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Public funding of early years education in England: an historical perspective

Research brief

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Anne West and Philip Noden

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Introduction

The full report (West and Noden, 2016) provides an historical perspective on the public funding of early years education in England. This phase of education has had a high political profile in England since the late 1990s, when state intervention began in earnest with free part-time early education becoming an entitlement for four-year-old children. The entitlement could be taken in maintained nursery schools and classes in primary schools; in private and voluntary (non-profit) providers and in independent schools (PVI sector).

Historical context

The development of publicly-funded early years education and care in England over the past 100 years has been patchy with little overall planning. Historically, there has been a clear divide between nursery education and childcare. Following the 1918 Education Act local authorities could apply for grants to assist with funding nursery education if they wished to make such provision available. During World War II nursery education expanded as a result of the widespread employment of women.

Following the 1944 Education Act, local education authorities were to have ‘regard to’ the need to secure provision for children who had not attained the age of five years, by the provision of nursery schools or nursery classes in other schools.

There was much local variation in terms of provision. Thus, in 1965 the areas with the highest proportion of places were, in the main, industrial towns in the North of England with a high proportion of women in the labour market. The highest proportion of independent provision was found in the South of England where a large proportion of the population was middle class.

In 1972, the White Paper, Education, a Framework for Expansion, set out proposals for universal nursery education. Little progress was made because of the financial crisis in 1976. Subsequently, the 1980 Education Act clarified earlier legislation

stating that a local education authority has the power – but no duty – to establish, maintain or assist nursery schools or schools with nursery classes.

As regards childcare, following World War II day nurseries (under the auspices of local authority social services departments) were to meet the needs of mothers who had to work and prioritised those in special need. Policy was not oriented towards providing childcare for working parents.

Nursery vouchers 1996

In 1996 a voucher scheme for four-year-olds was introduced in four local authorities in England. Parents of eligible children were able to exchange a voucher for a place offered by a provider in a maintained nursery school or a nursery class or reception class in a primary school, or in the PVI sector. The majority of this money came from a reduction in the funds allocated to local government through the government's Revenue Support Grant.

The value of the voucher was set at a flat rate of £1,100. The voucher took no account of the variation in the cost of provision across the country or variations in local need (in contrast to the funding of education provided in maintained schools).

There was geographical variation in the proportion of four-year-olds in nursery schools and classes across England at this time. In 1995, only 4 per cent of children under five were in nursery schools, with high proportions in authorities in the North of England and parts of London. Nearly a quarter of children under five were in nursery classes, reaching around 50 per cent in some authorities in the North of England, parts of the Midlands and parts of London. Very low proportions of children were in nursery classes in certain areas, especially in the South of England.

Entitlement to free early education from 1997

The Labour Government (1997-2010) replaced the nursery voucher scheme with an entitlement to a free part-time nursery education place for all four-year-olds. A free place comprised a minimum of five two-and-a-half hour sessions a week (12.5 hours) for 33 weeks of the year. The offer increased progressively over time: it was extended to all three-year-olds; to 38 weeks; and under the Coalition government (2010-15) to 15 hours a week. From 2013 local authorities had a legal obligation to secure provision for the 20 per cent least advantaged two-year-olds and from 2014, the 40 per cent least advantaged.

Funding from central to local government from 1997

The funding mechanisms from *central to local government* changed during the Labour administrations (1997-2010). Initially there were different approaches for school-based and PVI providers. Free early education in maintained primary and nursery schools was funded by the government's Revenue Support Grant (specifically the Education Standard Spending Assessment (SSA), based on population, cost and additional educational needs) and local council tax. Local education authorities determined how the government funds, which were un-hypothecated, should be distributed, in accordance with various regulatory specifications.

As regards PVI provision, from autumn 1997, local authorities received funding from central government for four-year-olds attending PVI providers. The amount for the autumn 1997 and spring 1998 terms was set at £366 per term per four-year-old; this corresponded to the value of a termly voucher under the nursery education voucher scheme.

For 1998–99, funding for PVI providers which had previously been via nursery vouchers was distributed to local authorities via the Nursery Education Grant; this was paid to local authorities and allocated to providers on the basis of a termly headcount of the number of eligible four-year-olds educated at each eligible setting on a particular day. The grant rate for 1999-2000 was £1,130 per eligible child for five, two-and-a-half hour sessions over 33 weeks per year.

