



# Public Accounts Committee

## Oral evidence: Preparations to extend childcare entitlements for working parents in England, HC 657

Wednesday 8 May 2024

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Public Accounts Committee members present: Dame Meg Hillier (Chair); Olivia Blake; Sarah Olney; Ms Marie Rimmer; Matt Warman.

Education Committee member present: Mr Robin Walker.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Emma Willson, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-101

### Witnesses

I: Susan Acland-Hood, Permanent Secretary, Department for Education, Susie Owen, Director and SRO for the Early Years Programme, Department for Education, and Justin Russell, Director General for Families, Department for Education.

## Report by the Comptroller and Auditor General

### Preparations to extend early years entitlements for working parents in England (HC 701)

#### Examination of witnesses

Witnesses: Susan Acland-Hood, Susie Owen and Justin Russell.

**Chair:** Welcome to the Public Accounts Committee on Wednesday 8 May 2024. In 2023, the Government announced that they would extend funding for childcare entitlement. A few years ago, they provided childcare support for three and four-year-olds, and this was extending it in order for all eligible children between nine months and four years old to have 30 hours of Government-funded childcare by September next year. It is focused on working parents, to help them go back to work more easily and contribute to the economy.

The Government set up the programme at speed. This April, they produced enough support and funding to get more than 800,000 children into some of the childcare places, and they are extending that again in September this year and then September next year. They are relying on local authorities and providers to create an extra 85,000 places over the next 18 months. We want to look at what has happened so far with the current roll-out, but we also want to look forward to see if the Government can meet what they set out to do.

I am delighted to welcome our witnesses: Susie Owen, the director and senior responsible owner for the early years programme at the Department for Education, who is a first-time witness here; Susan Acland-Hood, who is the Permanent Secretary and head of the Department for Education; and Justin Russell, who is the director general for families. I think, Mr Russell, it is your first time before us in this guise, having come from another role in the civil service.

**Justin Russell:** It is.

**Chair:** I am also pleased to welcome Mr Robin Walker MP, who is Chair of our sister Committee, the Select Committee on Education—a warm welcome to you.

Before we go into the main session, we have a couple of quick questions for the Permanent Secretary. I will ask Mr Walker to kick off.

Q1 **Mr Walker:** Thank you. Good to see you, Permanent Secretary. You will be aware of the BBC reports on the historical allegations around Whitefield School and the misuse of seclusion rooms, which I think they called “calming rooms”. Clearly, safeguarding is a priority for everyone at the DfE. Have you had the opportunity to look at the recommendations of the Children’s Commissioner on providing more detailed guidance on the use



of such settings? Do you have any comments about any work that might be coming out from that?

**Susan Acland-Hood:** The main thing to say is that everyone in the Department was really shocked by what was shown to be happening in Whitefield. A lot of activity is going on around that individual case, but I am absolutely certain that we should be looking at the guidance that is offered. I do not want to minimise the extent to which some of what was happening was the sort of thing I cannot imagine anybody could have thought was okay. To some extent, guidance is most useful when you are trying to steer people to do sensible things within reasonable bounds. There are some things where I actually think we need to think about rather firmer measures, because people were clearly doing something that I genuinely cannot believe they thought was acceptable.

Q2 **Mr Walker:** I guess part of the concern there is lack of oversight and engagement with the senior leadership team. We do not know the full details of how much there might have been, but clearly, if this is something that is clearly set out, it is something that senior leadership know that they need to be involved with.

**Susan Acland-Hood:** Yes, and I think that is a completely fair point. As I say, there are investigations ongoing on the circumstances in the individual school, so it is a bit difficult to talk about that in detail, but yes, of course, I would clearly expect that any school that was using any provision of that kind—I mean, I think it should be carefully used overall. The senior leadership should be really closely aware of how it is being used.

Q3 **Chair:** Ms Acland-Hood, you talk about firmer action. Do you mean possible criminal action?

**Susan Acland-Hood:** As I say, there are investigations going on in relation to that individual case. That has certainly not been ruled out.

Q4 **Chair:** That is very helpful to hear and will hopefully be of some reassurance to the parents and young people involved.

I want to talk a bit about special educational needs in general. As we have discussed with you before in this Committee and as many of us know from our constituencies, there has been a very big increase in the need for special educational needs. In my own borough, Hackney, we are seeing an average unit cost rise projected from just under £6,000 in 2022 to £10,785 in 2028. The number of EHCPs—education, health and care plans—in my borough is projected to rise from 3,062 to 4,751 between 2022 and 2028. Both of those lead to a deficit of around £180 million in 2028. That is a huge pressure on local authorities, and that is just one London borough facing that challenge. What are you doing in Whitehall, in your Department and with the Treasury, to support councils' funding and make sure that the children who need the support can get it?

**Susan Acland-Hood:** There are three parts to what we are doing on this. The first is general support for council budgets. You rightly described one source of pressure, but there are other sources of pressure as well. We



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have been working closely with DLUHC and the Treasury. You saw additional resources going into local government budgets at the spring Budget as a result of those conversations and the discussions that we have with local government colleagues to understand the pressures they are facing across the board.

The second thing is the work that we are doing with individual councils that face particularly large deficits related to high needs through the safety valve and delivering better value programmes. If you would like, I will ask Justin to talk a little more about those in a minute, but we are seeing some really good progress from councils. The safety valve programme started a little bit earlier and is a little bit further on, but the delivering better value programme is following on behind. In each case it provides some additional resource, but tied to shifts in the delivery model and the way the council works to try to pull support further upstream and put more preventive activity in place.

If we turn to the topic of the hearing, one thing that we see some councils do very successfully is invest more in SEND in the early years, which in several places is having a really impressive early effect in the number of children able to be supported into primary mainstream, often without the need for an education, health and care plan because they have had the right early intervention. That is not the only thing that they are doing, but the safety valve and delivering better value funding gives them something to manage the difficulty that you often have in investment in prevention that it is hard to carve out the preventive money while you are still spending on the consequences of not having had it for a while.

We are continuing to pursue that, but we know that it alone will not be enough, which is why we have the SEND change programme that we announced. We have now got activity running in the nine change programme authorities—again, Justin can talk a bit more about that if you would like—where we are trialling the key elements of the overall SEND reform package to give us the bigger and more systemic shift that we know we need in order to address this.

**Q5 Chair:** It is interesting that you talk about early intervention—it brings to mind something called Sure Start that once existed. We know that your Department has some exemplary projects on evaluation. What are you doing to evaluate the work where councils are putting that early years intervention in for children with special educational needs and to analyse the impact?

**Susan Acland-Hood:** I might turn to Justin. We have evaluation programmes around both safety valve and delivering better value, and planned for the change programme as well.

**Justin Russell:** With the delivering better value programme, which has been operating in around 54 local authorities, part of the package of support to local authorities is the provision of expert advice on special educational needs. A team will go in and help the local authority analyse its population of children with special needs and the provision being



provided to them. The specialists will talk to parents and to staff who work in these facilities. They will map existing provision and make suggestions, with the agreement of and in consultation with parents, for how that should be improved. They will also look over time at whether the improvement plan that results from that diagnostic process leads to improved services for children, shorter waiting times for specialist help and improvement in mainstream provision.

I think a big part of the answer to this is improving the ability of mainstream primary schools, secondary schools and nurseries to support children with special needs as soon as they develop. We know from the profile of children with special needs that, as young as two years old, you can start to spot developmental delays, particularly in speech and language. The sooner you can get that specialist support in, the more likely you are to prevent more serious problems developing.

**Q6 Chair:** I do not doubt the theory, but are you actually evaluating the impact of the expertise and the money that is going into supporting that early intervention to prevent problems down the line?

**Justin Russell:** As I said, within each of the 54 areas, we are tracking exactly what is happening with the children with special needs in those areas, in terms of the numbers that require SEND support or EHCP.

**Q7 Chair:** Tracking is slightly different from a wider evaluation. That is individuals being tracked, but there still has to be some systemic policy—well, one would hope it might lead, if it works, to a systemic policy change. Ms Acland-Hood, perhaps you are the person to answer this. You have told us before that evaluating properly is a rounding error in a budget. Is all that data that is being tracked going to be pulled together so you have a really good picture of what is working and what is not?

**Susan Acland-Hood:** Yes. As I said, because safety valve is small but a bit further ahead, we already have the summative work from the first round of safety valve, pulling together that analysis of what people have done, what has been effective and what has not. I also mentioned the change programme work. That is designed as a piece of work to test and track early implementation of that set of propositions from the main SEND improvement plan. That inherently has evaluation built into it because that is the purpose of it, if that makes sense.

**Q8 Chair:** It is evaluating not just what happens to those young people, but, in the longer term, what impact it has on school budgets, on attainment more widely, and therefore on all sorts of things. You could draw it quite widely, but at the moment you are sticking to the young people involved and the impact on them.

**Susan Acland-Hood:** We are looking at the impact on school and local authority budgets as well, as part of that.

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<sup>1</sup> [Correspondence from Susan Acland-Hood, Permanent Secretary, Department for Education, re Preparations to extend early years entitlements for working parents in England, dated 15 May 2024](#)



**Chair:** Okay.

Q9 **<sup>1</sup>Mr Walker:** Safety valve and delivering better value are both important programmes that do some very good work, but the slight frustration has been that they both continue to expand because more local authorities need them. Do you have any examples of local authorities that have come out of those programmes or that have removed their deficits as a result of support from them?

**Susan Acland-Hood:** Yes. I would have to write to you to give you the list of names, but we do have a group of authorities that have removed their deficits as a result.

Q10 **<sup>2</sup>Mr Walker:** Reduced or removed?

**Susan Acland-Hood:** We have some that have removed.

**Justin Russell:** Certainly, in relation to delivering better value, we are basically at the end of the first stage, which is the diagnostic stage. We are now into implementing the resulting plans. It is a bit early to see the impact of the implementation of the plan in those delivering better value areas, but we should start to see that over the next—

**Susan Acland-Hood:** We do have it for safety value, though.

Q11 **Chair:** Rather than starting to discuss who might be on that list of who has come off having a deficit, both Committees would love to see that information, if that is okay.

This leads to the point about the statutory override for the dedicated schools grant. My borough, Hackney, has a potential liability of £180 million by 2028, yet the statutory override for the dedicated schools grant finishes in 2025-26. It is a deadline that is ever being chased. Often, the Department rides to the rescue with the Treasury on this. Can you explain what is going to happen with the statutory override for the dedicated schools grant? Can you give us any assurance after 2025-26?

