

Review of the cost of providing childcare: call for evidence

Introduction

Every Disabled Child Matters, Special Educational Consortium, Contact a Family and Family and Childcare Trust welcome the intention of the Childcare Bill to help families with the costs of childcare. However, there is compelling evidence that the *current* free early education entitlement does not work well enough for disabled children and children with special educational needs (SEND), and that these children are denied equal access to provision that meets their needs. This demonstrates a failure at national, local and setting level to meet responsibilities under the Equality Act. In particular, there is a significant failure at government level to promote equality of opportunity for young children with SEND (s.149 of the Equality Act 2010). The Government must address the challenges currently facing families of children with SEND if they are to have the same opportunities as other families to access the extended 30 hours free childcare offer.

A significant reason for the failure of the current free early education offer to effectively promote equality of opportunity, is that funding for the entitlement does not recognise the additional costs of providing childcare to children with SEND. In addition, the funding mechanism to provide 'top-up' funding for children with additional needs is inconsistent and inadequate at meeting additional costs for early years providers. It is apparent that funding issues cannot be separated from the capacity of the early years and childcare sector to provide inclusive quality childcare to children with SEND.

These funding issues must be addressed, both to ensure that disabled children have equal access to the current early education offer and that the early years and childcare sector is able to respond to the extended childcare offer. Without doing so, not only will the Childcare Bill fail to support parent carers of children with SEND to enter or sustain employment, but it will undermine the aspirations of the Children and Families Act 2014 to create a 0-25 SEND system that promotes the best possible outcomes for children with SEND.

Lack of equal access to early education and childcare for children with SEND

There is a considerable body of evidence demonstrating that children with SEND are denied equal access to early education and childcare provision that meets their needs. In 2006, the Parliamentary Hearings on Services for Disabled Children found that the major barrier to work for parents with disabled children was access to affordable and appropriate childcare¹. The subsequent report recommended that additional supply-side funding should be invested in childcare

providers, to make the childcare costs for disabled and non-disabled children equal on the point of entry.

The Parliamentary Hearings led to the Aiming High for Disabled Children programme, which included funding the Disabled Children's Access to Childcare (DCATCH) pilots. The evaluation of the DCATCH pilots in 2011 showed that, while it was effective in the areas where the work was focused, nationally the cost and availability of appropriate childcare provision continued to limit access for families of disabled childrenⁱⁱ. This is easily explained by the disparity in funding between the 10 pilots, which received £35m between them over 2008-11 (approximately £1.2m each per year), and the funding received by local authorities following the national roll out of the programme, which in 2010/11 was between £59,000-£119,000.

Where recent policy development has addressed cost at the point of use for parents, other barriers related to quality and inclusion remain which limit families of children with SEND from accessing provision. The evaluation of the Early Education Pilot for Two Year Old Children in 2009, found that although specifically targeted, along with other groups, disabled children and children with SEN were significantly more likely than their peers to drop out of the pilot early; 17 per cent of children compared with 9 per cent of children with no SEN or disability. Qualitative findings from the evaluation showed that parents of disabled children and children with SEN had more mixed views about the provision than parents overall. Where the provision met their child's needs, the benefits were felt more strongly; where it did not, parents were more dissatisfied than other parents. A significant number of these parents were parents of children with SEN who then sought a special school place for their child as they became eligible for the universal 3- and 4-year-old offer.

There remains a serious shortfall in early education and childcare provision that meets the needs of families of children with SEND. Only two in five (40 per cent) parent carers believe there are childcare providers in their local area that can cater for their child's illness or disabilityⁱⁱⁱ. This perception is borne out by the fact that only 28 per cent of local authorities reported having sufficient childcare for disabled children in 2014. This fell to 21 per cent in 2015 following the introduction of 2 year old offer, in part because local authorities were forced to prioritise securing 2 year old places at the expense of other market management activities^{iv}.

At present, early years provision is failing too many children with SEND. The recent research findings from a secondary analysis of the Millennium Cohort Study found that disabled children and children with SEN make less progress over the early years than their non-disabled peers with similar levels of cognitive skills, that is, the same prior attainment. In effect the research says we can identify children reasonably effectively but we then take no action to secure the progress we might expect, or the action we take is not effective^v. A significant reason for the lack of quality early education and childcare provision that meets the needs of children with SEND is that policy, including the current free early education offer, fails to adequately take account of the additional costs of providing quality childcare to children with SEND. This limits the capacity of the

early years sector to provide inclusive childcare that families with children with SEND can access in the same way as other families.

