

Public Accounts Committee

Oral evidence: Free entitlement to early years education and childcare, HC 912

Wednesday 20 April 2016

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Members present: Meg Hillier (Chair), Mr Richard Bacon, Caroline Flint, Mr Stewart Jackson, Nigel Mills, David Mowat, Stephen Phillips, John Pugh, Karin Smyth

Sir Amyas Morse, Comptroller and Auditor General, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Andy Fisher, Audit Manager, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: Dalia Ben-Galim, Director of Policy, Gingerbread, Neil Leitch, Chief Executive, Pre-School Learning Alliance, and Zoe Raven, Chief Executive, Acorn Childcare, gave evidence.

Q1 Chair: Good afternoon and welcome to the Public Accounts Committee on this Wednesday 20 April 2016. We are here today to look at free entitlement to early years education, on the back of a National Audit Office Report that has evaluated the Government's previous work on this, and also to look ahead at what is coming. We all know that high-quality childcare and early years education are good for children and their parents; we acknowledge that the Department for Education has done well, increasing take-up of the free entitlement and overseeing a sector in which quality is rising—I have certainly seen that in my constituency—but we know there are challenges ahead. Our pre-panel is here to discuss some of them.

The expansion of free entitlements is going ahead, with pilots this September. We are hoping to hear today from both panels, particularly from the Department, how those pilots will test providers' capacity to meet demand for the extension; how feasible it is for providers to operate with the new funding rates—we have some good witnesses on that in our first panel; how disadvantaged children will be able to take it up; and whether the benefit is being spread evenly across all groups.

Our first panel is made up of, from my left, Dalia Ben-Galim, who is the Director of Policy at Gingerbread; I will get you each to explain your organisations to us all in a moment, just to be clear.

Then we have Zoe Raven, who is the Chief Executive of Acorn Childcare—welcome, Zoe—and Neil Leitch, the Chief Executive of the Pre-school Learning Alliance. Welcome, Neil.

I am going to ask you all first to explain who you are, but before I do that, we have a Twitter hashtag for anyone watching—that’s “earlyyears”—and can I also record the Committee’s thanks to the Mumsnet forum, which was very helpful in providing comments on this issue? Although this session is not well attended, I hope some of them will be tuning in online. Starting with Dalia, can I ask you to briefly introduce yourselves and your organisations so we have a flavour of where you are coming from?

Dalia Ben-Galim: Hi. Thanks so much for inviting me. My name is Dalia Ben-Galim and I am Director of Policy at a charity called Gingerbread. Gingerbread is a national charity that supports single-parent families. We do that in a variety of ways through policy and campaigning work, and we also have a national helpline for single parents and offer employability services.

Zoe Raven: I am Zoe Raven. I have been running children’s day nurseries for 26 years. We are a not-for-profit organisation and we have a variety of nurseries in socially disadvantaged areas as well as more affluent catchment areas, so we have quite a cross-section. I do out-of-school clubs and training as well.

Q2 Chair: Can I check which countries of the UK you operate in?

Zoe Raven: We are only in Milton Keynes and Northamptonshire.

Neil Leitch: Neil Leitch, Chief Executive of the Pre-school Learning Alliance. We operate in England. We are a membership organisation with around 14,000 members, predominantly groups, and a real mixture in terms of private and voluntary sector providers. We are also the third largest provider in terms of childcare in the UK, with about 120 settings, exclusively operating in areas of deprivation, so we see it first hand as well as representing the views of members.

Chair: So you all have useful things to tell us. Stephen Phillips is going to ask the first question.

Q3 Stephen Phillips: There is really just one question that I want to ask you, and it is this. What has the impact been, and what do you think it will be going forward, of the introduction of the national living wage on your ability and the ability of providers to provide early years childcare, and what are the dangers that you see in that? Perhaps we will start with Ms Ben-Galim.

Dalia Ben-Galim: Well, we’re not a provider. I think the difficulty will be in terms of whether or not prices go up for parents. That is what single parents are telling us all the time. Most single parents at the moment are spending about half their take-home pay on childcare costs, so I guess the concern is whether there is a risk that prices will go up because costs increase for providers.