**Susan Acland-Hood:** I can't at this point give you any assurance after 2025-26. Like everything else on that timeframe, it is wrapped up in the spending review.

Q12 **Chair:** Okay, but it is true that every time it nearly happens, there is an override, isn't there? That has been the case so far. There has never been a time when it has actually crystalised.

**Susan Acland-Hood:** I think everybody accepts that having the override is not ideal and that we would like to get to a place where we do not have it, but I think everybody also recognises that the simple removal of the override does not solve the underlying problem and that people have to recognise the reality.

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<sup>2</sup> [Correspondence from Susan Acland-Hood, Permanent Secretary, Department for Education, re Preparations to extend early years entitlements for working parents in England, dated 15 May 2024](#)



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**Q13 Chair:** That is a huge deficit for one London borough, so it is not really sustainable. Are you saying to us that the work you have just described will reduce these budgets and budget deficits as big as that?

**Susan Acland-Hood:** As I say, we have examples through safety valve of councils that have reduced and, in some cases, removed their deficit through the work they have done.

**Q14 Chair:** On the scale of £180 million?

**Susan Acland-Hood:** I don't think so, but the combination of that work and the larger, more systemic work we are doing through the change programme is how we propose to get to the point where we no longer need the statutory override.

**Q15 Chair:** It sounds like we could have a whole other discussion, and I know our sister Committee has been doing good work on this, so we will pause that for now.

We want to talk, of course, about the important work of extending childcare entitlements for working parents in England—I should stress this covers only England and not Scotland, Wales or Northern Ireland. It was very fast. The National Audit Office has given you some credit for getting it out, off the stocks, at the pace you did. But given the speed at which you did it, Ms Acland-Hood, how did you assure yourself, as accounting officer, that the roll-out at that pace was feasible?

**Susan Acland-Hood:** The first thing I want to say is thank you to local authorities, to childcare and early years education providers up and down the country and to the team in the Department, who have worked really hard on this, because I am really proud of what we did for the first stage of the roll-out. We have delivered what we said we were going to do—possibly slightly more—and we are seeing a large group of children and parents who have access to good-quality childcare and are having costs met that they would have had to pay for themselves.

As the NAO Report sets out, we staged the roll-out of the programme quite carefully, to try to get the right balance between getting these benefits to children and parents as quickly as possible, which I think is a good thing to seek to do, certainly when you look at the kinds of challenges that are there at the moment on both affordability for parents and the ability for parents to make the choices they want to make about work and care in those early years—we have a lot of survey evidence that there are a lot of parents who say that they would like to work, or work more, if they had access to childcare.

**Chair:** Yes, we know all that.

**Susan Acland-Hood:** What I am saying is that I don't think it was unreasonable to try to do it quickly, because the benefits are so great for so many people, but we wanted to stage it in a way that combined pace with feasibility. That is why you see that the roll-out begins with the two-year-old offer that we made this April, then moves on to a wider offer, from nine months, from this September, of 15 hours for working parents,



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and then goes further, by September 2025, to offer 30 hours to working parents of children aged from nine months old to—well, to three and four years old when you take into account all the offers. That phasing was a really key element in making sure that it was feasible as well as fast.

In terms of the process of assuring myself, I did what I would do with any programme of this size. I appointed some really excellent people, and we made sure that we had a set of systems and processes in the Department, using, again, just good project and programme management principles, to set ourselves up well and to make sure that we had, for example, the sort of stage gates around it that you would expect to see. I stayed personally relatively close to it, as I do with large programmes across the Department, and I also used the formal mechanisms that we have available to us.

**Q16 Chair:** It took you six months to provide your accounting officer assessment. Why so long? It is useful for us to see what you are thinking about this at the point of agreement.

**Susan Acland-Hood:** Yes. I see the accounting officer assessment as a process as well as a piece of paper, so there were drafts of the accounting officer assessment alongside the outline business case, which is, again, our normal practice and what we would expect to do. We then had a bit of to-ing and fro-ing, on the other side of the outline business case, about some of the elements included. It was less on feasibility and more on the detail of some of the business case and value for money assessment. At no point was I worried that there would not be positive value for money. It was all in the realm of being good value for money. But again, you can see some of this described in the NAO Report: there was a set of conversations about whether it was reasonable to score the leisure benefits to parents and some to-ing and fro-ing on that. Essentially, we just waited until that debate had settled before we published the accounting officer assessment.

**Q17 Chair:** Obviously, you are having to make potential trade-offs, and you have a lot of risk at the pace at which you are going to be doing it; you have the next stages to go. Maybe Ms Owen could come in here—we like first-time witnesses to get something to say. What trade-offs are there? What are you having to not do in order to make sure that this goes out on the rapid timetable between now and next September, and September next year?

**Susie Owen:** Building on what the Permanent Secretary has said, the way we phased the roll-out was very focused on what was deliverable in the timelines. The first year, it was very important that we could put the legislation in place, and that we could make sure that the funding allocations were confirmed and out, and that the systems that parents would access would be available.

**Q18 Chair:** What about the availability of places?

**Susie Owen:** That was the priority; that was the pace for the first year, because the place creation is very back-loaded. September 2025 is when





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we need to see the growth in both workforce and places. As you will see in the NAO Report, that is steep towards September 2025, but not so much for the April '24 roll-out that we have just had and for this September. That was to give the sector as much time as possible to build ahead. The thing that gives the market certainty and confidence to invest is the funding rates, so it is really important that we set the funding rates at the right level to incentivise investment over that period. Particularly important, as we heard when we spoke to the sector through the first year of roll-out, was providing certainty beyond this year about what those rates would be. That was confirmed at spring Budget this year, and has been roundly welcomed by the sector in terms of giving that certainty for 2025-26 and 2026-27, so that they know, can plan and can make that available.

We have also worked really hard to ensure that our estimates around supply and demand are good and robust. We are looking at what is already available in the sector, the capacity of the sector, where that capacity exists, and where the demand will be as the roll-out moves through. We have done lots of supply and demand mapping of that.

**Q19 Chair:** Do you mean geographical mapping?

**Susie Owen:** Yes, exactly—down to ward level.

**Chair:** We will come to that in more detail.

**Susie Owen:** And we share that with local authorities, cross check it with their assessment, and make sure that we are talking about the same thing, so that people know where they need to target that growth and where that growth might be coming from.

**Q20 Chair:** We have 84,800 places to get for the end of next year, and those will include baby room spaces, which are potentially more challenging to create. What risks are there between now and September? What worries you at night? Will you get across this line? You have been set a huge task. That is not a criticism, but it might be difficult to deliver.

**Susie Owen:** The place creation and the workforce, as the NAO Report highlighted, are our biggest challenges. On the workforce side, it is ensuring that we have the good supply routes in and that we have the training schemes there to fast-forward that as much as possible. We have also done quite a lot to look at providers' flexibility in how they deploy their workforce. We have done lots of thinking about where you need the entry points into the sector to help ensure that the workforce is there. We have done lots of thinking in consultation with the sector over last summer on things that providers would find most useful and helpful.

**Q21 Chair:** Can you give us an example?

**Susie Owen:** Yes, sure. We regulate the sector through the early years foundation stage framework, which sets the minimum requirements, particularly around staffing and qualifications. We have made some changes to that to allow greater flexibility. For example, if you are studying towards a level 3 qualification but are already a level 2

practitioner, and if the manager deems it appropriate, we are now allowing that person to act as a level 3 member of staff to count in ratios, as we call it. You need to have a level 3—that is what unlocks the ratios.

We changed the ratio requirements for two-year-olds back in September to allow one member of staff to look after five children rather than four—again, to give a bit more flexibility in how providers deploy staff. We have also changed the maths requirement. Previously all level 3 practitioners had to have a GCSE or a level 2 functional maths qualification. We have moved that requirement up to the manager of a setting, because we knew that there were lots of very capable, confident and experienced practitioners who could not operate at a level 3 level because they did not have that maths requirement. So we made that change as well.

**Q22 Chair:** If you were being uncharitable about this, you could say that this is a pile 'em high, teach 'em with less qualified people approach to early years education. What would you say to that? Are you basically reducing quality by changing those ratios?

**Susie Owen:** We have spent a lot of time over the last few years investing in quality in the sector. In 2021, we reformed the EYFS learning development requirements to really focus on quality teaching. We know that the things that matter in an early years setting are the interactions between the adult and the child. Qualifications are one proxy for quality, but they are not the only one. What we heard from the sector is that managers are best placed to know which of their staff are best able to be deployed, and they felt that the requirements that we placed on them were a bit too restrictive. They were making decisions based on ticking a box in the regulations, rather than on deploying staff in the way that they felt was best to meet the needs of the children. All the changes were made in consultation with the sector and were things that the sector had asked us for, so we are confident.

**Q23 Chair:** Presumably the inspection regime is going to have to change to take account of this.

**Susie Owen:** Ofsted inspects on the basis of the EYFS, so yes, that is already in place.

**Q24 Chair:** Okay, and obviously you discussed that with Ofsted too.

**Susie Owen:** Yes, we have a statutory duty to consult.

**Chair:** We will come back to some of those points, but thank you very much for your full and clear answers. Mr Walker?

**Q25 Mr Walker:** Thank you, Chair. I should have said at the start, thank you very much for having me as a guest on the Committee.

My synopsis of the NAO Report is, "So far, so good, but a lot of risk stored up in the further stages." That is quite a good outcome at this stage in the process, but there is definitely a lot of emphasis on the risks as we go further.

What are your conclusions on the balance of where the expansion has



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come to date, and does it reflect the size of the breakdown in the market that existed before this across nurseries, childcare settings, private and voluntary sector schools, and childminders? Are there any surprises in the way that it has played out to date, and are there any changes that you need to make in order to make sure that this succeeds at the next stage?

**Susie Owen:** Predominantly in the under-threes market, it is in the PVI part of the market—the private, voluntary and independent institutions, which includes childminders. It is not so much in the school-based institutions, although in recent years we have seen schools expand into taking two-year-olds particularly. It is predominantly in that bit of the market, and that is where we expect to see the growth because that is where the provision currently is.

We will be conducting a census this term that will count exactly how many children are in a place. That is when we will know exactly where those children are, and we will be able to make that assessment at that point. The growth needed for this point in the roll-out was very modest, so we do not expect to see a significant shift at this point; we would expect to see that more in the future roll-outs.