The additional costs of providing childcare for disabled children

The Parliamentary Inquiry into childcare for disabled children (2014) heard consistent evidence from provider associations regarding the additional costs of providing childcare for disabled children^{vi}. Additional costs are frequently incurred due to:

- Higher staff ratios to meet the needs of children, for example operating on a one to one ratio, rather than the setting's usual ratio.
- Releasing staff to meet with health professionals etc., whilst having to bring in additional staff cover to maintain staffing ratios.
- Staff training and specialist care including administering medicines, manual handling, communication techniques etc.
- Purchase of equipment or resources.
- Physical adjustments to buildings.

It is impossible to say what proportion of a setting's total costs might be made up by these additional costs because it will depend on the needs of children with SEND at their setting, the existing capacity of a setting to meet those needs, services provided by the local authority to support children with SEND's inclusion in childcare settings and the number of children with SEND at a setting. However, higher staff ratios or one to one specialist support is consistently identified as a particularly significant additional cost. Parents who responded to the Parliamentary Inquiry reported paying additional fees of £7-10 per hour for one to one care such as personal assistants in order to access provision. Fees can be even higher if staff are recruited from agencies. The City of York's evaluation of its Early Years Inclusion Funding, found that 71% of practitioners used the funding to pay for one to one support. Resources (14%) and training (6%) were the most common other uses^{vii}.

Unless these additional costs are met by the local education funding system, settings must either absorb costs themselves, deny children with additional needs access to provision or pass the costs on to parents through increased charges. There is strong and consistent evidence that where childcare providers are able to pass costs on, they frequently do so, particularly to compensate for higher staff to child ratios. A survey by EDCM and the Family Fund found that 66 per cent of respondents paid more for childcare for their disabled child than for their non-disabled child^{viii}. In 2014, 82 per cent of families with disabled children who used childcare paid above the average, according to a Contact a Family survey^{ix}. 38 per cent of respondents to the Parliamentary Inquiry into childcare for disabled children parent carer survey reported paying £11-20 per hour with 5 per cent paying more than £20 per hour compared to a national average of £3.50-4.50^x.

Other providers consider charging families of children with SEND higher fees to compensate for the additional costs of provision to be discriminatory, and so

absorb these costs themselves. Disabled children are protected from discrimination by the Equality Act 2010 which requires settings to make reasonable adjustments. However, whether an adjustment is reasonable partly depends on the financial capacity of a provider to make the adjustment. What is reasonable for a primary school nursery may not be for a childminder or small PVI setting.

In regard to the free early education offer, settings are forbidden from charging families with disabled children the additional costs of their funded places. So, the capacity of a setting to include children with SEND will depend on their ability to meet the additional costs of provision from within the setting's own budget or to access 'top-up' funding from the local authority.

The single funding formula and disabled children

Providers are funded to offer free early education places through the Early Years Single Funding Formula. However, in early education there is no equivalent of the notional SEN funding for school-age children, hence no recognition of the additional costs of providing early education to disabled children. This effectively means that additional costs must be met from within the funding provided to secure all free places, unless a setting can access 'top-up funding' for an individual child.

It is widely recognised that the single funding formula provides an insufficient rate of funding for providers to secure places for all children. Ceeda research for the Pre-School Learning Alliance estimates that the free entitlement funding received by Private, Voluntary and Independent (PVI) covers only 80 per cent of delivery costs^{xi}. The National Day Nurseries Association (NDNA) report that 78 per cent of their members are underfunded for providing free early education places, with average shortfalls of £900 per child, per year^{xii}. A rate that is already insufficient for all children is even more inadequate for children with SEND and this inevitably leads to worse access for children with SEND to the free entitlement as well as detracting from providers' ability to focus on quality.

The chronic shortfall in funding for the current free early education offer requires urgent attention and any changes to the Early Years Single Funding Formula must entail recognition of the additional costs of provision for children with SEND in order to support settings to provide places for these children.