Q4 Stephen Phillips: Can I just stop you there? I’ll come to the other two. Do you think that, as a result of that, take-up will also fall?

Dalia Ben-Galim: Yes. As we all know, the cost of childcare is so high that lots of parents are being locked out of work as it is, so parents will have a decision to make in terms of whether it stacks up for them to be in work and use provision or not. It will be different around the free entitlement, I would imagine, but Zoe and Neil are probably in a better place to answer that in terms of the impact on cost for parents.

Q5 Stephen Phillips: Ms Raven, as a provider?

Zoe Raven: It has not had a major impact on us, because we have an aspiration to pay the UK living wage, so we are working towards that. The big problem is that there is a huge pressure on salaries because there is a massive recruitment problem across the sector, and the living wage is going to add to that because of the differentials between qualified and unqualified staff. I know it has had a bigger impact on other providers and, generally speaking, salaries are going up and up each year.

Q6 Stephen Phillips: In terms of the shortage of staff, do you think that the escalation in pay, for want of a better phrase, will actually encourage more people to come into the profession?

Zoe Raven: To be honest, it needs to escalate a lot more if we are to have graduates. We want graduates in the settings. We want a highly qualified professional workforce, and the only—

Q7 Stephen Phillips: Why do they need to have degrees?

Zoe Raven: I didn't say they need to have degrees. We want more highly qualified people. When we had the Graduate Leader funding and the Home Grown Graduate Incentive, I saw some really good practitioners become really excellent practitioners because they had funding to do early years foundation degrees. It is a huge shame that that was cut off, often midway through a foundation degree. We have picked up the cost of finishing those foundation degrees for practitioners. It has had an impact on quality. Quality has risen because of the growth in qualifications among the workforce. I believe it is a more professional workforce than it was 20 years ago—much more—but now the rug has been pulled from under our feet. There is no funding for higher qualifications. The declaration that all nurseries were going to have a graduate leader has all gone, even though there are recommendations that that should come back, but there is no funding for it.

Q8 Stephen Phillips: Mr Leitch, to go back my original question, what effect has the national living wage had on your providing early years care in deprived environments? Has it been significant?

Neil Leitch: As an operator, for example, about 70% of our costs relate to people.

Q9 Stephen Phillips: That is 70% of the operating costs of the businesses relate to salary?

Neil Leitch: Staff costs. I am not exactly proud of this, but we, as an organisation, pay at the bottom end. It is obvious if you move from a level of here to here in terms of the national living wage that it has a significant impact, because we are at a break-even position.

It is also interesting when you look at the Department for Education's own research, which shows at best 50% of providers operate either at break-even or a loss. You have to assume that they are on the borderline, so any impact will not just be directly for those who are on minimum wage. As Zoe alluded to, the point is that it reflects further down the line, so you have to pay everybody else, otherwise you do not maintain those differentials. I think it has a significant impact.

Q10 Stephen Phillips: Do you think that, particularly in deprived areas, providers are going to disappear as a result of staff costs rising so they simply cannot economically provide the care anymore?

Neil Leitch: This is interesting. We released some research today based on providers telling us whether they would stay within the system in terms of operating 30 hours or come outside. The bias is more towards those providers operating in areas of deprivation, where they struggle: they struggle to get higher grades from Ofsted and they struggle economically. If you look at the grades of good and outstanding, you will see a link between the rates of funding that those providers get as opposed to the average rates. I think it is difficult to deny that providers in areas of deprivation will suffer harder. They have more and more cases to deal with involving children with special needs, or children in care or on the at-risk register and so on, so there is more of a workload. We have to attend more and more meetings outside the conventional environment. There is no funding to pay for that and no consideration in terms of average rates.

Q11 Stephen Phillips: Is it self-evident that the unit amount paid by DfE as a result of free childcare has to rise over the course of the next few years?

