



The Early Years Single Funding Formula: update from the Montessori Schools Association (MSA) **April 2010**

This update aims to provide information on the Early Years Single Funding Formula (EYSFF) as it affects Montessori schools. The picture continues to emerge and there is a clear distinction between settings which have been involved in and are aware of local consultations and others which are less involved and have only limited awareness of the implications of the proposed changes from September 2010.

1. Background:

1.1 There are 630 Montessori schools and pre-schools in the UK who are members of the MSA, the vast majority being in England. They provide pre-school education for children in all types of community, from the affluent districts to areas of deprivation. The quality of the education provided is high: 88% of schools in membership of the Montessori Schools Association have been graded 'outstanding' by Ofsted. None were graded 'inadequate'. There are over 31,000 children in Montessori schools in the UK and the turnover of the sector is estimated to be £60,000,000 per annum.

1.2 In general Montessori schools have higher levels of staff qualifications than other private and voluntary preschools. The Montessori Diploma is rated as level 4 by the Children's Workforce Development Council: many staff have Early Years Professional or Foundation degree status, and a significant minority have Bachelors and Masters degrees. This higher level of qualification goes some way to explaining the excellent quality of the provision, but results in higher staff wages costs – besides meeting the government's desire for a better qualified early years workforce.

1.3 MSA submitted evidence to the Select Committee for Children, Schools and Families enquiry which reported on 24 March 2010. The basis of the evidence was:

- The Early Years Single Funding Formula (EYSFF) is likely to have a major and negative impact on provision which is frequently sessional and whose highly qualified staff are paid at levels above those less well qualified, especially where parents cannot pay the full cost fees. This will adversely affect Montessori provision more than many other preschools. As the Select Committee stated 'We draw the department's attention to the possibility that the cost to

local authorities of early years provision may rise significantly if quality levels rise and parents make more use of high-cost provision under the free entitlement.’ (para 14). The lack of flexibility in meeting the higher costs of good quality provision means that either the quality has to be lowered so that costs match income, or the settings opt out of taking the funding entitlement, so restricting the choices for many parents and creating elitism in the system.

- The ‘level playing field’ envisaged by the EYSFF is non-existent. Maintained nursery schools and classes are receiving additional funding over and above those given to other providers.
- The ban on top-up fees for the hours provided under the EYSFF – 15 per week from September 2010 – is a restraint of trade on private businesses which can only be countered by opting out of accepting the funding for three and four year olds.
- The evidence to the Select Committee noted that
 1. Local authority funding offers vary significantly – there is no national norm.
 2. The basis on which funding is determined varies considerably – some authorities offer increased funding on the basis of recognised quality, such as in Ofsted inspections, others offer additional funding on criteria for disadvantage and so on.
 3. The options available to Montessori preschools were to opt out of accepting the funding, to continue but to run at a loss for the 15 funded hours, or to close down.

1.4 The Select Committee report noted that ‘The introduction of the Early Years Single Funding Formula has been difficult for local authorities and for providers’ (para 106) , although this statement, which we regard as a considerable understatement of the position, was qualified by saying that ‘we do not believe that the concept of the Single Funding Formula is flawed’ (para 105). In particular, the report noted that ‘there have clearly been some wayward and potentially damaging decisions by local authorities, and Departmental guidance appears to have been interpreted differently in some cases.’ (para 124). Such a situation continues, to the detriment of the children.

1.5 In particular the Committee noted that ‘many early years providers in the private, voluntary and independent sector failed to share key information (with their local authority). The reluctance of some PVI providers to offer cost information to local authorities – perhaps because of a perception that they were in competition for children to fill places – is understandable but ultimately short sighted’ (para 50). Short sighted or not, the right of a private business to decide whether or not to share sensitive information has not been a consideration in the development of the EYSFF, and in some cases, as cited in our evidence to the Select Committee, has led to public statements about the future viability of identified settings – no wonder they want to withhold commercially sensitive information if after providing the information their future is publicly questioned.

1.6 From the Select Committee report, it is clear that the variations between local authorities are unacceptable. The report states that ‘We were astonished to learn of local authorities that had not incorporated any quality supplement into their funding formula. (One saying) there was “no clear method of measuring quality” ...Other local authorities have set low hourly rates for their quality supplement... Another local authority proposed supplements to recognise qualifications above level 3 only when held by the setting’s leader.’ (para 78). From such statements, it is clear that the variations between local authorities are considerable. Moreover the Department commented that

‘some authorities had decided not to include a quality supplement as “they considered quality to be built into their system to such a degree that an additional supplement was not necessary”.’ (para 79). In response the Committee noted that ‘it is unacceptable for a local authority not to use (the EYSFF) to try to stimulate improvement in quality of early years education and care’ (para 80).

