housed in either purpose built premises that need to be paid for or sometimes premises that are bigger than they need (old infant schools etc).

There is room for some efficiency savings in some of these headings (finding people to share premises for example), but not in all cases and not without careful planning.

However we are aware of schools that have received consultation papers showing them likely to receive over £40K (in one instance over £160K) less funding in total than they had received under last year's formula allocation. This type of difference should be cause for alarm. Either a school has been massively overfunded in the past and this has not been previously noticed or dealt with, or the new funding formula is missing something fundamental. It is more likely that it is the latter. Where nursery schools are likely to see funding reductions, appropriate transitional arrangements should be put in place and the formula should be reviewed regularly to ensure all providers are fairly treated.

2. **Participation** – The guidance has also been clear that any maintained nursery school that is of good quality and full or nearly full (85-90% full) should not see a significant reduction in funding. Nursery schools that are not full may see a reduction in funding. In these cases the local authority will need to work with the school to assist them in finding ways of transitionally managing while necessary changes are worked through. Changes may include

help in recruiting more children (considering effective outreach strategies) or in reconsideration of the admission number to a different size.

3. **Deprivation and Quality Factors** - Local formulas need to consider the role of the school in the community. Where nursery schools have been deliberately located in areas of high deprivation we would expect to see higher levels of funding through a combination of a basic entitlement and the mandatory deprivation supplement. Although including a quality supplement is not mandatory we would also expect quality to be incentivised through local formulas. This again is likely to mean that nursery schools receive the allocations given the quality provided by graduate level teaching as set out above.
4. **Sufficiency/Sustainability Factor** - Our proposed changes to regulations recognise Local Authorities sufficiency duty and permit a factor to be included for additional funding to support sufficiency and sustainability. In such instances nursery schools can be funded with a factor that supports sustainability where this is an issue. This does need to be carefully considered in the long term but will depend upon individual circumstances. Sustainability funding should not be used as a coverall to support all maintained nurseries regardless of capacity – the formula itself needs to provide sustainable funding. So again, a nursery that is of good quality and nearly full should have funding as part of a formula and not need to rely on a sustainability factor.
5. **Additional Hours / Full-time places** - Local authorities that fund pupils in the maintained sector or in nursery schools at more than the required 12.5/15 hours can continue to do so from the schools budget – provided they have a clear rationale for doing so. The EYSFF will fund the free entitlement and additional hours - for those children that meet the criteria agreed for them - can be funded similarly. In this way local authorities that wish to provide additional hours can continue to do so but with the hours being participation-based rather than place led. A school may have a mix of funding that is free entitlement and additional hours but there is no reason why these cannot add to a viable budget for the school.
6. **Consultation and Communication** - it is worth mentioning the experiences of our pilot authorities, most of which have implemented their single funding formula, and some with high numbers of nursery schools. Taking the time to work individually with their nursery schools to help them prepare for the new funding arrangements has paid dividends. In addition to this, actively engaging them in the consultation period has made the process much smoother. Although not universally the case, pilot authorities continue to fund nursery schools at a higher rate than other settings, either through an enhanced hourly rate, or through sector-related supplements recognising the unavoidable costs. This is perfectly acceptable provided the reasons are justifiable and transparent. As a result none of the 40 nursery schools in our pilot authorities have closed or face imminent closure. The presumption against closure of maintained nursery schools has not changed and is clearly set out in statutory guidance.
7. **Presumption Against Closure** - the presumption against the closure of MNS states:

In deciding whether to approve any proposals to close a nursery school, the Decision Maker should be aware that nursery schools generally offer high quality provision, and have considerable potential as the basis for developing integrated services for young children and

families. There should be a presumption against the closure of a nursery school unless the case for closure can demonstrate that:

- a. the LA is consistently funding numbers of empty places;
- b. full consideration has been given to developing the school into a Sure Start Children's Centre, and there are clear, justifiable grounds for not doing so, for example: unsuitable accommodation, poor quality provision and low demand for places;
- c. plans to develop alternative provision clearly demonstrate that it will be at least as equal in terms of the quantity and quality of early years provision provided by the nursery school with no loss of expertise and specialism; and that
- d. replacement provision is more accessible and more convenient for local parents.

This means that Local Authorities should make every effort to enable Maintained Nursery Schools to continue to operate effectively. However, it does not mean that these schools should not be encouraged to make **efficiency savings** where that is appropriate and does not compromise on quality. It is reasonable for local authorities, as part of their responsibility to manage effective early years provision to ensure good value for money. Where there are opportunities for MNSs to play a wider role in sharing good practice locally then they should be encouraged to do so. Equally, where it makes sense to look at structural solutions, e.g. federation, to support the ongoing viability of MNSs – then sensitive consideration should be given to that in the longer term.