Neil Leitch: It is not sufficient. I would suggest that we as an organisation are the only people who have based the funding figure on evidence. If you look at the DfE's review, I am very conscious that they say that it was a comprehensive, expansive review, but when you dig down, they had 2,000 responses from the sector. They constantly say that they listen to the sector but if you delve into the report, they expressly say, "We couldn't make head or tail of that information, so we have effectively ignored it and chosen to rely on data in terms of cost given in May 2012 and 2013."

By the time we roll this programme out, the funding will be five years out of date. It is already out of date and we know it is already insufficient, but there is nothing in the mechanism that we can see at this point that says, "In every year we will go back and index link it," et cetera—there is nothing. Funding is the major problem.

Stephen Phillips: Thank you. The Permanent Secretary is behind you and it will come as no surprise to him when in due course he is asked about that.

Q12 John Pugh: If I could press you a little bit on the workforce, are the bulk of people currently working in this sector on a pension? Are you in any way affected by rules on auto-enrolment? Is it an added cost for many institutions?

Zoe Raven: Absolutely, it is an additional cost. Our organisation already had a pension scheme, but a lot of single providers will not have had pensions schemes, so that is an additional cost. The additional cost of training that we no longer have subsidised by the local authority is an additional cost. There are additional costs all the way along the line. The cost of providing childcare is going up but the funding rate has not gone up at all.

Q13 Chair: Neil Leitch, on the pensions point, is that an issue for you?

Neil Leitch: Our members tell us that it has a detrimental effect, and of course they did not budget for it. It is important to note that on average—I think this was included in the NAO Report—we have not seen any increases since 2012-13. All of a sudden we have the impact of national living wage and the statutory pensions.

Q14 Chair: So to answer John Pugh's question, it has an impact.

Neil Leitch: Definitely.

Chair: There is a pensions impact.

Q15 John Pugh: Going back to workforce statistics, I believe that in general the workforce in this sector has not grown significantly; it may even have reduced slightly in recent years. If that is the case, do you anticipate the increased demand you're going to get being met by increasing the hours of existing staff or by finding a set of new people not currently in the sector?

Zoe Raven: May I answer that? I don't know where they are going to come from because entry into childcare courses has plummeted. Some of the providers of early years teacher status courses have had to cancel courses; there is not the take-up, because they don't get qualified teacher status at the end of it.

The level 3 issue is a whole separate issue. It is not directly related to funding but the fact that there is not an acceptance of functional skills means that there are less people going into level 3 courses—which is the standard; it used to be the NNEB and is now level 3 of various sorts—so there are less people coming out at the other end. We are all fighting over a shrinking workforce.

Q16 John Pugh: Would you anticipate offering longer hours to people who currently work part time for you? Would that be the standard model?

Zoe Raven: If they work part time, it is because they want to work part time—they may have family or other commitments. Recruitment is a massive problem already so it is going to get worse.

Neil Leitch: I agree entirely. We do an annual survey of our members. It is interesting that over probably the last ten years, funding was predominantly at the top, Ofsted used to be second and recruitment was nowhere on the horizon; now it is the second biggest factor of concern to the sector.

Q17 John Pugh: Mr Leitch, you are a bit of a naysayer because you talk about the Government insisting on rolling out an underfunded and under-resourced free entitlement offer. You mentioned in your presentation that deprived areas were finding it more difficult than most. In terms of the economic model in play here, is the explanation that in better-off areas, if I can put it like that, there is a strong element of cross-subsidy, which enables organisations that would otherwise struggle to stay afloat?

Neil Leitch: It is a critical factor. I have experienced it at first hand. I would challenge whether there is such a thing as the free 15-hour entitlement, because the way in which most providers tell me they stay afloat is by utilising the cross-subsidisation from those parents who take additional hours. When you remove—

Q18 John Pugh: Which presumably applies less in deprived areas?

Neil Leitch: That is true, actually. There are lower hours. For example, we are part of the voluntary sector, and the number of hours that parents take up from the voluntary sector overall, according to DfE figures, is about 15.4 hours at the moment. So you can see that if you get an expansion to 30 hours, you have a capacity issue and a funding issue. I would suggest that for private providers who have been able to survive because they have been able to cross-subsidise, that potential is removed.