It will be when we get the data that we will be able to see that, but obviously we are very pleased with the number of children who, as the Permanent Secretary noted, have already been confirmed as being in a place. It shows that many providers are willing and keen to offer the entitlement and have been able to convert predominantly parent-paid places into Government-funded places for this first phase of the roll-out.

**Q26 Mr Walker:** Has there been any impact on the existing two-year-olds offer for disadvantaged children? Have numbers for that held up, and have they been affected in any way by this roll-out?

**Susie Owen:** Again, it is probably too early to say because this has just happened and we have not done the count yet, but we were at the highest level that we had ever been at for the disadvantaged two-year-olds offer. That was at 74% in January 2023, and recovered really well post covid.

**Chair:** That is 74% of—

**Susie Owen:** Of the eligible population. We will be keeping a close eye on that. The way that we have designed the funding formula is to take into account that disadvantaged offer, and we have been really clear with local authorities that the priority is to ensure that both the disadvantaged offer and the universal three and four-year-olds offer are maintained, and that their duty on sufficiency is across all of the entitlements, not just the new ones. We will be keeping a really close eye on that when we look at that data coming through and see how that has changed.

**Q27 Mr Walker:** In our Education Committee inquiry, we heard from a lot of providers and from parents' groups that even if the Government changed the rules on the two-year-old ratios, they would not necessarily follow through on them. Has that been the experience, or are you observing that those different ratios are being taken up on large scale for two-year-olds?



**Susie Owen:** I have the numbers somewhere, but I think that when we did a survey of providers prior to introducing the change, the percentage of providers that said they would make that change was in the low 20s. We did another survey in November, the results of which were published just recently, and that confirmed that, actually, a higher proportion—just over 30%, I think—of providers have moved to the new ratios at points. One of the rationales behind it was not necessarily that you would operate at 1:5 all day, every day, but that you had that flexibility to use it if you needed to; you did not have to shut down a room or close because you did not have the staff, but had a bit more flexibility to deploy that ratio at certain times of the day, if that was what worked for your setting.

**Q28 Mr Walker:** Finally, we made a number of recommendations, some of which obviously go beyond the scope of the DfE—I make no apology for that because this is obviously an area of cross-Government working. Is there an ongoing dialogue with DWP and the Treasury on what would make this policy work most effectively, particularly when we look at other policies, such as universal credit, tax-free childcare and tweaks to that, that could drive take-up?

**Susan Acland-Hood:** Yes, absolutely. Not only are we looking at that for the future, but one of the things that we were really pleased about was that, in the spring Budget announcement that launched this offer, there were also some important changes made to the universal credit childcare offer. The first increased the threshold for the amount that can be claimed, and the second moved to payment in advance. We had heard from parents that one of the biggest barriers to being able to use and take up that universal credit childcare offer was that it was paid in arrears, and people did not have the cash flow to pay ahead. On this, we work really closely across DWP and the Treasury, because we see the importance of recognising that this is one system that needs to work sensibly together.

We, as DfE, will never do that thing where we argue for the bit that happens to sit within our boundary rather than looking at what will give the greatest benefit. We were advocating incredibly hard alongside DWP colleagues for the change being part of that package, and we are really happy that it came about. Again, ensuring that there is a good offer for children up and down the income spectrum is really important.

**Q29 Sarah Olney:** Ms Owen, one of the things that the Report picked up is that you scrapped plans to do a pilot of the roll-out. When there was an expansion back in 2017 to enable the entitlement to parents of three and four-year-olds, the DfE said that testing was a critical success factor in making that work, and that rolling out a new programme without a proper test would actually be a significant risk. However, the planned test or pilot was in fact abandoned. Can you talk us through that decision?

**Susie Owen:** As you rightly say, back in 2017 when that was rolled out there were two pilots that ran ahead of full roll-out. It was right that we looked at that really seriously for this programme given that it had worked really well, but there are some fundamental differences between the two roll-outs—particularly the phasing—that meant that in the end we decided



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that was not necessary. In 2017, when we rolled out 30 hours, it was done as one big bang, so all the systems came online at the same time as the hours for the parents—there was a lot going on in that first term of roll-out. It was a new system, and tax-free childcare was also being rolled out at a similar time, so there was quite a lot of risk built in.

As we have discussed, the way that we have phased the programme means that we will have done all of the system changes well ahead of the final roll-out, so that most of the parents will already be in the system when it comes to September 2025. They may be increasing their hours, and there will be new parents coming in as their children age in and as they choose to move back into work, but the system is known to parents and providers, and it will have been used. We are also phasing it in in terms of the hours needed. It is already a different beast, which meant that pilots were not the appropriate thing to do.

The other thing worth considering is, because of the pace, we would have been asking local authorities to introduce those 30 hours very quickly. That would have meant that you had to select a particular group of LAs that were able to do that, so the testing would not necessarily give as rich information. Ideally, you want to test in a range of situations and scenarios. You could have caught yourself picking the low-hanging fruit for that roll-out, which means you are not really testing it fully. It was looked at very seriously for the reasons you set out—it was useful in 2017—but ultimately the decision was taken that it was not appropriate for this programme.

**Q30 Sarah Olney:** What risks has the programme experienced as a result of not having early testing? I totally understand everything you are saying: you have prioritised doing it at speed, and the need for that was recognised. But what have been the risks of not having a test set of LAs to draw from?

**Susie Owen:** If we had done testing, it would not have started until September or January, because we would be testing the full 30 hours rather than 15 hours. I do not think at the moment there is anything that we haven't done that we would have done, because of the phase we are at in the roll-out.

Obviously, the key thing that we are not testing is the market growth and the ability to absorb that. That will be the thing that we need to ensure we are on top of in the next 18 months—the plans that local authorities have, where that growth is needed, what plans they have in place to meet that growth, the dialogue they are having with their providers, and how they are supporting providers to be able to expand. Our whole programme is built around close working with local authorities to really understand what they are doing and how they are working with their local provider base to know where that growth is needed and what they are doing to address that.

**Q31 Sarah Olney:** Given it is still only the first week of May, it is a little early to ask you what lessons have been learnt from the April 2024 roll-out, but



is there anything that has emerged early?

**Susie Owen:** As you can imagine, on a programme like this we are learning all the time, so that is a great question to ask. First, we are pleased with how well it has gone. When it was first announced, there was a lot of concern about the pace and our ability to do it.

We have learnt that providers welcomed the fact that we used existing systems. They understand how the childcare service work and how parents accessing the service get a code. That has all worked well. We did have an issue when we opened the childcare service in January for a particular subset of parents who were already accessing tax-free childcare and could not reconfirm in the right window to get their code. That window was going to take a bit longer, but we have addressed that for the opening on 12 May. There are quite a few lessons we have learned in terms of how we communicate with parents about that opening date and how we ensure that those parents still affected by the issue will be issued a letter that gives them a code by the end of May, so that they can use that code if they choose with their provider. There were quite a lot of learnings around that and in making sure that parents understand what the offer is and how to access it.

Because of the pace, we did not have as much support in place for local authorities in the roll-out, so we are very much taking those lessons and learning what local authorities need and putting that support in place as early as possible. That goes not just for September '24 but looking ahead to September '25. When we worry about a local authority, we do not just worry about the next milestone; we are asking, "How are you gearing up for the future?" We now have a support contractor in place that can provide the support to local authorities. There is plenty of rich learning already, as you say, but we are only five weeks into the term, so there will be more to come soon.

Q32 **Sarah Olney:** And of the lessons learned from the roll-out so far, you don't think that there is anything that would have been picked up by a pilot and fixed before a larger roll-out?

**Susie Owen:** It is hard to say, because the trade-off, to the Chair's question earlier, is pace over perfection. There is always going to be that trade-off.

The other thing we learned, which we are addressing for next year, is the time it takes between Government confirming what a local authority's rate will be and that local authority setting those rates locally for providers. That caused quite a lot of anxiety for some providers, who felt that it was quite late to know. So we are reviewing the way we do that for future years, and we are reviewing the length of time between Government confirming what the local authority rates will be and how those translate into final rates for providers, because, understandably, that is a cause for concern.

We are definitely learning that there are things like that we can implement already for next year, but as I say, there is that trade-off with pace. As



Susan already said, the priority was to ensure that parents were feeling this as quickly as possible, and we believed it was deliverable to get the first 15 hours out to parents of two-year-olds by April. That is a greater benefit than what we might have learned from going slightly slower.

**Sarah Olney:** Excellent. Thank you.

Q33 **Olivia Blake:** Ms Acland-Hood, what assurances can you give us that every parent who wanted a place in early years from April '24 managed to get one?

**Susan Acland-Hood:** First of all, we have a system working with local authorities where they tell us if they have a sufficiency problem—in other words, if they have parents who want a place but cannot find one. We have had no local authority report to us a sufficiency concern for April 2024. It is really difficult to guarantee that there is no parent out there who could not find one. I suspect there will be parents who could not get the place they wanted in their top choice of nursery. I am fairly confident that that probably happened for quite a lot of people, because that is a feature of a system in which there is choice and variety and you do not force people to have more places in their nursery than they have.

I cannot guarantee that there is no parent out there who did not find a place they wanted but did not tell their local authority, which therefore did not tell us, but as Susie said, we had quite good mapping, down to ward level, of the existing places in the system, the places where there was spare capacity and the places where we were worried. We worked really closely with the local authorities, including having conversations literally on the level of, "This particular bit of the town centre has a nursery that is closed, and we are worried about it." "Okay, what shall we do about it?" No local authority said to us that it had a difficulty. Based on the roll-out of the three and four-year-olds offers, we have seen over time that we will not see literally every code that is claimed be validated.

Q34 **Chair:** You said 85%, didn't you?

**Susan Acland-Hood:** We said that if we could get to 85%, that effectively looks like full take-up when you take into account people who change their mind or do something a bit different such as find a grandparent. We reached 85% in the figures we put out yesterday. We also said that we would expect to be at something more like 70% in the very first week, because we know it takes providers some time to come back and validate the code—again, sorry about the language of validation. Basically, we issue codes that give parents something to take to a provider. If they go to a provider, get a place and are paying for it, the provider then validates the code. I have heard some commentators say, "This validation thing doesn't mean that people have a place," but it literally does mean that people have a place. You cannot get a code validated if you do not have a place, because the provider has to validate it to say they are claiming the money for the place you are in.

