



Transforming the system of early
years funding:
Institutionalising 'free' early education
and care?

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Issues to address

- Overview of funding
- Historical context – legislation, local provision, funding
- Policy changes since mid-1990s
- Funding changes
 - Early years single funding formula
 - Early years national funding formula
- Possible impacts

Overview of funding

- Early years education and care delivered by a ‘mixed economy’ of providers
- Public funding historically directed towards public providers, nursery schools and nursery classes, but since 1996 PVI providers have been recipients of significant levels of public funding
- But funding mechanisms differed with different consequences as regards levels of funding
- Early years single funding formula (2011): attempt to ensure a ‘level playing field’
- Early years national funding formula (2017): equitable funding between local authorities and within local authorities

Historical context:

Legislation and local provision

- 1918 Education Act – local authorities could apply for grant aid from central government to establish nursery schools
- 1944 Education Act – local authorities ‘to have regard’ to the need to secure provision for under-fives by provision of nursery schools and nursery classes
- 1980 Education Act – no duty to provide nursery education
- ‘Permissive’ legislation and local authority choices resulted in high levels of school-based provision in North of England and more private and voluntary nurseries and pre-school groups in the South of England

Historical context:

Two stage funding of education

- Stage 1: Central government funding of local authorities 1990s:
 - Revenue support grant to local authorities (education element varied according to population, cost and level of ‘additional educational needs’ – expenditure at a local level deemed to be an indicator of need)
 - More disadvantaged local authorities in areas with higher costs and higher expenditure received more funding for education
- Stage 2: Local government to schools and other providers:
 - Schools: locally developed formulae (statutory framework following 1988 Education Reform Act)
 - Different approaches for assisting with funding of pre-school provision (e.g. local authority grants)

Policy changes since 1996

- Conservative Government 1996: Introduction of nursery education voucher for four-year-olds
- Voucher could be used in maintained, private, voluntary or independent sectors (12.5 hours a week, 33 weeks a year)
- PVI flat rate across the country - £1,100 [part-time place in a nursery class in a primary school £1,330]
- Labour Government 1998: Replaced voucher with an entitlement on free early education
- Labour and Coalition: Expansion and extension to different target groups (three-year-olds and disadvantaged two-year-olds) – 15 hours a week, 38 weeks a year

Funding: Government to local authority – Stage I

- From 1990-2006: School-based education funded predominantly via government 'revenue support grant' (RSG) to local authorities (not hypothecated)
- PVI providers funded differently:
 - 1996-97 vouchers, funded mainly by a reduction of RSG
 - From 1998–99, funding for PVI providers distributed to local authorities via the 'nursery education grant'
 - From 2001-02, funding for PVIs transferred to the government RSG
- 2006–07 funding for schools and all early education paid as a specific grant to local authorities: Dedicated Schools Grant (hypothecated) (West and Noden, 2016)

Funding: Local authority to provider funding – Stage II

- School-based provision via local authority funding formulae (in accordance with legislation)
- PVI providers funding – initially local authorities acted as ‘paymasters’ of central government, later local authority determined the amount
- ‘Path dependence’ as regards amount of funding to PVI providers

Funding: Inequalities and introduction of Early Years Single Funding Formula

- Inequalities between the funding of providers of different types became a key concern for Labour government
 - It is a matter for individual local authorities to determine the rate at which they will fund PVI providers...However, given that all under-fives in an authority area are funded from the centre at the same rate, local authorities should, in the Secretary of State's view, adopt a similar principle at local level (DfES, 2006)
- 2011 Coalition introduced Early Years Single Funding Formula (EYSFF)
- Each local authority was required to allocate funds to providers – maintained nursery schools, nursery classes in primary schools and those in the PVI sector – on the basis of a locally developed formula (see Noden and West, 2016; West and Noden, 2016)

Early Years National Funding Formula I

- Discussions regarding an early years national funding formula (EYNFF) began in 2011 – closely linked at this point with the desire to reform school funding
- EYNFF would provide a formula-based mechanism to distribute resources from central to local government – not historically based and not related to previous levels of spending
- Government was focused primarily on addressing inequalities of funding across areas