Q19 Karin Smyth: I want to pick up on what you said, Mr Leitch, about there being no mechanism. The role of the local authority is something that we would like to revisit in the main hearing, but it is the purpose or role of the local authority to steward the market and partly to be that mechanism. Could you say something about how you see that working currently?

Neil Leitch: We have, dare I say it, off the record conversations with senior executives at local authorities. They have massive sympathy for the early years sector and they would like to do more, but most of them tell me that they have a variety of challenges and that effectively we are no exception. They tell me they try to do the best that they possibly can. In 2014, they were given directives to pass as much as they could across to the early years sector, but that had no impact whatsoever. What I am saying is that, unless there is a mechanism that stipulates that X, Y, Z must be passed across—whether that is 95% or 100%—it is very difficult to imagine that they are going to say, “Okay, we’ll leave the potholes; we’ll leave the lights; we’ll pass it across to the early years sector.” There is no precedent or evidence to show that they will do that.

Karin Smyth: Ms Raven? Do you want to add anything?

Zoe Raven: There is a huge problem with different local authorities paying different rates. I know the proposal is that that is going to be standardised, but different local authorities pay in different ways and in different patterns: some pay half-termly, some pay in completely different ways. That makes life very difficult, because there is not a level playing field. A four-year-old in one county will get a lot more than a four-year-old in another. That makes no sense whatsoever.

Our problem with the local authority is that the early years part of it has all but disappeared, so we have no early years advisers any more and no funded support or training. There used to be a lot of support for special needs; that seems to have almost disappeared. Because local authorities are cut down to the bone, there is very little left of the early years workforce support, so that is

adding to the burden. All they really have to do now is look at the settings that are inadequate or require improvement; they do not have a remit to support the rest of us.

Q20 Karin Smyth: Thank you; that is very helpful. I wanted to pick up on the impact on new mums and people understanding the market. The Chair alluded to the helpful forum discussion on Mumsnet, but the Social Mobility and Child Poverty Commission revealed earlier this year that half of new mums do not know what support is available. The Government spend about £6 billion in total on this area through six different funding mechanisms. The commission made recommendations on fewer programmes, on eligibility rules and on value for money, to help parents understand how to utilise that funding. It would be very helpful to have your views on how this fits in to the overall package for parents.

Dalia Ben-Galim: These are the kinds of calls we get consistently and regularly on the helpline—parents not being aware of what they are eligible for and how to access it. We often refer them to the family information service of their local authority, but as you can probably guess, those services vary enormously by local authority area: some find them very helpful, others don't. Many still come up against the same problem of the 15 hours being inflexible, so even if they are able to make contact and get the right information, they still come up against a barrier. Particularly for single parents, what they are entitled to doesn't allow them to access employment. For example, providers may say they only have afternoon slots available, so you get three hours every afternoon, but if your work doesn't allow you to do that, to buy any additional hours is too much of an additional burden.

The other thing we find quite a lot, particularly with single parents, is that the early years entitlement coupled with changes around welfare is creating a lot of confusion and anxiety, particularly around costs and how parents will meet the costs of childcare. That is emerging as a massive issue as universal credit is rolled out. With the new regulations, parents of three and four-year-olds will be subject to new conditionality requirements. There is a lot of uncertainty and a lot of anxiety about how that will impact access to early years provision.

Zoe Raven: The loss of the children's centre services is making that situation worse, in that parents don't have a readily available signposting mechanism. I think it is getting harder for parents to find out what they are entitled to and where, because some family information services are a skeleton now. I fully agree with Dalia that the restrictions on free entitlement are going to get worse, because the only way providers can offer that free entitlement is to pick those sessions that are least popular—free afternoons, for example—for the 15 hours, which might not be what those children most need. We piloted the two-year-olds project in Milton Keynes; one of our settings had and still has a two-year-old sessional offering within the children's centre. Those children were able to come for three hours a day, five days a week; some of those parents were then able to use those three hours to access training and interviews and have since moved into employment, increased their sessions and moved into all-day care. Getting the 15 hours is a very effective stepping stone into employment.