Q35 **Chair:** So at that point, you know you have a real child in a real place.



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**Susan Acland-Hood:** Yes. There are a little over 211,000 children out there in a place being paid for by the new entitlement who have definitely found a place that they were seeking; 247,000 parents originally claimed a code, so that is 85%.

**Chair:** Yes, the figures are all laid out in the Report, so we don't need to repeat them.

**Susan Acland-Hood:** We are really confident and comfortable about that. We expected that, based on what we knew about the level of capacity in the system. One of the things that people don't always remember in this conversation is that the growth in place numbers that we have seen since 2018 has been something in the order of 40,000 places, based on our provider survey. Over the same period, the population of nought to four-year-olds has reduced by 200,000, so we have a demographic decline in this age group. That is one of the reasons why providers sometimes find it quite difficult at the moment, because the population of children is going down. In terms of spaces in provision, it is actually not a bad time to be expanding your offer because some capacity is being created by the demographic change.

Q36 **Chair:** On the demographic changes you mentioned, when this Committee looked at school places many years ago, the DfE said that local authorities have responsibility for that, the local authorities thought the DfE had responsibility for it, and nobody seemed to be taking responsibility for the demographic challenges. As we were discussing earlier, in London there is a massive reduction in the need for school places at the moment for lots of reasons—cost of living, housing. In other areas of the country, there is a boom in younger people. Have you got a sense of where that demographic change is happening geographically? How granular can you get?

**Susan Acland-Hood:** Yes. For the population of nought to fours, we build that demographic change into our modelling. As Susie says, we do supply and demand modelling at ward level that takes into account—

Q37 **Chair:** So down to ward level in every local authority?

**Susan Acland-Hood:** Yes. You have to take into account the fact that you cannot directly predict in which ward someone will want childcare. If someone lives in one ward, it is a bit difficult to work out whether they are going to want childcare in the same ward or the ward next door, so there are some fuzzy edges, but we can do the demographic modelling based on where people live.

Q38 **Chair:** Just thinking about wards, don't you have small-sample challenges? The figure you gave was a couple of hundred thousand for the drop in nought to four-year-olds—

**Susan Acland-Hood:** It was 200,000.

**Chair:** Yes, that's what I said. By the time you break that down to ward level, you might be getting to quite small numbers in some areas. Do you have robust modelling that proves that this is valid?





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**Susan Acland-Hood:** We look at the demography, family income and the take-up of the existing entitlement, and the three of those give us a pretty good picture. Again, we assume that there will be a bit of movement across ward boundaries, so people are not restricted to the provision in their ward.

Q39 **Chair:** But more broadly, as a Department you have good sight of the changing need for that age cohort and where there might be areas of pressure, as we have seen in London schools. We are seeing secondary schools with very low rolls now and primary school classes closing, certainly in the central London area. That has happened not without planning, but it was not obvious five years ago that that would be the case.

**Susan Acland-Hood:** The particular London challenge at school level has been that how the birth rate translates into school-age populations is quite heavily affected by families who move in and out of area in that nought to five—

Q40 **Chair:** Sorry, I am not trying to divert on to schools. I am asking how good your modelling is on each age group, and what could be improved. We go round this a lot.

**Susan Acland-Hood:** Our modelling is pretty good, but like all modelling it is much better at modelling a reasonably gentle trend than discontinuous change. One thing that happened in the school-age population was that we saw some quite interrupted patterns, particularly around the pandemic.

**Chair:** Yes—covid, Brexit.

**Susan Acland-Hood:** We are confident that when we see something that is not expected, we notice it.

Q41 **Chair:** So for the early years—for the under-fours—do you think you have a good handle on it?

**Susan Acland-Hood:** Yes. On the question of who is responsible, again, it is worth noting that the set-up of the early years system is a bit different; it is a market-driven system where we allow even more parental choice than in the school-age system and, because we have no restriction on market entry or exit, anyone can set up a nursery as long as they are qualified and they meet the regulations, whereas we do not—

Q42 **Mr Walker:** Just a quick one on this specific point: in the announcement that the Minister made to the House on this, there was mention of a pilot to look at using school buildings to provide. Can you give any more detail on that, such as the scale of it? Do you think we might be able to scale that up in future spending reviews if it is a success?

**Susan Acland-Hood:** Susie might want to talk about this. We have a pilot running over the summer, which is looking at finding school buildings with surplus capacity and putting them together with PVI providers that want more space. We think that is a really interesting thing to do, and, if it is



successful, we would definitely look at how it could be expanded. Do you want to say anything, Susie?

**Susie Owen:** Yes. It is relatively small scale, but we have done almost exactly as you have described: we have taken the school-age population and looked at the correlation between the growth needed, because of the roll-out, and where the school population is decreasing so that we can see how that maps—there is a loose correlation there—so we can then use that to target. What we have done is again, at ward levels, picked a few wards where that correlation is strong—so you need demand and you need growth on the early years side, and you have a surplus capacity in the school system. We are testing out the best ways of doing that, whether that is the school extending its provision down or, as Susan says, partnerships with PVI.

Q43 **Chair:** So you are looking for schools to pilot this in the next few months, basically.

**Susie Owen:** Yeah, we are doing that over the summer—it is already under way.

**Susan Acland-Hood:** We are doing it over the summer.

Q44 **Chair:** How public is your data on the modelling? Is it public information? The modelling for under-fours—well, all the modelling we just talked about: the demographic modelling for young people and children.

**Susan Acland-Hood:** We will draw on ONS modelling on the demographics, which is public.

Q45 **Chair:** So you put that through your own modelling, basically.

**Susan Acland-Hood:** Yes, we will put it together.

**Chair:** That is helpful to know, because that is a big issue—particularly in London at the moment.

**Susan Acland-Hood:** If I may, Chair, there is just one more thing. I think the other thing worth saying is that as well as us doing that piece of work on that pilot, we are seeing schools themselves expanding their nursery provision significantly. If you look at the change in—

Q46 **Chair:** What are you referring to—a chart in the Report?

**Susan Acland-Hood:** Sorry—I am looking at the number of registered places in England, according to our childcare and early years provider survey from 2023, which again—

Q47 **Chair:** So this is information we have not got in front of us—if you could share that with us, that would be helpful.

**Susan Acland-Hood:** We would be happy to share that, yes. All I was going to say was that you see some of the greatest growth among school-based providers, particularly in recent years. There are a lot of school-



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based providers that are growing their early years provision, including moving down—

**Chair:** Yes, which we know—we are focusing on this particular programme. Back to Olivia Blake MP.

Q48 **Olivia Blake:** This is going back to the codes and understanding what is happening on the ground, really. Does the code mean that people are getting the hours they need? How will the Department know that parents are securing enough hours to meet their needs?

**Susan Acland-Hood:** The fact of a validation of a code does not tell us how many hours it is for, but we will get that through the termly headcount.

**Susie Owen:** We are also doing parent polling, as well, to understand exactly that point.

Q49 **Olivia Blake:** How will you be able to tell through that whether Government-funded places are increasing their hours from that data?

**Susie Owen:** As in knowing whether a parent is just using the same number of hours?

**Olivia Blake:** Yes.

**Susie Owen:** The 15 hours was deliberately set at the rate that is lower than average usage, so we would not expect to see a lot of growth out of the 15 hours in either April or September; it is the 30 hours that we believe will drive the increase in usage to drive the labour market impact that we are after. However, our evaluations will be set up to do exactly that, to understand exactly what behaviour has changed. Our evaluation partners are looking at all phases of the roll-out, and they will make an assessment of the impact at the earlier phases of roll-out, as well as the final phase of roll-out.

Q50 **Olivia Blake:** How will we be able to tell?

**Susie Owen:** Through the evaluation. It will be surveying parents and understanding what has happened. IFS are our partner for the impact evaluation. And they have got lots of plans for how they are going to evaluate this.

Q51 **Olivia Blake:** Do you know what proportion of the 195,000-odd parents who secured Government-funded places in April were already using childcare?

**Susie Owen:** We don't at this point because the code doesn't show whether it is a new parent or not, but we will get more on that data as we understand where those children are and what is being used, so you can make that assessment of the addition.

Q52 **Chair:** When will we know that?



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**Susie Owen:** We will publish the termly headcount data later. I can confirm when that is going to be, but we will publish the results of the termly headcount data, and I will confirm what will be included in that.

Q53 **Chair:** There is always a lag. So you will publish it—

**Susie Owen:** Later this year.

Q54 **Chair:** It will be after the summer term then. Maybe before the next part of the roll-out. You will know it before the next part of the roll-out.

**Susie Owen:** Yes.

**Chair:** If you could confirm the date in writing, we like to keep hold of dates.

Q55 **Olivia Blake:** That is quite a key statistic.

**Susan Acland-Hood:** It is important, although it is worth saying that we did design this so that the first step is as Susie set out. We consciously want to get all of the systems and processes set up around this and working early, and to backload the part where we were asking providers massively to increase the number of places available. So, it is by design.

I would not expect to see a huge number of parents who were not using childcare at all coming into the system through this April piece. Our design was that April will start off being partly about us starting to fund places that at the moment parents have to pay for themselves. There are also benefits from that for parents for affordability, as well as for the system, in terms of getting that geared up for the roll-out later. It is important but I would not see it as—

Q56 **Chair:** Thank you to all those who gave evidence. Some of the evidence has highlighted the issue of what could be called gaming it. There are lots of ways you could describe it. Because of worries about the subsidy not covering the cost, providers start charging for extras, whether they strip out food or other activities. How are you monitoring whether that is happening, and what are you doing about it?

**Susie Owen:** We have issued clear guidance on what funded hours cover. We are really clear what that covers and what it does not. It does not cover consumables: that is, meals, nappies, trips, additional activities that a provider might offer. We are clear with local authorities that that needs to be made clear to providers, where additional charges are being made for those things, and that there are arrangements in place for parents to provide alternatives, packed lunch, for example, or to supply their own nappies.

Q57 **Chair:** So basically a nursery could not start charging a lot of money for nappies. If they did, the parent could provide them themselves.

**Susie Owen:** Exactly. There needs to be an alternative. It needs to be voluntary, effectively. It cannot be compulsory. Part of what I said earlier is being clear to parents as well what that means, so that they understand the funded entitlements.



