



Nursery
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Early Education
The British Association for Early Childhood Education



Cuts and closures: the impact of the pandemic and government delays on maintained nursery schools' finances

Report of a survey, April 2021

Executive summary

"It has been completely devastating to our budget, we are already trying to manage on such a small amount. No schools lump sum, rates that have to be paid from the supplementary funding, 5th outstanding judgement from Ofsted (2020 just before the pandemic), highly qualified and skilled staff. All costs and the budget just doesn't cover it. 30 hours has also nearly finished us off and now we have lost income for 6 months due to closures and isolating. Staff cover shielding staff and sickness has all impacted!"

Maintained nursery schools have been in financial limbo for four years, with their funding crisis unresolved, despite their outstanding quality and vital role in supporting disadvantaged children. The pandemic has exacerbated their financial insecurity.

33% of maintained nursery schools report that they are cutting staffing and services to balance their books. Schools have lost an average of £72,000 of income, and faced an additional £8,000 on average for COVID-related costs. Although government has continued to pay funding for the early education entitlementsⁱ, schools have still seen a drop in income from this and other sources. Only 25% had managed to access the government's furlough scheme.

There is a real risk that some of these outstanding schools will be lost. Only 23% confirmed that they could continue to operate within their current funding levels. 4% reported that a formal consultation on closure was already underway or expected imminently, while a further 3% said their local authority had said closure needed to be considered as an option. A further 9% expect closure to be raised as a consequence of the financial impact of COVID. 22% have financial recovery plans in place or under discussion.

46% reported that at the end of March 2021, they would be in deficit for the year – 26% for last year only and 20% for last year and one or more previous years. The average deficit reported was £76,000. 54% of schools had managed to balance the books with an average of £64,000 surplus – in some cases this may have included carry forwards from previous, less challenging years.

It is clear that without immediate government action to target emergency support at those schools most badly affected, some of the highest quality early years provision in England, serving some of the most deprived communities, will be lost.

Background

“The Council do not acknowledge or celebrate the contribution made by Nursery Schools expertise in closing the gap, supporting parents in raising achievement for their children, training students as future experts, providing year round high quality care and education for working families and providing training to other professionals.”

Maintained nursery schools (MNS) are centres of excellence in early childhood education, located in some of the most disadvantaged areas of the England. Like other schools and unlike private, voluntary and independent sector settings (PVIs) they are required to employ qualified teachers, a headteacher and a Special Educational Needs Co-ordinator, to have admissions policies which prioritise the children in greatest need of a place, and to undergo inspections under Ofsted’s framework for schools, which are more demanding than those for providers on the early years register. They are the group of educational providers most highly rated by Ofsted: with 63% rated Outstanding and 35% Good. For the 40,000 children on roll each year, they are vital in levelling up their life chances. Moreover, they provide system leadership to support other local early years settings to improve.

Despite this, their funding has been in limbo since the introduction of the Early Years National Funding Formula in 2017, when government acknowledged that they should be funded differently from other early years providers. Four years on, their funding remains frozen at 2016-17 levels, with vastly different levels across the country based on a patchwork of local decisions from before 2017. Many face significant funding shortfalls, and none can plan with certainty for the future in the absence of clarity about when a new formula will be introduced or what it will mean for them.

This precarious financial position has been worsened by the pandemic, which impacted the costs and income of all early years providers.

During the pandemic, maintained nursery schools were a lifeline for local families: they stayed open throughout for the most vulnerable children and children of critical workers, often taking in children from other settings which closed during the first lockdown. They supported their families with remote learning – and often with food parcels and practical support. They were in touch with vulnerable families when health and social services were unable to maintain contact. In the third lockdown, they were told to remain open to all children, at a time when all other schools were told to remain closed, without social distancing, vaccination or access to testing.

Over the year, due to the impact of the pandemic, numbers of children attending nursery schools have fluctuated and remain far below normal levels. This has meant a potential reduction in income for children on government funded entitlements and in fee-paying provision. Schools also faced additional costs for cleaning, making premises Covid-safe and coping with absences due to staff illness and isolation.

“Although Covid has had a huge financial impact on this year I am more worried about next academic year. Numbers on roll for September are significantly lower than any other year previously.”

In March and April 2021, Early Education, NAHT, NEU and Unison asked all of England's remaining maintained nursery schools to report on the impact of the pandemic on their finances and future survival. 200 responded to the online survey. They were spread across 75 local authority areas.

Findings

"It has been difficult to recruit children for the school year 20-21, we now have to operate at 95% occupancy to break even. Operational costs from buyback from the LA continue to increase each year and our fixed funding will be unsustainable for us from the end of this academic year if the base funding doesn't increase. For the last 3 years we have to make revisions to staffing to stay within budget."

"The LA are supportive of the fact we have not misspent funds and it is not any fault with the school. We are trying to work with the LA and they are trying to support us but with a loss of £18924 transitional funding going into next year this will make an even greater impact."

"We have managed to set a balanced budget but we do need the income from childcare to go back to pre covid [levels]."

"We cannot currently make our budget balance - even adding to this a significant restructure and closing day care. Since taking up the post I have been very aware that we are costing the authority money and with no funding formula from government we are only safe as each year is funded. I will be implementing staffing cuts in hours, grades and complete roles. We are the last MNS in our authority and it is a difficult position to be in."