Recommendation

The Early Years Single Funding Formula must provide sufficient funding to all settings to meet the full costs of securing places for children accessing the current early education offer. A revised formula should include a supplement to take account of the additional costs of securing suitable quality provision for children with SEND.

Top up funding for disabled children in early years education

Providers should be able to access 'top-up funding' to meet the additional costs of provision, above what can be met through their formula allocation. Local authorities are also able to designate specialist SEN places in early years settings, which are funded at £10,000 per planned place, above which per-child top-up funding is provided. Top-up funding was introduced in April 2013 in order to align funding with local authorities' statutory responsibilities for pupils with high needs. Top-up funding should be provided from the High Needs Block (HNB) of the Dedicated Schools Grant (DSG).

However, there are widespread concerns about whether top-up funding is adequate to support settings to provide inclusive, quality early education to all disabled children. The Parliamentary Inquiry into childcare for disabled children concluded that 'the availability of additional funding is inconsistent and is not always adequate to enable a disabled child's participation in a setting'^{xiii}. The underlying cause is that funding allocated to local authorities through the HNB to meet additional needs is insufficient in general and seriously inadequate in some areas. The HNB must now meet the additional needs of children and young people throughout the 0-25 SEND system, yet when top-up funding was introduced the HNB did not receive additional funding to reflect this larger cohort.

In addition, the HNB funding allocation to local authorities reflects historic distribution patterns rather than reflecting local prevalence of SEND. As a result, the amount of HNB funding per pupil with a statement or on School Action Plus varies from £4,500-£15,000^{xiv}. As research undertaken by the ISOS partnership for the Department for Education (DfE) points out, there is a strong argument in moving to an allocation formula based on a range of factors 'related to deprivation, prior attainment, disability and children's general health.'^{xv}

Members of the National Children's Bureau National Quality Improvement Network have reported that it can be difficult for providers to access High Needs Block funding unless a child has an SEN statement or EHC Plan, which few children do by age 3^{xvi}. The ISOS research reveals some local authorities reporting increased demands for statutory assessments for pre-school children in order to secure the free early education entitlement for two-year-olds, or access full-time early education for three- and four-year-olds^{xvii}. In some cases, this appears to be reducing the funding available for children without a statement or Education, Health and Care plan. In a small minority of local education systems studied in the ISOS research, providers reported that they had no recourse to top-up funding at all. 15 per cent of parent carers who responded to a Contact a Family survey in 2014, said they had been refused funding for one-to-one support to allow them to access childcare^{xviii}. The lack of top-up funding may in turn further need for EHC assessments and plans.

In addition, the Parliamentary Inquiry into childcare for disabled children received a great deal of evidence from parent carers and providers that where top-up funding could be accessed, it did not fund support at a level that enabled children to access their full early education entitlement^{xix}. Frequently, one-to-one

support was funded for only part of the early education offer and either parents or settings would have to make up the shortfall themselves, as well as funding support outside the free offer.

It is perhaps not surprising that 41 per cent of parent carers who responded to the Parliamentary Inquiry into Childcare for Disabled Children's survey, said their children did not access the full 15 hours of the free entitlement for early education for three and four year olds^{xx}. Preliminary results from a follow up survey into children with SEND's access to the free entitlement (based on 120 responses with 159 children), show many children failing to access their full entitlement to free early education. Of the 19% who received some of their hours but not all (typically the equivalent to 10-12 hours per week), 44% of children were not offered their full entitlement by settings, 22% could not access funding for one to one care that covered their full entitlement, and 22% could not access one to one care at times that they required it^{1xxi}.

The ISOS research confirms that a small minority of settings provide only 10 hours of the free early education offer to children with SEN, because the rate they receive does not enable them to provide places for the full 15 hours^{xxii}. It is essential that there is adequate funding made available through the HNB to meet the additional needs of all children with SEND, above what settings are able to meet as reasonable adjustments. Without this, the cost of provision will continue to act as a major barrier to their equal access to early education and its benefits.

Recommendation

Additional funding must be made available via the High Needs Block to ensure adequate top-up funding is available for all children with SEND in early years.

The High Needs Block funding formula should be reformed to distributed funds according to need.