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Therefore, if they have any concerns, they can raise that with their local authority, which can take it up with the provider. It will depend on the agreements that the local authority has in place with the provider. Parents can also escalate that to the local authority ombudsman as well, if they have any concerns around that practice.

**Q58 Chair:** Okay. So they cannot cross-subsidise. You are trying to stop that cross-subsidy happening.

Another concern raised in evidence is about providers withdrawing. If the money is not enough to cover costs, there is a concern that providers could withdraw. How are you monitoring that, and how are you monitoring which ones are withdrawing, whether it is the smaller ones or ones in deprived areas, which has been highlighted as a concern in the evidence?

**Susie Owen:** It is voluntary—we do not compel providers to offer this. It is up to a provider if they do it. We do not have the powers to say, “You must offer this provision.” But we are very confident in the rates that we have set, that they compare very favourably to parent-paid fees in the vast majority of cases. That means that there is a strong incentive to provide it. As we have already discussed from the results we have seen in April, high numbers of parents have been able to access those places. We have not heard reports of providers withdrawing.

If we recall back to ahead of the 2017 roll-out, there were many providers who said they would not offer the hours, but ultimately I think more than 90% of providers did. We expect to see the same again. That was what was so critical. It comes back to one of your earlier questions about the pace and managing some of the risks. Getting the rates at the right amount to incentivise providers to offer is absolutely key. If the rates were not right we would see far higher numbers of providers not offering, and we are not seeing that.

**Q59 Chair:** The corollary is that we saw a lot of providers—in fact, the National Day Nurseries Association highlights that there were 502 fewer early years nurseries and pre-schools in August 2023 than in the previous year. Those are their figures. I cannot verify them, but I do not doubt that they are accurate. Will you be monitoring whether more places are opening, and how?

**Susie Owen:** Absolutely. Every early years provider has to be registered with Ofsted. That is a way of tracking places, and we can get management information from them. Ofsted publishes that data on a twice-yearly basis. We conduct our annual survey, which is our assessment of every provider, including school-based, because Ofsted’s data does not include school-based nurseries if it is twos and upwards. That gives us a really good way of tracking what is happening. That is where we have seen the place growth.

Even where we have seen provider numbers drop, place growth at the same time has increased. The majority of provider closures that we have seen in recent years has been among childminders. We have seen the group-based provision being pretty stable and growing. Internal



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management information implies it is going in the right direction and we hope to see more of that coming over. The data from August 2023 was before any of the—

Q60 **Chair:** Yes, but there was less available, so you are hoping there might be more.

I want to touch on the issue of rurality and geographical challenges. In some areas of the country where it is very rural, providers will be further apart, or they could be 40 minutes the wrong way from somebody's workplace, so these are long distances that people will have to travel. What are you doing to make sure that parents in rural areas, where everything is sparser than it is in my area, can genuinely access it? As well as quality and price, childcare local to where people live or work is really important. It is difficult to completely control from Whitehall, but how are you taking that into account?

**Susie Owen:** That is when working with the local authority becomes really important—understanding where their potential sufficiency issues might be and what they are doing with that provider base to address that. That is often where school-based provision can be helpful because there are schools in most places. There are different ways of addressing it, but we work with the local authority. We also allow local authorities to apply a rurality supplement if that is needed in their area. When we pass the money on to local authorities they set a local formula. They can apply certain supplements, including quality, disadvantage and rurality, which can allow them to help incentivise provision in those areas.

Q61 **Chair:** Does that mean rural areas get a bit more money so that they can—

**Susie Owen:** Not definitely, but the local authority can choose to do that.

Q62 **Mr Walker:** It is within their allocation. They have a fixed allocation and then they are able to allocate that according to rurality. They will not get extra money for it.

**Susie Owen:** No, it is out of the total pot of money that we provide to them. We then set some rules, but they have some flexibility.

Q63 **Chair:** That is all very well if it is just a rural area. I am thinking of parts of Northumberland or North Yorkshire. There are towns, but there will be a lot of need, potentially, in remote areas. They have to take a chunk out of the money that they get to subsidise certain—they could have to subsidise all of their suppliers, or a large percentage of them.

**Susie Owen:** When they set their local rates they will consult with their local provider base to decide and to get that input about what is right. Someone will choose not to use that and just allocate it out. We have not seen any issues with rurality for April. It is something that we keep a close eye on because we know it can be an issue. We will deploy our contractor, Childcare Works, to go and work with those. We will also set up sharing for local authorities that have similar experiences and provide guidance. There are various ways around it. It is something that we are very alive to



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because we recognise the particular risk that might exist there. It is not something that we have seen a challenge with as yet, but it is something that we are keeping an eye on.

**Q64 Chair:** It is definitely one to watch; I am glad you are watching it. One concern is where you have existing well-established places that parents have been paying for. That means parents have had the money to pay for it. In certain deprived areas, that is more challenging. How will you make sure that you do not see deserts of care in deprived areas and providers just going to the areas where they have more working parents and more clients, more customers?

**Susie Owen:** This is one area where I think the expansion will really help. Often the issue in deprived areas is that providers have been more reliant on Government funding and not able to set rates too high because of the parents in those areas. Given the rates that we are setting across all the age ranges, if they are more dependent on Government money, that is a better position for them to be in. The funding is more sustainable, it is guaranteed, and so on. So we actually think that this will really help provision in disadvantaged areas. Aside from what I said earlier about how local authorities can make some changes to their local formula, we account for disadvantage when we issue our formula, so the population needs are taken into account when we allocate that to local authorities. That means that they can pay the same to a nursery in a deprived area as to one in a more affluent area, so it feels like more of a leveller from that perspective. We think this is going to help and really respond to some of the providers that have struggled in recent times to ensure that their businesses are sustainable.

**Q65 Chair:** The Government's set aim in this is to increase economic activity, so it is for working parents. Obviously, in certain deprived areas, for lots of reasons, that can be more challenging, especially if you are trying to juggle childcare costs. What measures are you putting in place to make sure that you are assessing, with other Departments, the work activity increase in the poorest households as a direct result of this childcare intervention?

**Susie Owen:** Part of the evaluation will be looking at exactly that. We will also monitor take-up as that goes through. We will look at that by income distribution to see whether there are any trends that are emerging.

The disadvantaged two-year-olds offer is important as well. We have given local authorities the ability to set a higher rate for that disadvantaged offer, if they believe that is the right thing to do, to ensure that we are not pushing out disadvantaged two-year-olds.

**Q66 Chair:** Just to be clear, how would that work? A deprived parent could get more—

**Susie Owen:** The provider could get more for—

**Chair:** So the budget goes to the council and they could give the provider more for the most disadvantaged parents and children. Does that just



mean less for other places?

**Susie Owen:** They will look at their two-year-olds provider base and the percentage of disadvantaged two-year-olds taking up the disadvantaged element versus the working element, and they can choose to set a differential rate if they believe that will incentivise the right form of provision. Again, it is a local decision to be made. But yes, out of their total pot—you are right.

**Susan Acland-Hood:** In addition, we do give an early years pupil premium, so we do also nationally also give a little bit more for children from disadvantaged backgrounds.

**Chair:** It will be interesting to see how the variations in authorities shake down. I am trying to compute the many options there, but I will pass back to Mr Walker.

Q67 **Mr Walker:** On this issue of the local authorities and the budgets that they get, when we took evidence from childminders in particular, we talked about the rates that the Government were setting out, and fundamentally they didn't believe us. When I look at the local rates being paid in my area, they are not as much as the Government's rates. That is natural, because London gets more and other areas get less in the grand scheme of things, but is part of that drop-off in childminders that you are talking about—which, from what you are saying, is continuing—because their businesses are becoming less sustainable in areas that are lower funded? Does that then affect the diversity of the offer that is there for parents?

**Susie Owen:** I don't think we are seeing that childminders are being particularly affected. In fact, on average, they have historically charged lower fees, so they stand to gain more, because the way we pay out is what we call "provider-blind". We pay the same—or a local authority pays the same—to a childminder as to a school or a nursery for that age of child. Given that, on average, they tend to charge lower fees and they often take younger children, they stand to gain quite a lot from the introduction of the entitlement. We have not seen that play out as yet, but obviously it is something that we will be keeping an eye on.

**Susan Acland-Hood:** I do think that this point about rate by age is quite important. Sorry to do this in a bit of detail, but one of the things that we have seen really clearly is that group-based providers who operate across the whole of the age spectrum will typically try to charge relatively flat rates. They don't want to take parents in with the very highest rate, even though it is more expensive to provide for the very youngest children.

If you look at the average parent-paid rate in 2023-24, it was £6.05 for under-twos, £6.07 for two-year-olds and £5.90 for three and four-year-olds, which is a very flat profile. When you look at what it costs to provide, it is much more expensive than that to provide for the youngest children, so a lot of providers are cross-subsidising their younger children from their older children.





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I think there are a few things that flow from that. The rates that we are setting are much more generous for the younger children—£11.22 for under-twos, £8.28 for two-year-olds and £5.88 for three and four-year-olds. When you hear providers talk, they will worry about the three and four-year-olds rate, but I think that is partly because they are accustomed to setting a higher parent-paid rate for those three and four-year-olds and then cross-subsidising. Any provider that is operating across the full age spectrum will be doing better with these rates. We have looked quite carefully not just at that national parent-paid rate but at how the rates compare to the parent-paid rates in local areas, and, again, we see that our two-year-olds and under-two-year-olds rates look really good compared with the parent-paid rates in local areas.

On childminders, I think that they have suffered a bit from the fact that they are particularly used for the youngest children, so if they charge rates that do not involve a cross-subsidy across from older children, which is much harder for them to do because they have fewer children and more of them are young, they compare badly with nurseries. Under these rates, childminders looking after younger children will be in a much stronger position.

**Q68 Mr Walker:** In our inquiry, we heard quite a lot of evidence for the opposite of what you have just been talking about, with people making a loss on the three and four-year-old rate and cross-subsidising it with higher charges for two-year-olds. I appreciate it will be a mixed picture, but I think that although the rates set out by the central Government look attractive, the reality of how those translate through the local formula is not always quite as attractive when it comes to looking at these issues. Is there an expectation management issue there about being clear that the rate in the headline is not necessarily what providers will receive?