Q21 Karin Smyth: Can I explore that? I was a governor of a Sure Start children's centre and we were able to flex those 15 hours for exactly that purpose. Are you saying that the move to 30 hours decreases flexibility?

Zoe Raven: I do not quite understand how it is going to work. We have three settings on school sites where the school offers 15 hours, morning and afternoon. If schools turn those two sets of 15 hours into one set of 30 hours, that is going to halve the number of children they can take; I am not sure what is going to happen to the other half. We do wraparound care for some of those schools for different ages, but with that you are in danger of children being passed from pillar to post, which isn't in the best interest of the children.

Q22 Karin Smyth: Mr Leitch, what are your thoughts about how parents understand the offer and how that impacts on the providers?

Neil Leitch: I agree with my colleagues: they don't. In fact, the Treasury, in looking at tax-free childcare, have some interesting statistics that they quote—it would be useful if we had those available—that show that the vast majority of parents have no idea what the free entitlement means, either in terms of when they can claim it or what the terms and conditions are et cetera. As for flexibility, “affordable, flexible childcare” is a lovely term, but in reality, for the free entitlement, it just does not work. The idea in the review, for example, that we should be tougher on ratios and should work to the maximum is contrary to flexibility. It means that you basically wait to take a child until you fill up the places, rather than take three children at two years of age, you take four children and wait until you get the fourth; or you don't take six; you take eight if they happen to be three and four-year-olds. That's not about flexibility.

Zoe Raven: When we did the funding model with the local authority for the setting that I mentioned that has sessional care for two-year-olds, it worked great on paper because you have 12 two-year-olds at the two-year-olds funding rate, which in Milton Keynes is quite a good funding rate. The problem with two-year-olds is that they become three-year-olds in dribs and drabs, so when one and then two and then three become three-year-olds, your funding level drops, but nothing else drops. You still have the same number of staff, and if by the end of the academic year a significant number of those two-year-olds have turned three, you can't make a member of staff redundant until September. It is not feasible to do that, so the numbers do not stack up.

Q23 Karin Smyth: Finally, do you agree with the Social Mobility and Child Poverty Commission that reduced programmes with Government co-ordination across those programmes would be helpful for you? Is it the variety of funding streams that causes you problems?

Zoe Raven: It is the amount of funding. If the funding rate was alright, if it was sufficient, it wouldn't be a problem at all.

Neil Leitch: I think it is two areas. One is that parents need to be better informed. Potentially they are not better informed because, frankly, if every parent understood what their entitlement was we couldn't accommodate it. Despite the fact that we have high levels of four-year-olds taking up the free entitlement offer, parents still do not really know that that is 15 hours' free entitlement. That has probably worked in our favour—I say our; dare I say in the Government's favour?

Q24 Karin Smyth: That is from the provider sector. Dalia, do you want to say anything?

Dalia Ben-Galim: Yes. I wanted to pick up the point about the extension to 30 hours. If you follow what Zoe was saying about the number of places being cut or halved in particular settings, the

risk that I would highlight is which kids would then miss out or have access to those 30 hours? The way eligibility is currently framed is that those who will be eligible will be in 16 hours of work at national minimum wage-level. Our concern is around single parents. If you want to increase the maternal employment rate, you want to be focusing on single parents and those with lower skills. By increasing to 30 hours and decreasing the number of available places, the risk is that you are not targeting the employment policy at those who need the right levels of support. I think that is a massive risk as the policy is rolled out.

Q25 Meg Hillier: I will bring in Caroline Flint, and I know that Richard Bacon wants to come in as well. This question is for the two providers, but maybe Dalia could shed light on this as well. We have heard, and the NAO looked into this as well, that a lot of people are only offered the 15 hours on the condition that they will pay for more. That is not strictly playing by the rules, although I hear what you are saying about the challenges as providers. Is that widespread and normal practice?

Dalia Ben-Galim: It is definitely normal practice. I have got case studies here that say, “My provider will only let me access the hours if I take another eight or nine hours. I can’t afford eight or nine hours because my ex-partner is not paying any child maintenance. I can’t make that work.” We have case after case of parents ringing us and saying, “I don’t know what to do. It means I can’t access the free entitlement. It means I can’t go to work. It means I’m going to end up at Jobcentre Plus and I’m going to be subject—”. You know—the cycle begins.