The Nursery Education Grant was paid to the local authority for three- and four-year-olds in PVI provision until 2000-01 and for three-year-olds until 2003-04. From 2003–04, it ceased to exist but was included in the Education Formula Spending Share (which replaced the Education SSA).

In 2006-07, funding for eligible under-fives, including the delivery of the free entitlement in both maintained and non-maintained sector providers was consolidated within a new, earmarked Dedicated Schools Grant. From 2013-14, the new entitlement for disadvantaged two-year-olds was also funded via the Dedicated Schools Grant. In the same year, the grant was split into three notional blocks – schools, early years and for high needs. An Early Years Pupil Premium was also introduced in 2015 for three- and four-year-olds.

Funding by local authorities to providers from 1997

The allocation of funds by *local authorities to providers* has varied over time in line with statutory regulations and government guidance. For providers in the maintained sector (nursery schools and primary schools) funds were distributed by the local authority's funding formula drawn up in line with school finance regulations. The distribution of funds for PVI providers has varied markedly since 1998. When the Nursery Education Grant was in place, local authorities operated as 'paymasters' on behalf of the government. However, once this grant ended, each local authority was responsible for determining the rate at which PVI providers would be funded. Following the introduction of the Dedicated Schools Grant attempts were made to bring together the different funding mechanisms. Government sought to steer local authorities towards funding providers at the same rate.

However, the legislative framework for funding early years education varied. Maintained schools were funded via the local authority's school funding formula and local authorities could use pupil numbers or place funding for children under five at maintained schools. They were required to treat under-five pupils in maintained schools in the same way as over-five pupils: they attracted additional funding according to their special educational needs or additional educational need status. PVI providers were generally funded on the actual provision taken up, broken down into sessions.

In 2007, a government survey found that most local authorities had continued the funding practices they developed when funding was delivered through the Nursery Education Grant by uprating each year the amount per pupil delivered through that route. Many authorities had a single rate of funding for the whole PVI sector and did not differentiate between providers operating in different circumstances. In the same year, it was announced that all authorities would be required to introduce a new funding formula to cover early years provision in both maintained and PVI settings, and this would incorporate a standardised transparent method for setting the basic unit of funding per pupil. The policy was implemented across England from 2011. Since then each local authority has been required to allocate funds to eligible providers – both maintained schools and private, voluntary and independent providers – on the basis of a locally developed Early Years Single Funding Formula.

Accounting for current variation in funding

There are various reasons why the funding of early years education differs across England. Many are a result of decisions made by central and local government in the past. The past decisions made by local councils and the priority given to this phase of education are important to bear in mind. In particular, more nursery education provision was developed by northern local authorities and certain urban conurbations than by others. Authorities in the South of England were less likely to develop nursery education; instead more private and voluntary provision developed.

Part of the explanation for the varied development of provision is that the 1944 Education Act did not make the provision of nursery education a duty so enabling local authorities to make their own decisions as to whether to provide nursery schools or nursery classes in primary schools. Moreover, until 2006, local authorities could choose how much to spend on education: they could spend more or less than central government deemed appropriate. Funding nominally allocated for three- and four-year-old children could also be spent on other phases of education. Furthermore, different local authorities received different allocations according to the population size, level of need and cost. The result was that some local authorities received and spent more on education for children under statutory school age than others.

With the introduction of the nursery education voucher in 1996 and the subsequent entitlement to a pre-school place for four-year-olds in 1998, funding was made available by the government – via local authorities – to providers in the PVI sector. Unlike funds for school-based education, the funding was at the same flat rate across the country. The initial amount also fell short of the average amount per place in a nursery class.

Whilst government exhorted local authorities to fund providers in the public and PVI sectors on a similar basis, notably when the Nursery Education Grant was abolished, local authorities tended to continue to fund PVI providers as they had done previously. This led to a desire by government to ‘create a level playing field’, which it did via the introduction of the Early Years Single Funding Formula.¹

¹ Details of this and subsequent developments are given in Noden and West (2016).

References

Noden, P. and West, A. (2016) The early years single funding formula: National policy and local implementation, Clare Market Papers 22, London: LSE.

West, A. and Noden, P. (2016) Public funding of early years education in England: An historical perspective, Clare Market Papers 21, London: LSE.

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