Although the level of top up funding available is a serious barrier for many children with SEND to accessing early education, other issues exist in relation to the mechanism for distributing top-up funding. The ISOS research for DfE set out these issues^{xxiii}:

- Inconsistent approaches to top-up funding within and across local education systems and a subsequent lack of clarity around what additional support is available and how to access it.
- A lack of clear and consistent expectations around inclusion, differences in the provision available locally, and different ways of constructing local banding frameworks.
- Inconsistent practice, and associated administration, leading to additional bureaucratic burdens detracting from support for young people.

¹ Respondents could select more than one option

- Time to access top-up funding, particularly where the only way of accessing additional resources was through the statutory assessment process.

It is essential that additional funding for local authorities through the High Needs Block should be linked to the production of local inclusion strategies that set out how local areas will promote the inclusion for children with SEND across all early years settings. This must include clear expectations regarding what costs must be met from within settings' own budgets and what costs should be met through top-up funding from the HNB.

Declining central support for promoting inclusion in early education

Local authorities fund a wide range of services that support children with SEND to access early education and childcare as well as promote their inclusion in mainstream settings. These include peripatetic staff such as specialist teachers and Area SENCos as well as services that settings have historically referred children to such as educational clinical psychology and speech and language therapy. There is wide recognition that these SEN support services are in decline due to funding restrictions. The DfE's ISOS report found that a *majority* of local education systems reported reduced capacity from central SEN support services^{xxiv}. This has had a particular impact on early years settings who, without delegated budgets to recognise additional costs, rely on additional advice from SEN support services more than their counterparts in other sectors. In addition, the report points out that 'due to the size of the settings and their budgets, these providers have less scope to use their funding flexibly to make up for reductions in central support'.

With limited availability of central SEN support, early years settings will struggle to focus on quality and inclusion for children with SEND. Preliminary results from a survey into access to the free early education entitlement, show that of the 25% of children who did not access any of the free entitlement, parents' perceptions of quality acted as a significant barrier: 53% did not believe settings could care for their child safely, 47% did not think provision was inclusive, 42% did not think provision could meet their child's additional needs, 42% did not think staff were adequately trained². In addition, 32% were refused a place at any setting^{xxv}.

It is essential that additional funding addresses the wider support needs of settings. Promoting equal access to free early education and childcare for children with SEND requires local authorities to consider the level of funding for settings through the single funding formula, their local top-up funding mechanism and central SEN support as a coherent whole.

Recommendation

Access to additional funding for local authorities through the High Needs Block should be linked to the production of local inclusion strategies that set out how local areas will promote the inclusion for children with SEND across all early years settings. These inclusion strategies should be articulated in the Local Offer.

Meeting the extended free childcare offer

At present, children with SEND do not have equal access to the early education offer or its benefits. This is because the Early Years Single Funding Formula is insufficient for all children and in addition, fails to take into account the additional costs of provision for children with SEND. Top-up funding mechanisms frequently fail to distribute additional funding to all children with SEND who require it to access provision, at a level that supports them to access their full early education offer. The wider context is that many of the central SEN support services that support the inclusion of children with SEND to access early years provision are in decline due to a more restrictive funding environment and that settings will struggle to compensate for this from within their own budgets. Without addressing these significant issues, there seems little likelihood that families of children with SEND will enjoy the benefits of the extended 30 hour childcare offer.

A recent report from PACEY raised serious concerns with the capacity of the early years and childcare sector to respond to the extended childcare offer. 1 in 5 group settings and 1 in 15 childminding settings reported a loss in the previous 12 months^{xxvi}. 59 per cent of group settings and 69 per cent of childminders said they had no plans to grow their business in the next twelve months. In addition, research by the UCL Institute of Education (IOE), found that despite an increase in qualified workers, the childcare sector remains persistently poorly paid compared with other occupations^{xxvii}. The report warns that a lack of alternative opportunities due to the recession has prevented greater levels of staff turnover, but as the performance of the economy improves it may be harder for settings to recruit and retain staff. The sustainability of settings will be challenged by an expansion of free hours without addressing the serious shortfall in funding, and the capacity of settings to absorb additional costs of children with SEND will be compromised even further.