**Susan Acland-Hood:** I think there may be. Quite often, people will quote the base rate locally and not take account of the fact that local authorities can both have different rates locally, and hold some back for supplements, giving those differentially to different providers. Quite often, the headline rate quoted is different not only because it is local, but because all the supplements have been taken out of it.

We have been talking about this internally. I do think there are some expectation management challenges and, straightforwardly, I think there are some clarity challenges. But overwhelmingly providers have said that they were pleasantly surprised by the two-year-old and under-two rates. The pressure we are getting is more on the three and four-year-old rate. We need to keep an eye on that, but I do think some of it will unwind. Again, our cost modelling is pretty clear—the IFS confirmed this—that the rate we have set for three and four-year-olds ought to enable profit to be made even for three and four-year-olds, because at the moment some of that is going in cross-subsidy across the system.

**Q69 Olivia Blake:** I imagine that some of this is going on the overheads of LAs. Have you done any evaluation of whether they are just using the same formula that they have always used, but on a bigger number? That



might not be very good for nurseries, at the end of it.

**Susan Acland-Hood:** We require them to pass through 95% of the total to providers. They can hold some of that back as supplements and put it out differentially, but it has to go out to providers. It is true that continuing to allow them to hold 5% means that they are holding a larger total amount than they would have in the past, if they choose to hold the whole of it—they don't have to—and, at the moment, we have allowed that, because we can see that there are significant costs for the local authority in standing up this new offer and doing the work on sufficiency. We want local authorities to be able to do that. But again, as you might think, that is something we would keep under review as we move towards a steady state. We want local authorities to have capacity and capability to stand up the new offer; once it is stood up, I think we would want to pause and look with them at the continuing cost base for their central work.

**Justin Russell:** We have already announced that we will increase to 97% the amount we expect to be passed on next year.

**Susan Acland-Hood:** Sorry, Justin—you are quite right.

**Susie Owen:** We haven't confirmed when we will—we have said later in the roll-out—but we have confirmed that we will look—

Q70 **Chair:** So you are giving them time to bed in with 5% and then reducing it.

**Susie Owen:** Exactly.

Q71 **Olivia Blake:** In percentage terms it is the same, but it is a big jump in the number, isn't it? I guess that is what I am thinking.

Do you think that providers have what they need to expand by the 85,000 places in the next 18 months? How confident are you that they will be able to step up?

**Susan Acland-Hood:** We have survey evidence from November, when we asked providers about the appetite and expectation to expand, which suggests that we have something that is in about the right ballpark. One challenge of this system is that providers operate relatively just-in-time. Providers do not typically create a lot of empty places, with a lot of people supervising, and then sit and wait for them to be filled. It is quite a fluid and dynamic market, and that is one of the challenges in doing a roll-out of this kind.

**Chair:** They have to have premises, though.

**Susan Acland-Hood:** Yes. There are some places where capital and premises are a constraint—that is why we put £100 million of capital funding into the system and we are working with local authorities on how they are using that, and we are doing a school premises pilot—but typically people will tell us that the workforce is the thing that, overall, they are more concerned about than the premises, although it varies by



provider, of course. The thing about that relative agility in the system is that we see numbers move quite significantly over time. For example, there are about 12,900 more people working in the early years sector this year than there were last year, and that is without any of the incentives that we have put in place or any of the work that we have done to try to generate that. You can see quite significant movement in a relatively short time, because they are accustomed to recruit when they have the need and the demand.

**Q72 Olivia Blake:** Do you think that all providers want to expand? What is the incentive for them to do that?

**Susan Acland-Hood:** No, I don't think that all providers want to expand. The question is whether there are enough that want to expand in the right places to meet the need. Again, we have a very wide variation of additional need—you might be looking at the map in the NAO Report that shows that. There are some places where even for September 2025 the net gain in capacity needed is zero or close to zero because of the capacity that is already there in the system. Then we have other places where there is a much more significant need.

A lot of this is about that really detailed local work that Susie has been describing with local authorities to make sure that we can identify the places where we need to see the most significant growth, that we understand with the local authority what the provider landscape is like, and then that we have got the incentives right. The setting of the funding rates at a level that makes it worth people's while is the single most critical intervention, because that generates both the funding to pay people and the incentive for the provider to be interested in the expansion.

**Justin Russell:** When we consulted providers after last year's spring Budget about what would give them the confidence to expand, the No. 1 thing they asked for was certainty about future uprating of the rates that we offer. In the spring Budget this year the Chancellor was able to give them some reassurance that we will use a formula for uprating these rates, at least over the next couple of years, that does take account of their cost base.

**Q73 Olivia Blake:** It is interesting that you mentioned the map, because Sheffield is on that map, and unfortunately a 20.1% to 30% increase in childcare hours is required there. I wonder, with my Sheffield hat on, what else you are considering to help support growth in areas like Sheffield where it is clearly needed. Mr Russell, do you have any other examples?

**Justin Russell:** It is a mixture of all the things that we have been talking about. It is the reassurance to providers about the rates that will be offered. It is the work that we have been doing to support them with the physical capacity that they might need to expand. We have made an investment in the capital.

**Q74 Olivia Blake:** Is there anything in the back pocket? That is basically what I am asking. Are there any contingency ideas in case this doesn't work?



**Justin Russell:** In terms of workforce, for example, one thing we are exploring at the moment is whether, if we offer people a financial incentive to come back into the childcare market, that will encourage increased recruitment. We have 20 areas where we are piloting that, and we will robustly compare that to some pilot areas to see whether that does increase it. I think those particular concerns about workforce are where the most potential to act is.

Q75 **Olivia Blake:** Where you have the biggest hill to climb on places, is there anything in particular you are doing regionally?

**Susan Acland-Hood:** Yes. I might bring Susie in to talk about this, but we start from the assessment of supply and demand that we have—again, that goes below the levels shown on the map, down to ward level—and we look at that regularly with each local authority to look at what is needed. We have been looking with them at what is needed for April, then September and then the following September. We triangulate the understanding from our data with their local understanding and make sure that we have a common picture. Then we have a system based not just on that number, but on the local authority's own assessment of how comfortable it is with its own plan. Fundamentally, there are many, many local authorities that have really good-quality plans and are themselves confident about their delivery, so we take that into account as well.

Then we effectively have a staged set of support that we can offer. We offer more intensive support to local authorities that have the biggest mountain to climb or are telling us that they are worried about climbing it, or both, and then we stage the support down through. For example, there is a group for September 2025 that is saying, "We are neither confident nor unconfident. It's too far out. We don't know yet." With those, we have a package of work that is about helping them understand it better so we can get underneath that. We have a much lighter touch process of staying in touch with those that are confident, with a bit of checking that their confidence is justified. We do a bit of work to stay in touch with them and make sure they continue to be confident and keep sharing the numbers as they change.

We have a delivery partner working with us called Childcare Works, which has also worked with us on the holiday activities and food programme. That programme has similar characteristics, in that it worked with a very large and dispersed group of providers through local authorities, and it depended heavily on bringing people together to stand up that work. Childcare Works has a set of packages it can offer to local authorities, tailored to the size and nature of the challenge.

Again, different authorities tell us different things about what their worry is. It could be an overall sufficiency worry or, broadly speaking, there could be enough places but not in the right locations. They also tell us whether they are most concerned about capital or workforce.

Q76 **Olivia Blake:** Finally from me, how confident are you that the recent increases will continue to be an incentive to providers to expand? You said



that they need that reassurance for the current expansion.

**Susan Acland-Hood:** As I say, this is something that we need to keep really close to providers on. We keep doing the assessment of how the rates compare with the parent-paid rates. The parent-paid rates aren't magic, but they are quite a strong indication of the market signal for what will make a difference. We are also looking at what providers tell us about their future intentions and the whys behind them. If they are not proposing to expand, we ask them why not and try to understand that. We also look at things such as their intentions, in terms of whether they will pass the increased rates through into pay or take them as profit. About 77% of providers say they intend to pass them through into pay and about 5% say that at least to some extent they propose to make themselves more profitable. Again, a small amount of profit is not a bad thing; it is an incentive to work. That feels like not a bad ratio, based on the latest intelligence.

Q77 **Sarah Olney:** I want to talk about workforce, which I feel is very much the elephant in the room at the moment. It feels as if the most significant challenge around the expansion of childcare places is staffing in childcare settings. I want to touch briefly on a recent conversation I had with a constituent who runs a nursery in south London. The thing she really wanted to highlight with me is the new salary threshold for visas, which is currently set at £31,000. There are exemptions for those working in health and social care, but not for those working in education or childcare settings. She told me that the £31,000 threshold is much too high—that is a management-level salary in childcare. The kind of staff she needs to recruit—this is a London nursery—are below that level. She runs a Montessori nursery, which has very specific requirements, and she is struggling to get staff because she can no longer bring people in from abroad because they won't meet the salary thresholds. Are you making any representations to the Home Office around the particular staffing challenges in childcare in relation to this salary threshold?

**Susan Acland-Hood:** I have to say that the visa thresholds for early years haven't been a particularly strong feature of the feedback we have been getting, although I am really happy to take that away and have a look at it. I can completely see why that would be true for a Montessori nursery—

**Sarah Olney:** And in London.

**Susan Acland-Hood:** Yes, particularly in London, but it is slightly less common across the sector that people are trying to recruit from abroad.

Q78 **Sarah Olney:** That is interesting. The other thing she raised with me, which I also know from my own experience, is that the early years childcare workforce is disproportionately younger women, who often go off on maternity leave. In her experience, because they cannot afford childcare, ironically, they do not return.

You have a range of initiatives to attract more people into the sector. I wonder whether you have considered this particular demographic, and



what you might be doing to look at attracting men and older age groups into the workforce to counteract the disproportionate focus on younger women.

**Susan Acland-Hood:** You are right: it is a disproportionately female workforce. If you look at the campaign that we have been running, “Do something BIG. Work with small children”, you will see that it deliberately uses a range of role models to try to ensure we are expanding the kind of people we can attract. We have seen some providers doing some really creative things to bring a different demographic into the workforce.

The other thing I would say is that because the sector has had that profile for a long time, there are some reasonably tried and tested ways of managing things like maternity leave returns. Quite a lot of nurseries will make a virtue of the fact that they themselves can support childcare for their workforce. I don’t know whether you have heard, but there is an amazing new childcare offer for working parents that I think might help with this as well. *[Laughter.]* So there are a number of things that we can do, both on attracting people and on the support for the people in the workforce.