John Pugh: If they have 30 hours of free care, how could you possibly sell them another package of bought care?

Meg Hillier: We are talking about the 15 hours.

John Pugh: Sorry.

Q26 Stephen Phillips: Where do those case studies come from? Is there a preponderance of rural as opposed to urban, or deprived as opposed to—

Dalia Ben-Galim: From all around. We have case studies from London, from urban areas and rural areas. The same themes emerge time and again.

Zoe Raven: If you are a popular nursery, which are you going to take: the child with just the free entitlement, with a gap in the hours that you have no income for, or the child with a parent who is able to pay for the full session? Private providers are only going to take what is best for them. They have to pay their staff and cover their overheads, so accepting funded places that do not cover the whole session does not make any sense for them, so they will prioritise parents who can pay for the full session.

Neil Leitch: I agree with that completely; it is business logic.

Q27 Caroline Flint: Some of the things you were saying there are very interesting. Zoe, you mentioned the tracking of two-year-olds and how the 15 hours are used. That is interesting, but there are probably not many places tracking. You are tracking that within your nurseries, but how much evidence have we got that there is any tracking of that anywhere else?

Zoe Raven: Tracking in what sense?

Q28 Caroline Flint: I think you said, and forgive me if I misheard, that with those two-year-olds who were having the 15 hours—I suggest that provision for two-year-olds is aimed more at development than at childcare—you have evidence that those 15 hours were being used for parents actually to look for work and to find work.

Zoe Raven: We track that because we are a not-for-profit organisation and we look at our social impact. We are interested in the social impact of what we provide, so we have lots of case studies. We are only one small group, so I don't know what is happening nationally.

Q29 Caroline Flint: Neil, how much tracking is going on into what is happening with the two-year-olds and what impact that is having on the family?

Neil Leitch: We track them in terms of development. I think that is an incredibly valid point, but the reality is that we do not track whether the scheme has an impact on families earning more or going back into employment, et cetera. We assume that if that was the purpose of the scheme, or part of the purpose, the Department for Education and others would be doing that. There seems to be little evidence that it is effectively tracked. I have to say that there is no evidence whatsoever that shows it is in the best interests of a child to move from 15 hours to 30 hours. In all the rhetoric there is very little reference to what is best for the child.

Q30 Caroline Flint: Just for the record, the two-year-old offer, which it seems to me is rather more about development than about childcare, is aimed at looked-after two-year-olds, children with disabilities who are two and then children from disadvantaged backgrounds. However, the data we have got seems to suggest that the take-up of that is something like 58%. It is not as good in disadvantaged areas, and therefore it is not even meeting the objectives of the policy. Would you say that is fair?

Zoe Raven: But is that because the places aren't available? National nursery providers will look for affluent areas to place their nurseries in. Nobody chooses to open a nursery in a poor area. The children's centres are disappearing, not expanding, and it is in children's centres where those places were available. It is not cost-effective to provide purely free entitlement.

Q31 Caroline Flint: So, unless there are parents cross-subsidising, by paying fuller rates for full-time childcare in a nursery, the model does not work.

Zoe Raven: It works in some settings. In our setting, where we run a site with a school and a children's centre, they have facilitated that happening because the school recognises that the children entering the nursery class in the school will be better prepared if they have already attended a session of the 15 hours.

Q32 Caroline Flint: In terms of child development, do you think there could have been a better offer to these families than the 15 hours? For example, I think on the Mumsnet forum it was

suggested that actually that was what Sure Start and children's centres were for—to involve the parents, as well as the children, in the early learning and development and then to help parents to support their children outside the children's centres.

Neil Leitch: The Government removed the requirement for children's centres to have childcare within them, which was not helpful, particularly just before we were about to launch the two-year-old entitlement.