Furthermore, the extension of the free offer to 30 hours of free *childcare* for working families implies a new policy emphasis on supporting working parents. The challenges in rolling out the 30 hour offer to all eligible parents – including supporting settings that have not to date offered flexible day care – will be particularly acute for parents of children with SEND. Fewer parents with disabled children work than among families in general – depending on a child’s impairment, as few as 11 per cent of mothers with a disabled child are in work – and the main barrier to work that parent carers cite is the availability of suitable childcare.^{xxviii} Parents with disabled children who do work typically rely on shift parenting and a complex patchwork of childcare arrangements. This limits the work parents are able to pursue and contributes to income, time and relationship pressures on families. The 30 hour offer is an opportunity to raise expectations of access to flexible childcare for parents of children with SEND who are in work or would like to work.

The capacity to cater to children with additional needs is currently concentrated in maintained early years settings and a small number of specialist voluntary providers. These settings often offer sessional (morning or afternoon) care or care for a school day, term-time only, that is not suitable for working parents.

The difficulty of finding a setting able to cater to a child's specific needs also means that parents must often accept an early years place in a setting that is not convenient for them or their place of work.

The recommendations we have outlined would be a significant step towards increasing the capacity of all early years settings to provide access to free childcare for children with SEND. However, this would not of itself address the challenge of providing access to flexible day care for working parents of children with SEND. The Government must recognise that the aim of supporting parents to work requires a more ambitious strategy to significantly increase access to day care for children with SEND. This can be achieved both by supporting sessional and school-based settings to provide the full 30 hour offer in flexible patterns, and by providing extra support for private and voluntary day care providers to include children with additional needs.

Some local authorities are offering additional support to childcare providers through inclusion schemes, but these schemes are currently largely focused on free early education. Local childcare inclusion strategies should be shaped by a clear expectation, set by central government, that parents with children with SEND will have access to flexible day care. The design of local schemes to achieve this aim requires flexibility: local authorities will need to pursue a mixture of approaches such as building flexibility in specialist settings and offering greater inclusion support to mainstream settings in addition to locally designed measures such as improving transport services.

Recommendation

In preparing to roll out the 30 hour offer in 2017, the Government should pilot childcare inclusion schemes designed to ensure that parents with disabled children have access to suitable, convenient settings offering day care. Learning from these pilots should inform future High Needs Block allocations and statutory guidance issued to local authorities setting minimum standards for local inclusion support.

About us

Every Disabled Child Matters is the national campaign to get rights and justice for every disabled child. It is run by four leading organisations working with disabled children and their families: Contact a Family, Council for Disabled Children, Mencap and the Special Educational Consortium.

The Special Educational Consortium is a group of organisations who protect and promote the rights of disabled children and children with special educational needs (SEN). We work with the government, the Department for Education, members of Parliament and other organisations when there are proposals for changes in policy, legislation, regulations and guidance that may affect disabled children and children with SEN.

Contact a Family supports families with disabled children across the UK. Whatever the condition, whenever they need us, wherever they are. We provide information, advice and support, bringing families together so they can support each other. We campaign to improve families' circumstances, and for their right to be included and equal in society.

The Family and Childcare Trust works to make the UK a better place for families. Our vision is of a society where government, business and communities do all they can to support every family to thrive. Through our research, campaigning and practical support we are creating a more family friendly UK.

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- ⁱⁱⁱ Department for Education (2014), *Childcare and early years survey of parents 2012-14*
- ^{iv} Family and Childcare Trust (2014, 2015), *Annual Costs Surveys*
- ^v Parsons, S. and Platt, L. (2014) *Disabled children's cognitive development in the early years. QSS Working Paper No.14-15*. London: Institute of Education, University of London.
- ^{vi} Parliamentary Inquiry into Childcare for Disabled Children (2014)
- ^{vii} City of York Council (2014), *The Impact of Early Years Inclusion Funding for 2, 3 & 4-year-olds*
- ^{viii} EDCM and Family Fund (2011), *Breaking down barriers*
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- ^{xiii} Parliamentary Inquiry into Childcare for Disabled Children (2014)
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- ^{xxv} Contact a Family, EDCM and Family and Childcare Trust (2015), unpublished
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- ^{xxvii} Simon, A. Owen, C. Hollingworth, K. with Rutter, J. (2015) *Provision and use of preschool childcare in Britain* (TCRU, UCL Institute of Education and Family and Childcare Trust)
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