Q79 **Sarah Olney:** I was really struck by the decrease in childminders between 2018 and 2023; the Report says it was 35%. Do you know what is driving that reduction in childminders? It is such a critical part of the sector for so many parents that it feels like a lot.

**Susan Acland-Hood:** It has been a relatively sustained decline and is something that we have been looking at over quite a long period. I do think that some of the rate cross-subsidy point that I described earlier may be playing a role.

I think some of it is about changing parental patterns and parental choice. But childminding remains an incredibly important component of the system—it often offers more flexibility to parents—and there is a set of things that we have been doing to try to incentivise more people to come back into childminding. Thinking about that as we do things across the whole system, like setting the rates, we have created a childminder-specific version of the early years and foundation stage documentation that focuses on things that only they have to do, which simplifies things for them. We also have childminding incentives running. Susie, do you want to talk a bit more about what we are doing on childminding?

**Susie Owen:** We have a grant scheme open, which provides either £500 or £1,000 to new childminders, depending on whether they are registered with Ofsted or with a childminder agency. That is to cover the costs of registration, which can be quite a big outlay for childminders when they are thinking of entering into it. That is operational at the moment; it runs through until next year.

The recruitment campaign that Susan mentioned, “Do something BIG. Work with small children”, will have a childminder component to it, because this can be a really attractive option for people if they have the right housing and so on. There is a childminder consultation on at the



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moment, which is looking at additional flexibilities that we can provide to childminders to help them.

We have done a lot of work with Ofsted to smooth the registration process. We have brought the time down—I think it is now taking an average of 10 weeks to register—because we know that that can be a barrier. There are various things we are looking at to take the friction out of the system and ensure that people understand that it is a really attractive proposition.

Also, the comms to parents are really important in explaining what childminders are and what they do. With more younger children in the childcare sector, we think that parents, who often like a childminder environment for their youngest children, may feel more comfortable putting a child into a childminder's home than into a larger nursery. Ensuring that parents know that the choices are out there for the demand that is there will also help.

**Q80 Sarah Olney:** Ms Acland-Hood, when will you know whether the early years sector will have enough staff for your September 2024 and September 2025 roll-outs?

**Susan Acland-Hood:** For September 2024, we need an increase of about 8,800. That is less than the increase that we saw in 2023, without any of the incentives that we are describing, so I think the increase for September 2024 should be relatively readily manageable.

**Chair:** That's 15,500.

**Susan Acland-Hood:** I think it's 8,500. I think the 15,500 is places rather than people. I think it's 15,500 places and 8,500—

**Chair:** Forgive me: I got mixed up.

**Susan Acland-Hood:** You had me worried then.

**Chair:** My mistake.

**Susan Acland-Hood:** Then, for September 2025, it is a much more significant step up. As I described earlier, the real challenge is that we would not expect that to grow over the course of the year between September 2024 and September 2025, because typically people don't put people in advance of the need.

At the moment, our workforce information comes from an annual census. We are doing a set of pulse surveys with providers that will give us more regular information. We are stepping up the frequency of those and we will get much more regular information over the course of next year, but we still expect to see quite a big ski jump in the numbers as we get very close to that moment.

Part of this is about making sure that we have the pipelines through in some of those early indicators, like the number of applicants per vacancy—encouragingly, we saw that go up in the last set of pulse surveys

from about two applicants per vacancy to about five—and the interest that we are seeing coming through the campaign, as well as through our skills routes. We need to build that pipeline and make sure that that is ready for the flexibility.

**Q81 Sarah Olney:** What interventions that the DfE can make do you think are most effective in building that pipeline?

**Susan Acland-Hood:** I continue to think that the single most effective intervention is about the setting of a good economic rate, which allows pay rates to be set at a level where people can be attracted. We have rather a large pool of people with childcare qualifications in the labour market, but not necessarily currently working in childcare. We see rather a large group of people who enter childcare qualifications, particularly coming out of school, but do not all go on to work in the childcare sector.

There are set things we can do on the skills side; indeed, we are increasing the funding rate for childcare apprenticeship places and are making sure that the levelling-up premium is available to FE teachers who teach childcare courses. We have significant growth in T-levels. We are providing childcare skills bootcamps, with about 2,800 places, which are already running. But a chunk of this is about making sure that we translate those trained people into people who are actually working in the sector.

Although I think all those things are important, the critical things are about rates and pay, and some of the things around attractiveness and prestige to people. We are seeing some quite encouraging early figures coming through to both, in terms of clicks through to job adverts, but also in people's perceptions of working in the sector, which will be important.

**Q82 Sarah Olney:** There seems to be a bit of a mismatch. The Report is saying that only about a quarter of those who start relevant qualifications then go on to work in the sector, but you have quite a few people already working in the sector who do not have the right kind of qualifications.

You mentioned a census. What else are you doing to collect the right data that you need to monitor workforce shortages and the success of initiatives to address that. What are you doing to drill down regionally and nationally on that data?

**Susan Acland-Hood:** The censuses and the pulse survey are important. They ask a set of questions of providers, both about their workforce and about things like applicants per place. We have some work going on with some of our largest providers; we are working with them on more real-time information about what they are seeing coming through the workforce. We are also exploring other routes, including real-time information from HMRC.

**Q83 Sarah Olney:** Obviously you think that the biggest part of the jigsaw here is to increase the rates, so that providers are able to offer a more competitive salary, but to what extent will the increased rates go to address previous underfunding? How can you be certain that that is going





to feed through into a better offer for those entering the workforce now?

**Susan Acland-Hood:** When we survey providers, about 77% say that they expect to pass rates through into pay. Again, some of this is about the shape of the rate that I described earlier—the incentive to make sure that providers are interested in providing places for the younger children who will make up the largest part of the growth that we see in the roll-out. When you talk both to school-based providers and to others, they have been cautious about expanding down the age range, and setting the rates to make that attractive is an important part of the framing and shaping of the offer.

Q84 **Ms Rimmer:** I am particularly interested in what support is afforded to local authorities charged with delivering this responsibility. I am pleased to see that there are meetings six-weekly, and more frequently where there is more demand. How successful have these meetings been? I know that you have provided a contractor to facilitate and offer advice. What kind of advice?

**Susan Acland-Hood:** I will bring in Susie in a minute. We might have to give some examples, because it is really dependent on what the challenge is. I would say that the headline is that it has been quite successful so far, in the sense that we are pleased with the work we have done on the April roll-out. Susie, do you want to just give a couple of examples?

**Susie Owen:** There was a provider in the east of England that went out of business early in January. That was obviously a cause for concern; it ran a number of settings. In that instance, we would reach out to the local authorities.

**Chair:** Can you speak slowly and clearly, please?

**Susie Owen:** Sorry, I have speeded up as I have gone through. There was a provider that went out of business earlier in the year, ahead of the April roll-out, which was operating across a number of local authorities in a particular region. In that instance, we reach out to each local authority and understand what the impact has been and what might need to be done. In that case, every local authority was able to assure us that they had good relationships with other providers, that they had placed those children and that it did not then turn into a sufficiency concern. That is an example of where something very specific happens, and we work closely with them to do that.

There might be issues with local authorities where they do not have a good enough handle on their supply and demand data, as we talked about earlier. In that instance, we would ask our Childcare Works providers to go in and help them with that mapping. They would take our data—we share that with them—but we are really keen that they make sure our data matches what is happening on the ground in their local area.

Q85 **Ms Rimmer:** Is that coming in useful: matching the data?

**Susie Owen:** Yes, it can be really helpful for local authorities to get a handle on that.



Sometimes it is about the support that the local authority is able to provide to the businesses. This is a big shift to business models. There is a big range of providers out there: very small single-site providers and childminders, as well as the larger group-based settings. Our contractor will go in and advise on business models and how to communicate with providers to think about how they structure their business to ensure that they are taking account of the rates across the different ages, and what that means for how they sell those hours out into the market. It can be very practical things like that as well, which is providing business support.

We also do that sort of thing on a national level. We provide—both ourselves and via our contractor—webinars and guidance tools that address the common themes we see coming up that might be challenging for a local authority in how they work with their provider base. It is a range of things. There are obviously common themes across local authorities, but sometimes there are very specific issues like the one I described, where you need to take a more tailored approach to what is happening.

**Q86 Ms Rimmer:** Are the local authorities now more confident about meeting the September 2024 targets?

**Susie Owen:** Yes. We have a weekly meeting where we go through every local authority and look at where it is and whether the intervention that we have put in place needs escalating or de-escalating. I know that in the last two weeks, the team has spoken to more than 80 local authorities.

We keep in really close contact and are constantly monitoring what might be required. Often, it is quite a small thing. From our perspective, we want to be really assured that when they say they are confident, they are confident. We ask to see their plans; where there are issues, we go in and provide support. We are looking at that on a weekly basis.

We expect confidence to grow as we move toward September. That is what happened for the April roll-out. When we did the readiness assessment ahead of it, the confidence was much lower, but as we have seen, all local authorities were able to deliver. We expect that trend to repeat for September, but we do not take it for granted. We stay very, very close to those local authorities to identify what the issues might be.

**Q87 Ms Rimmer:** What about the number of spaces? Will they be there in time for September 2024?

**Susie Owen:** That is what we will ask them. Many local authorities do not need growth for September because they already have capacity in their system, but others do. Where they do need growth, we ask them to share their plans for exactly where that growth is coming from and how they are working with their local provider base so that they know. If they do not know, that would be a red flag for us. We would say, "Okay, we need to come in."

**Q88 Ms Rimmer:** You are there to support them.



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**Susie Owen:** Exactly. That is the level of information we ask local authorities to provide, to assure ourselves that those places will be available.

**Chair:** I just need to warn everyone that votes are expected shortly, so we will need to pick up the pace.

Q89 **Ms Rimmer:** You have the £100 million. Is it expected that much more capital grant will be needed? How do we know when that will happen?

**Susie Owen:** The £100 million has been allocated out. We published the allocations back in the autumn, and I think the money went out to local authorities in February. Local authorities will be submitting their plans to us shortly about how they intend to spend that money. They will use it in a variety of ways—for example, we know that one local authority is working with its schools to set up provision on site in an area where there is low childcare availability, so it is getting the school to extend provision.

Q90 **Ms Rimmer:** And the DfE is confident that it will be able to fund the local authorities for any costs incurred?