To add to the point on the economics in terms of cross-subsidisation, we operate predominantly in areas of deprivation. We have the benefit—that is an odd thing to say—of being one of worst sectors being singled out by the Low Pay Commission in terms of wages. We, as an organisation, get the benefit of volunteers who we utilise within our settings, and we get the benefit of peppercorn rents and rate relief, yet we struggle to break even. I can't imagine, from a business perspective, that there is a solid financial model for why anyone, other than from good will, would want to operate in an area of deprivation without the ability to cross-subsidise.

Q33 Caroline Flint: The data seem to suggest that those providers in areas of deprivation—though not exclusively—are at the poor end of inspections as well. So the very children who need the most are not getting the best. Would you agree with that?

Neil Leitch: I would. Sir Michael Wilshaw expressly stated that himself. He said that the likelihood of a provider in an area of deprivation getting a good or outstanding grade was greatly reduced. Other statistics show that there is an intrinsic link between the amount of funding you are able to generate and the area in which you operate and your Ofsted outcome.

Q34 Caroline Flint: I understand that the ratio for two-year-olds is 1:4. Is that correct?

Neil Leitch: Yes.

Q35 Caroline Flint: It has also been suggested, given the terms of the offer for two-year-olds, and given that we are looking at children with a number of different needs, as children but also in the family, that that ratio is far too low for what is expected for the support these children need. Would you agree with that?

Zoe Raven: The ratio is okay in terms of caring for the children, but we have to remember that, if there are 12 two-year-olds, that means three members of staff at all times. That does not allow for additional time for meetings, multi-agency work, meetings with parents, covering sickness and holiday, training and all that kind of stuff. The ratio is only part of the problem, although 1:4 is fine for two-year-olds, particularly if the staff are well trained. The quality of the staff makes a big difference.

Q36 Caroline Flint: But it might not allow for some of the other things that you might need to do outside of the hands-on 15 hours with those children.

Zoe Raven: Yes.

Q37 Caroline Flint: As a model for raising attainment and developmental goals for these children, would you say this is the wrong model?

Zoe Raven: The 30 hours is the wrong model. The 15 hours is not necessarily the wrong model, if it is funded sufficiently.

Dalia Ben-Galim: Based on some of the evidence around early-years education, the 15 hours was always established as an educational policy rather than an employment policy. It was always about children being ready for school, and the offer for two-year-olds was conceptualised within that framework. If you put funding aside for a moment, the evidence shows that, based on the offer for three and four-year-olds, if you were to universalise the offer for two-year-olds, it would mean much better provision in terms of take-up rate. If it was not stigmatised in the way that it is as being for disadvantaged children—in the way the offer for three- and four-year-olds is not because it is universal—you would definitely raise take-up rates. The problem then, obviously, is that you do need to consider the funding and you end up with some of the concerns.

Q38 Caroline Flint: I understand that the data show that it is still the case that children on free school meals are still way behind their counterparts in reading. That would suggest that there is still a problem with pre-school and early development provision.

Dalia Ben-Galim: Yes, and that goes back to Zoe's point about the quality of staff.

Neil Leitch: There is a mix, in that there are two parts. All the evidence shows that children benefit from some form of care and education. The EPPE research was categorical on that, so I do not think there is any question about that. The other part of the question is about children who are deprived or disadvantaged. Is the system sufficient to cope with them, for instance, with the 1:4 ratios? No, it is entirely not. Most providers will tell you where they are operating with two-year-olds who are entitled to the 15 hours, but it comes with—these are my words—an element of baggage. That baggage is that additional resources are required, almost one-to-one care with some children. I can tell you from personal experience, because I have seen it and I receive emails almost on a daily basis, and I am quite happy to submit them to the Committee.

Chair: Yes, that would be very helpful.

Neil Leitch: They put the reality on what we are discussing. It will be about a parent who comes in with their child on Friday last while drunk out of their mind basically. Our member of staff has to go and talk to grandma or whoever. You tend to get that more, rightly or wrongly, in areas of deprivation.

Zoe Raven: Where we were able to work with the children's centres it gave us an opportunity, with those 15 hours. It was almost used as a carrot sometimes. Children's centres would arrange parenting classes and support in return for the 15 hours. That did work really well and it is such a shame that it has gone.