Early Years National Funding Formula II

- Prior to 2015 General Election the Conservative Party Manifesto pledged to increase the free entitlement to 30 hours free 'childcare' for working parents
- In 2015 Conservative Government confirmed that it would introduce EYNFF: 'to ensure that funding is transparently and fairly distributed between different types of providers and different parts of the country'.
- Government concerned about: 'a non-level playing field between those from the maintained sector and those from the private/voluntary sector. This matters to 30 hours delivery, as the majority of 30 hours places will need to be delivered by the private/voluntary sector' (see Noden and West, 2016)

Early Years National Funding Formula III

- Distribution of funds from *central to local government*
 - Universal base rate plus factors for additional needs, using measures of free school meals; disability living allowance, and English as an additional language; and an area cost adjustment
 - Minimum funding rate of £4.30 per hour to local authorities (scope to pay providers an average funding rate of at least £4 per hour)
- Distribution from *local authorities to providers*
 - A minimum amount of funding to be passed to providers (up to 95% in 2018-19). Local authorities are required to set a local universal base rate for all types of provider by 2019-20; supplements of up to 10%: a mandatory supplement for deprivation and discretionary supplements (e.g., rurality/sparsity; support of flexible provision; a quality supplement for workforce qualifications; and English as an Additional Language)
- Supplementary funding for maintained nursery schools for limited time period (see EFA 2016)

Early Years National Funding Formula: Potential impacts

- Research (Noden and West, 2016) suggested that EYNFF would create substantial turbulence across local authorities, within local authorities, across sectors and across providers
- ‘Early education and childcare is provided by a patchwork of different types of providers, with very different operating models. Central government is not in a position to predict the local impact of the funding reforms it has proposed’
- The potential impact of funding changes:
 - I have some parents who work five days a week and pay £185. At the moment I get £4.68 an hour for entitlement funding because I qualify for all the supplements. If the government pays, say, £4 per hour for thirty hours, that’s £120 (Private setting manager)
- For the relevant local authority, £4.06 was the ‘illustrative average hourly rate that a provider might expect to receive’ in 2017-18

Early Years National Funding Formula: Winners and losers

- In London, 12 local authorities are losers, with reductions of up to 10% per hour (in 2019-20) whilst 20 are set to gain, with increases of up to 46% (London Councils, 2017)
- The 'losers' include Tower Hamlets with historically high levels of expenditure on nursery education and 'winners' include Bromley with very low levels
- Concerns have been raised in the House of Commons: the MP for Sunderland noted that the baseline funding rate for three and four-year-olds for 2016-17 was £5.38 per hour in her local authority, but under the EYNFF will decrease to £5.11 per hour: 'That might not sound like much of a decrease, but it is per hour and it is the difference between survival and closure'

Likely impact

- Evaluation of Early Rollout of 30 Hours Free Childcare (August 2017): High proportion of providers in the early rollout areas (83% of providers delivering the free entitlement and 62% all registered providers) willing and able to deliver the extended hours
- Survey of 1,394 childcare providers by the Pre-school Learning Alliance (August 2017): 38 per cent thought their business would not be sustainable in 12 months' time as result of 30 hours offer
- Nearly three-quarters said current funding rate would not cover the cost of delivering a 30 hours place (shortfall 18%)
- More than half of respondents planned to introduce/increase charges for additional goods and services as a result

30 hours 'free' childcare?

- Nursery A: Parents are asked whether they will pay a voluntary contribution of £10 a day or £6 per session, which goes towards extras. Hot meals are charged for separately
- Nursery B faces a £14.60 daily shortfall in funding so it charges parents of children who are eligible for 30 hours (three full days) £15 a day for lunch. Parents can opt instead to take their child home for the lunch hour, but they must arrive on time each lunchtime or pay a £7.50 penalty for every five minutes they are early or late for pick up and drop off
- Nursery chain C: Parents whose children are eligible for the 30-hours pay a new charge of £40 a day to cover the cost of lunch and extracurricular activities. Parents who do not agree to pay the voluntary contribution are not offered a place at the nurseries (Nursery World, The Guardian, 2017)

Conclusions

- Role of central government in ECEC in England has increased over time - system of funding early years funding has been transformed
- EYNFF introduced for two purposes: to seek to ensure funding equity between and within a local authority
- Equitable funding deemed necessary for 30 hours free childcare offer given the reliance by government on the PVI sector to deliver policy and meet policy goals
- But longstanding concerns about the adequacy of funding levels have not been addressed – will 30 hours childcare be ‘free’?
- Will ‘equitable’ funding without additional resources be sufficient to ensure high quality provision particularly in disadvantaged areas catering for disadvantaged children?

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