**Susie Owen:** Already this year we have paid out £12 million in delivery support grants to local authorities to help them to get ahead of that set-up. As the Permanent Secretary already described, we allow local authorities to hold back 5% of the overall funding to enable them to deliver the expansion, so we are confident that enough money is going in to support local authorities. If we have any concerns about capacity, that is where we will step in and work with the local authority to address those concerns.

Q91 **Mr Walker:** I was struck by what you said earlier, Justin and Susan, about special educational needs and the benefits of early intervention. One of the clear findings of our inquiry was about the benefits in that space. How do we ensure that the funding rates you provide do not incentivise providers to expand their capacity to meet the needs we have been discussing, rather than the needs of children with SEND, when the benefits of meeting the needs of children with SEND are so enormous?

**Susan Acland-Hood:** I might bring in Justin in a moment. The first thing that I would say is—

**Chair:** Bearing in mind the time, we do not need two answers: just be really clear.

**Justin Russell:** Susan said earlier that there are actually record numbers of children with a special need in an early years setting. We have identified that more than 100,000 children with a special need are already in a funded place. That is before we have moved to expand entitlement, and it includes 15,000 children with an education and healthcare plan. The existing funding formula recognises the needs of children with special needs as well as children with disadvantaged backgrounds, so that is weighted into the funding formula.



There are also dedicated funding streams that go to providers to meet the needs of particular children. There is a disability access fund that goes to providers for children on DLA, and we fund a range of other activities, such as short breaks funding. There are mechanisms in the funding system to recognise the additional needs of those children. There is also a requirement on every local authority to set up a special educational needs inclusion fund. It is left to local authorities how big that fund should be, but they all must have one and report on how they are doing that. They must report annually to their local councillors on how they are meeting the sufficiency need for early years, which must also include recognising the needs of SEND children.

**Q92 Mr Walker:** In terms of identifying that sufficiency, are you comfortable that local authorities have sufficient access to specialist assessment centres? I previously raised situation before in Parliament when my local authority closed down the only specialist assessment centre in South Worcestershire, because it needed to provide more places in primary for special needs children. I am told that they are in the process of recommissioning one, but if that expertise is unavailable in a local authority area, how are they identifying the children who need that extra support?

**Justin Russell:** Staff in early years settings are starting to identify them anyway. I mentioned that at around two years old, developmental delay starts to be identified. Health visitors do a really important two-and-a-half year health check, so that is another avenue through which children are identified. We are investing in the recruitment of 400 more education psychologists, and there has been a lot of interest in taking up those training opportunities; that has been very heavily over-subscribed. We recognise a particular need for specialist staff, whether that is education psychologists or speech and language experts.

**Q93 Mr Walker:** I welcome that. There is some very welcome investment going into expanding both of those areas, which are really important for early intervention, but I am concerned that if you do not have a network of specialist assessment centres that cover the entire country effectively, you will miss important elements of need here, which if they were addressed could help children to engage successfully with their educational journey in mainstream schools. Is there more that the Department could do to get oversight of the provision of SACs, where they are and are not, and how those gaps need to be filled?

**Susan Acland-Hood:** At the moment, we do not make a set of requirements on how local authorities do that kind of early assessment. The wider point about consistency and good practice in SEND more generally is a really important part of the SEND improvement plan and change programme. As part of that, we are proposing a set of clearer national standards that say what good looks like. That would cover looking at good practice in mainstream provision, including in early years mainstream provision, which goes to how everybody can get better at identifying need. We will also look really hard at the evidence around what good practice looks like in things like specialist assessment. We might be



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able to do something through that mechanism. Depending a bit on what the evidence base shows us about what really works, we will be able to set out some clearer standards from the centre about what good looks like.

At the moment though, we really do leave it to local authorities to organise their provision. There are advantages to that because they can respond to local need. One of the propositions that we put in the reform package was that we could probably do a bit more to ensure we are spreading known good practice across the system.

**Q94 Mr Walker:** On capital, you mentioned the £100 million. Is any of that specifically targeted to meeting special educational needs?

**Susan Acland-Hood:** We have not ringfenced any of that for special educational needs, but I would be really surprised if we did not see local authorities choose to use at least some of it in that way, given what we are asking them to do on understanding the profile of their need.

**Q95 Mr Walker:** You mentioned existing funding rates, such as SENIF and the early years pupil premium, to target support to disadvantaged pupils. My understanding is that those have not seen inflationary increases over a number of years. Are they not becoming less valuable in real terms? Given the complexity of special educational needs, is there not a need to review some of those and take account of the situation in which there are 100,000 children, and 15,000 within ACP? I suspect that is a lot higher than it was five or six years ago.

**Susie Owen:** We have increased EYPP and disability access funding, which is a payment that goes to the child if they are in receipt of DLA, so they have seen increases. I can confirm what those figures are; I don't have them here, but we have increased them in line with the uplift rates in recent years.

**Q96 Mr Walker:** That is helpful. Are you measuring the impact of the roll-out on the attainment gap? One of the consistent issues that has been raised with me since covid is the number of children who have suffered as a result of not being in some setting or having some form of stimulation during the period in which they were out of education. Particularly given that previously for two-year-olds we had an offer only for disadvantaged children, are you measuring whether that attainment gap is changing over time as a result of the roll-out?

**Susan Acland-Hood:** We absolutely will be. Thank you for asking the question. It is one of the things I want to push back on a bit. It is an important thing for us to monitor. When we look at children with a good level of development in the early years and foundation stage last year compared with the year before, we can see that not just the headline rate for all children has gone up by 2 percentage points, but the rate for disadvantaged children has gone up by 2.5 percentage points. The gap has closed a bit in the last year, which we were really encouraged to see.

Some of the commentary suggests that almost by its very nature, expanding provision will make quality worse or risk outcomes, so it is



worth saying that that is not what we saw through the expansion, for example, of the three and four-year-old offer. We saw the ability to increase the amount provided, and we continued to see improvement both in Ofsted ratings of providers and in the early years and foundation stage results. Of course, that is what we are aspiring to and measuring ourselves against—that we can increase numbers and continue to hold high quality in outcomes for children.

**Q97 Mr Walker:** Obviously, parental engagement with the offers will change over time. You are seeing a very substantial expansion in the coming years. Have you looked at the what ifs and how affordable the entitlements are if more parents than expected take up the offers, and how will you mitigate that in terms of the affordability and value for money of the whole proposition?

**Susan Acland-Hood:** We have quite good survey data on parental intentions, which we have fed into our assumptions about take-up. By and large, because this is a working parent offer, if we see significantly higher take-up than we were expecting, there is a point where that can only be because more parents are entering the labour market or increasing their hours. If that happens, there is upside to the increase to take-up. Our benefit-cost ratio is 1.26:1, based on relatively conservative assumptions about the labour market impact. If we see much higher take-up than we expect, that is highly likely to be accompanied by better labour market outcomes. So we might be spending more, but we will be gaining even more.

**Q98 Mr Walker:** And the Treasury then comes up with the goods?

**Susan Acland-Hood:** The Treasury is quite supportive of this policy.

**Chair:** Given the political landscape, with every party competing to grow the economy, if this works then everyone is going to be on board.

**Q99 Matt Warman:** Apologies for dipping in and out, Chair. Thank you for bringing me in.

Susan, you mentioned that the take-up affects the value for money, but it will affect the quality as the entitlements expand and more and more people take them up. If your expectations are outperformed, for want of a better word, you will presumably have an even greater tension with making sure that quality is maintained. How will you measure that, and how will you try to make sure that it does not dip if you start to come up against the top of your expectations?

**Susan Acland-Hood:** I will continue to push back a bit on the thought that there is an inherent and automatic relationship between scale and quality. As I say, that is not what we have seen in the roll-out of earlier entitlements. We have been able to expand at large scale and maintain quality. Sorry to keep going back to this, but some of that goes back to the rate set, what we are able to pass through in terms of pay, and making sure that we are being really serious and intent with providers about the standards that we are setting.



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This is a landscape that is populated much more by people who want to look after children well and care about their outcomes than by people who rapaciously want to make a huge pile of money. In a way, that is both a joy and some of the challenge of operating a roll-out of this kind, and one of the reasons why—

**Chair:** We acknowledge that. Sorry—I am aware that there is a vote. We can extemporise on that for a long time, and we all agree that most people who do this are great.

**Q100 Matt Warman:** Finally, on a related point, you said that if take-up goes up, you hope to see more and more parents going back into work. How will you monitor that in practice? It is trying to measure both what you can see happening and what people say they might have done in different circumstances. There are lots of unknowns there. What does that look like in measuring terms?

**Susan Acland-Hood:** It is a bit of a challenge, because there is a little bit of, “What would the counterfactual be?” Some of the labour market outcomes will be about the labour market itself, rather than about what you see in childcare. We can do a combination of straight ONS and HMRC-driven labour market outcomes; we can look at change over time. Again, that is not complete proof against there being other significant changes in the labour market at the same time.

In international comparisons, there is a relatively high rate of work among mothers in the UK, but a much, much higher rate of part-time work and a much lower rate of full-time work than in other OECD countries. So you might look at whether that gap is closing. That might well signal something that is more about this policy and less about the wider labour market. You can look at the outcomes of mothers of children of the relevant ages as distinct from others in the labour market.

We will also continue to use survey evidence. For example, we can go back to the 30 hours roll-out. About 50% of the parents who benefited from that who we surveyed reported that without the 30 hours they would be working fewer hours, or not at all.

**Q101 Matt Warman:** If that metric, given that it is the one you have given us as an example, does not change, what might you be able to do to make some further progress?

**Susan Acland-Hood:** If we did not see any change in labour market participation, we would want to work really hard with parents who are taking up the offer to understand the reasons why.

**Chair:** A lot of it is about logistics, as every working parent around the table knows. We could carry on this discussion a lot longer. We are delighted that our sister Select Committee is also looking at this, and we will come back to visit it at some point. In fact, we may give you the excitement of a recall in September, when we have some of the figures that tell us how well the first phase has gone, because there is great interest out there.



## HOUSE OF COMMONS

Once again, I thank the people who wrote in with evidence. It really does help to enrich our work and that of our witnesses. I thank Susie Owen—a very good first-time witness, if I may say so—Susan Acland-Hood, the Permanent Secretary, and Justin Russell. The transcript of this session will be available on the website, uncorrected, in the next couple of days. It is likely now that we will produce a report after the Whitsun recess. Thank you very much indeed for your time.