33% of maintained nursery schools report that they are cutting staffing and services to balance their books.

Schools report losing an average of £72,000 of income, and facing an additional £8,000 on average for COVID-related costs related to cleaning, premises and staffing.

The future of many nursery schools looks increasingly at risk. Only 23% confirm that they can continue to operate within their current funding levels. 4% report that a formal consultation on closure is already underway or expected imminently, while a further 3% say their local authority said closure needed to be considered as an option. A further 9% expect closure to be raised as a consequence of the financial impact of COVID. 22% have financial recovery plans in place or under discussion. The remaining 5% were unsure of their situation.

"The School had a financial recovery plan in place that was working well and on track. The deficit created through loss of income, mainly associated with first lockdown and impact on numbers on roll means the School is vulnerable as the LA completes its consultation on the future of Maintained Nursery Schools."

“Having completed scenarios to compare income/expenditure based on statutory vs realistic ratios it is evident that, from a financial perspective, Nursery Schools need to provide 1:13 ratios. In reality, this is not possible due to the various factors affecting provision including supervision of a large indoor/outdoor site as well as the high level of children's needs. In order to address this we must apply for top-up inclusion funding which does not cover the cost of the staff assigned to providing support, particularly 1:1. The NEF [nursery education funding] income barely covers staff costs yet we also have the additional expense of providing and maintaining a safe school site, including the statutory responsibilities laid out in Maintained School Ofsted requirements in contrast to other EY providers. When the Covid guidance and restrictions are also factored in, the financial impact increases due to a lack of flexibility in moving staff between bubbles, dividing spaces within nursery to create smaller groups, site safety, cleaning and hygiene. Staff/children isolating plus bubble closures have also impacted financially with refunds for invoiced income and increased staff cover costs.”

46% report that at the end of March 2021, they are in deficit for the year – 26% for last year only and 20% for last year and one or more previous years. The average deficit reported was £76,000. 54% of schools had managed to balance the books with an average of £64,000 surplus – in some cases including carry forwards from previous, less challenging years.

Maintained nursery schools have benefited from continued payment of early years funding entitlements for part of the year, but many lost income from parent-paid fees or other sources. They were not eligible for some government schemes which benefited private providers such as the business rates holiday or business loans. Nor did they receive access to the same support as other schools in relation to additional COVID costs.

Average loss of income from main sources <i>(breakdown may not match total as some respondents only gave a total figure)</i>	
Universal early entitlement funding for 3-4 years	£ 27,161
30 hours funding	£ 14,548
Funded 2-year-old entitlement	£ 16,062
EYPP funding	£ 1,856
High needs funding/SENIF/DAF	£ 7,615
Parent-fees for additional hours or wrap-around	£ 36,159
Other traded services eg room hire, training	£ 7,879
Total loss of income (all sources) for FY 2020-21	£ 71,916

Only 25% were able to make use of the government's furlough scheme, and those who successfully claimed received an average of £35,000. Some were ineligible due to the majority of their income coming from the early years entitlement funding. Others may have been wrongly advised or confused about eligibility. Although MNS staff are employed by the local authority, some could have been furloughed in

proportion to the amount of private income paying the staff salary budget. MNS staff and LA advisers were not always clear about this.

“The fragile financial situation has also created far more challenge and stress to the leadership and staff of the school. Not replacing leavers or those on maternity leave put us on very tight staffing numbers, with no 'wriggle room' to cover staff absence. This has been particularly difficult when staff have had to shield, isolate, or been unable to attend work as their own small children were not in school due to isolation of class 'bubbles'. On one occasion we had to close a class for two days due to staff sickness (not Covid related) due to this situation. This then has a knock-on affect on children, their parents and carers, and the staff team. Running the school during this past year has been the final straw for my own well-being (the financial aspect being a major contributor) and I am now retiring at the end of this year earlier than previously planned or anticipated as a direct result.”

A [study by the IFS](#) demonstrated that most maintained nursery schools' ratio of income to costs leaves little slack, while private providers generally have a much higher income compared to their costs. Yet during the pandemic the latter have had access to business rates holidays, rates rebates and far less ambiguity over their access to the furlough scheme than the maintained sector, while maintained nursery schools, whose need is often greater, have had far less access to financial help.

The future for maintained nursery schools is increasingly uncertain. Even some respondents in schools which have managed to survive the year with a surplus, often on the basis of using up previous carry forwards, are projecting deficits for future years. The financial impact of the pandemic on top of the uncertainty and insufficiency of future funding is eroding the viability of maintained nursery schools. Government must act urgently to provide targeted support to maintained nursery schools whose sustainability has been jeopardised by the pandemic, and to put in place long-term viable funding. If not, the government's levelling up agenda will be put at risk in some of the most disadvantaged areas of the country.

“We need long term security in order to invest in services and provision in order to meet increasing needs of families, but we can't as we need to maintain the current provision on the minimum budget. We could offer so much more, if we could plan beyond April 2022.”

ⁱ Government funds 15 hours of early education for 40% of 2-year-olds on the basis of socio-economic disadvantage, and for all 3- and 4-year-olds. An additional 15 hours per week for 3- and 4-year-olds is funded for working parents who are earning more than the equivalent of 16 hours at the national minimum wage, but less than a ceiling of £100,000 per parent.