

2 November 2020

Rt Hon Rishi Sunak MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

## **A NEW FUNDING FORMULA FOR MAINTAINED NURSERY SCHOOLS**

As the officers of the All Party Parliamentary Group on Nursery Schools, Nursery and Reception Classes, and as MPs with nursery schools in our constituencies we are writing to you in advance of the Spending Review to urge you to safeguard the future of maintained nursery schools by ensuring they are adequately funded through a new funding formula.

We welcome the government's recognition of the crucial role of maintained nursery schools (MNS) as system leaders for the early years and providers of specialist support for some of the most vulnerable children, helping high numbers of children with SEND and complex needs, and driving the government's social mobility agenda. This additional value easily offsets their higher costs, and if they are not funded adequately to continue this work, there will be significant additional costs to be picked up by other services including health, social services and other parts of the education system.

We also welcome the personal commitment of Ministers in the Department for Education to maintained nursery schools and for a long-term solution to be addressed as part of the spending review, and urge you to provide sufficient funding to enable MNS to continue their crucial work.

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** – this needs to be more equitably distributed under a new formula, and be increased at least in line with inflation since 2016-17, as in real terms its value has fallen by 8%, or 14% if increased costs are taken into account. We estimate this requires a minimum of **£64m**.
- **Additional funding for 30 hours and 2-year-old entitlement** – the current formula does not recognise the additional costs for MNS for delivering these entitlements, despite the fact that MNS provide much needed places for 7,500 disadvantaged 2-year-olds and 9,600 children receiving the 30 hours entitlement at MNS, in addition to the 32,600 receiving the universal entitlement. We estimate the additional cost to be around **£26m**.
- **Reimbursement of rates** A new formula needs to end the historic lack of consistency regarding reimbursement of rates for MNS, which are the only maintained schools which do not get rates reimbursed. We estimate this would cost **£8m**.

- **Transitional protection** will be needed to address the significant differences in MNS funding rates between local authorities. The amount will depend on the nature of the formula.

The total required is therefore in the region of **£98m, excluding transitional protection**. We believe it is vital that this long term financial settlement includes schools in boroughs such as Barnet which are currently excluded from supplementary funding.

The vast majority of MNS remained open during the pandemic and took in children from other settings which were closed. An Early Education survey of MNS found that only 17% of MNS managed to access the CJRS funding and none were eligible for the business rates holiday or other forms of support. By remaining open to meet the needs of vulnerable communities they have incurred additional costs and lost vital fee income. As a result, 64% expect to be in deficit in the current financial year, compared to 33% which were in deficit at the end of 2019-20.

Nursery schools have already made extensive cuts: for example, pupil:teacher ratios have increased from 16 to 23 pupils per teacher between 2010 and 2018. Further efficiency savings are simply no longer possible.

As part of the spending review, we urge you to provide:

- sufficient funding for a viable long-term funding formula for maintained nursery schools (c.£98m plus transitional funding as needed) from 2021-22
- additional support for the duration of the pandemic to ensure that additional costs and loss of income do not push MNS into closure.

Maintained nursery schools are clear that they have a different job to do from other early years providers, and their staff are deeply committed to continuing to support the most vulnerable children and families, and to providing system leadership for the whole early years sector. We call on you to continue providing the resources they need for that vital role, and to recognise the urgency of doing so now: whatever timeframe the spending review covers, it is clear that MNS cannot wait any longer for a viable long-term funding formula, and that it must be in place for 2021-22. If maintained nursery schools are lost now due to inaction, it will be hugely costly to try to rebuild that resource in future.

Yours sincerely,

Lucy Powell MP, Chair of the APPG  
Nursery Schools  
Theresa Villiers MP, Vice-Chair APPG  
Nursery Schools  
Steve Brine MP, Treasurer, APPG  
Nursery Schools  
Jack Dromey MP, Secretary APPG  
Nursery Schools  
Rushanara Ali MP  
Anthony Browne MP  
Ian Byrne MP  
Chris Clarkson MP  
Daisy Cooper MP  
Stella Creasy MP

James Daly MP  
Philip Davies MP  
Jack Dromey MP  
Simon Fell MP  
Yvonne Fovargue MP  
Robert Goodwill MP  
Andrew Gwynne MP  
Philip Hollobone MP  
Adam Holloway MP  
Meg Hillier MP  
Dame Diana Johnson MP  
Kim Johnson MP  
Darren Jones MP  
Andrew Lewer MBE MP

Tim Loughton MP  
Catherine McKinnell MP  
Ian Mearns MP  
Nigel Mills MP  
Navendu Mishra MP  
Daniel Poulter MP  
Bell Ribeiro-Addy MP  
Andrew Selous MP  
Virendra Sharma MP

Andy Slaughter MP  
Jane Stevenson MP  
Zarah Sultana MP  
Craig Tracey MP  
Derek Twigg MP  
Sir Charles Walker MP  
Jeremy Wright MP  
Mohammad Yasin MP