However this argument is flawed if quality and higher staff qualifications are not adequately recognised within the formula.

1.7 The Select Committee emphasised its comments that ‘there have clearly been some wayward and potentially damaging decisions by local authorities, and Departmental guidance appears to have been interpreted differently in some cases.’ This ‘waywardness’ has led to tensions between local authorities and private providers, especially with regard to the providers disclosing their business costs and planning where they feel this must remain confidential.

1.8 The Select Committee recognised that it is in local authorities’ interests to ensure that a wide range of providers offer services under the free entitlement, to provide flexibility in meeting parents’ and children’s needs. ‘Otherwise, local authorities will risk being unable to discharge this statutory duty to secure sufficient childcare for working parents’ (para 94).

1.9 Besides submitting evidence to the Select Committee, MSA wrote to every English MP. A response was obtained from over 50, some by replying to the letter and others who contacted and visited local Montessori schools. Most were Conservatives, although some Labour MPs responded. The schools were very pleased to have their views considered and spoke positively about the contacts.

1.10 The Select Committee concluded that ‘we believe that only a minority of private, voluntary and independent providers - chiefly those with highly qualified staff – will actually lose out through (the)introduction of the Single Formula Funding’. Of course, that mainly focuses on groups like Montessori schools who have eagerly taken up the government’s exhortations to train staff to higher levels.

2. The present policy position

2.1 The Select Committee report was followed by the launch of the Code of Practice for local authorities on delivery of free early years’ provision for 3 and 4 year olds from September 2010. This sought to address some of the issues which the select Committee had highlighted, including ways of securing and improving quality. In particular it sought to prioritise quality improvement for settings rated below ‘good’ on the National Strategies Early Years Quality Improvement Support Programme, but a consistent national pattern was not established.

2.2 Most importantly, the capacity to charge top-up fees to bridge the gap between the EYSFF funding levels and actual staffing costs was not accepted.

2.3 Most fundamentally, the Code of Practice fails to provide clear guidance where settings choose to opt out of the EYSFF. Clearly for some, ongoing access to fund training for staff who are part way through Early Years Professional or similar training, is an incentive to continue to accept three and

four year old funding – to opt out would lead to the loss of such support. But there are already some instances of some authorities seeking to apply undue pressure, as when one setting was told by their outer London early years support worker that she would cancel their Ofsted registration if they tried to opt out – the setting has refused to be identified in case this leads to further problems. The Code is also not clear about the local authority's role in informing parents and carers about provision which does not accept the funding: paragraph 6.7 says that the Directory of providers refers to those in receipt of funding, and that providers not delivering the free entitlement should be removed from the Directory. Yet it later (para 6.17) says that they have a statutory duty to provide parents with information and guidance to make informed choices about the providers that best meet their needs and those of their child. This is reinforced in the statement that when a local authority seeks to change arrangements for admission to full time education they 'should take into account the **totality** (our emphasis) of provision for three and four year olds in their relevant area' (p.49).

2.4 The Labour party position has remained the same: they want to move to 15 hours funding and will not allow settings to charge either top-up fees to bridge the gap between the funding and actual costs. The Liberal Democrat party does not wish to admit top up fees and wants to extend the hours to 20 per week as well as lowering the age when funding would start to eighteen months. The Conservative party policy is that it wishes to suspend the Code of Practice and to allow nurseries to charge supplementary fees as a temporary solution until funding formulas for the delivery of the free entitlement are sorted. MSA supports this position, seeking an overview of the situation to enable a fairer and clearer system to be developed. The present 'playing field' is uneven in that state nursery schools and classes are being offered additional funding for a period of up to three years whereas private sector has no such support – for them it is a stark choice between operating at a loss for the funded hours or closing from September 2010.

2.5 Other views generally underline the problems of talking about the 'Private and Voluntary' sector or the 'Private, Voluntary and Independent' sector. The daycare trust's 'Quality Costs: paying for Early Childhood Education and Care', notes the shortfall in current funding, based on calculations by the Social Market Foundation; although their data is from 2007-8, it shows that the current proposed hourly funding under the EYSFF would not meet the costs of two years ago, let alone current costs. Their work also seeks a free entitlement for two year olds of 15 hours a week for 38 weeks a year, and for four year olds and entitlement of 20 hours a week for 48 weeks a year. Clearly this model, and similar ones such as the ten year plan, are based on full day care and do not consider sessional or part time provision.

3. The view from the schools

3.1 Inevitably the picture is patchy. Some areas, notably South Buckinghamshire, have organised publicity and share their views on funding. **In no area does the local authority funding meet even the staffing costs of the nursery, let alone other costs for rent, heating etc.** In general settings are seeking to opt out of receiving the funding at least for the duration of the current Code of Practice. This has, in part, been prompted by the short timescales available to the local authority once it decided to opt into the formula with effect from September 2010 – in general this gave settings under three weeks to decide what they might be doing from April 2010. To add to the confusions, some authorities are seeking a formal term's notice of withdrawal, whereas others are being less

prescriptive. South Buckinghamshire has stated that 98% of parents at its member schools have signed a declaration stating that they trust their providers to set fees at an appropriate level and that the Code of Practice will lead to a deterioration in the quality and choice for children.

3.2 It is clear that most local authorities are in a very difficult position. They need to offset administration costs to run the scheme, especially if children are to be matched to more than one setting where provision cannot open for 15 hours a week. Yet the funding they have is not able to match settings' costs and their hands are tied when it comes to advice on ways of offsetting any shortfall incurred during the 15 hours. The Code is deliberately tight: if additional lessons such as dance, music etc are offered at a charge, then provision must be made for children not to attend this. Meals but not snacks might be charged for. But all such instances are only marginal when it comes to meeting any shortfall.

3.3 Some local authorities have given very supportive guidance on how to try to meet the shortfall. Barnet has suggested that where the shortfall was £2, based on costs of £6 and entitlement funding of £4, then additional hours should be charged at £8 – but that assumes that a child attend for 30 hours to offset the underfunding for 15 hours.

3.4 At the time of writing at the start of the Summer Term, a few nurseries have closed – we know of about five at present. It is not clear whether these represent a larger number who might close or who have closed and not informed MSA. However there are indications that a larger number have informed their local authorities of their intention not to continue to accept the funding for three and four year olds. As the South Bucks Nursery Forum has noted 'This will create a two tier system, - one for those who can afford to keep their child in the nursery of their choice and the other for those who can't and must therefore look elsewhere.' (Families Chiltern 1.4.10).

3.5 This bears out the findings of the Federation of Small Businesses survey of PVI nurseries in February 2009 where 84.6% of respondents said that the level of the EYSFF was insufficient to cover the cost of provision, and 58% said that extending the free entitlement to 15 hours would negatively affect their business (quoted in the Select Committee para 89). Articles in 'Nursery World (e.g. 'hard blow for providers' 1 April 2010) reinforce these views.

3.6 There remains little evidence that providers are increasing the availability of extended or wraparound provision where it was not previously offered. Clearly other factors affect this: the availability of the church hall or other accommodation for more hours, the additional costs which any extension of hours inevitably brings, and a tendency on the part of a number of providers not to plan sufficiently far ahead for the increased hours from September – again the Select Committee noted the absence of evidence that EYSFF has encouraged greater flexibility in provision (para 64).

4. Conclusions

4.1 The impact of the EYSFF has yet to be fully felt. We are concerned that MSA members who have not appreciated what is involved will find themselves in a very difficult situation in September when they face the realities of operating for 15 hours a week with funding which does not match their

costs. Clearly the need to give a term's notice to cease to accept the funding may put some in a very difficult situation.

4.2 There is general agreement that the funding levels are too low to meet costs for high quality provision. The failure of policy makers to remedy this remains a major impediment to maintaining high quality provision and also to raising the level of quality elsewhere.

4.3 The fundamental problem remains the refusal to accept that the gap between setting's operating costs and the EYSFF has to be bridged in some way. Top-up funding is the clear solution, and restrictions on setting's ability to require children to attend for more than the 15 entitlement hours do not support the development of clear business models to sustain provision.

4.4 The continued grouping of very diverse providers under the heading of the 'PVI sector' obscures a clear view of the impact of EYSFF. Yet such provision is generally the largest single group of providers in a local authority.

4.5 The penalties resulting from opting out put many providers in an invidious position. Where staff are part way through funded training courses, the costs of opting out have to include either staff not being trained or needing to meet the training costs through the setting's own budget. Loss of access to specialist support such as special needs and other advice are also factors to be considered.

4.5 MSA will continue to monitor the position and to advise members in full confidence on their personal situation.

Martin Bradley
22 April 2010