Caroline Flint: Can I just declare an interest? I was on the board of one of the first Sure Start trailblazers, which had childcare and other support within them.

Q39 Mr Bacon: Zoe Raven, you were talking about a highly professional workforce and the benefits you saw in terms of better quality outcomes. Is there also a differential in terms of what people with those qualifications—you mentioned the foundation degrees in early years—are paid? Do you then have to pay them significantly more?

Zoe Raven: Well, there needs to be, otherwise they won't stay in the sector.

Mr Bacon: Yes, so what's the typical common or garden salary for someone with that sort of qualification compared with someone who doesn't have it?

Zoe Raven: Well, you would hope it would be higher. I don't know enough about salaries across the country; obviously they vary hugely. If you live within the M25—

Mr Bacon: Can you give me an example?

Zoe Raven: I would say the staff that we have who have degrees tend to be in the senior positions, so they are going to be on higher salaries; they are not going to be on the minimum wage or even the national living wage. But we're not talking about large salaries. My nursery managers are only on 30 grand a year, and they're the managers.

Q40 Mr Bacon: But none the less, there is a significant difference between the person with those qualifications and some experience and, as it were, an untrained childcare assistant.

Zoe Raven: Yes.

Q41 Mr Bacon: You mentioned these foundation degrees being stopped and that there was no funding for them. Can people who want to do those foundation degrees get student loans through the Student Loans Company?

Zoe Raven: Yes, I think so.

Q42 Mr Bacon: And is there a cap on the number who can do that?

Zoe Raven: They can, but very few of them are keen to do that, because on a very tight salary the last thing you want to do is take on more debt. Some of the best students on those foundation degrees—I did some assessing and associate lecturing for the Open University—were the mature students, and those mature students do not want to be taking on the additional burden of a student loan; they have other financial commitments. My daughter has just started work in a school, and it is going to take her 99 years to pay off her student loan, at the rate she is paying it off at the moment. People are very averse to taking that on. There is no guarantee of a much higher salary. You can have a degree in early years and really not earn very much.

Q43 Mr Bacon: But it is also true that if you don't earn very much, you won't be paying back your student loan.

Zoe Raven: That's true, but you have it hanging over you indefinitely, haven't you?

Mr Bacon: No, even that's not true, because after a certain number of years it gets cancelled. The Department will correct me if I am wrong about that.

Chair: Let's not go down the student loan road. It's not really—

Mr Bacon: Well, it struck me as relevant.

Chair: But let's not go down there too far.

Zoe Raven: We were fortunate in that we were in a financial position where we were able to say to staff who were halfway through their foundation degrees when the funding was cut, "Don't worry; we will carry on funding it for you," so they have been able to finish their foundation degrees. There will be an awful lot of people across the country who haven't been able to do that.

Q44 Chair: On that, has retention been higher among those who did the further training than—

Zoe Raven: In my personal experience, yes.

Neil Leitch: It is important to note that an early years teacher is not the same as someone with QTS—qualified teacher status. There is still a significant gap between the two.

Q45 Chair: What's the average pay? Richard Bacon was probing on pay.

Neil Leitch: The last figure I saw for the pay differential was about 27%, and then there are other benefits.

Chair: A 27% differential?

Neil Leitch: Differential at the top end of the early years scale—

Q46 Chair: Could you give us the range, or scale, of what people are paid in your organisation?

Neil Leitch: I am talking about the top versus the bottom scale here. There is still a significant difference. We have actually seen as we have trained up early years teachers and early years professionals that the good will is there and they keep with it as long as they possibly can, but fundamentally, when you are having to pay the mortgage and the bills, you have a decision to make. We have seen quite a few move across into the state school sector and develop their qualifications and move on. We are treading on fire, to a degree. We get by, we train the people and, in our experience, they move on.

Q47 Stephen Phillips: Mr Leitch, I had a note from the NAO about a conversation that we were having earlier. They haven't seen any evidence of providers going out of business. For the purposes of taking evidence and what may or may not be in our report, it would be useful to know when you think providers might start going out of business as a result of the introduction of extra

costs like the national living wage—when people might just stop providing the care that this policy is designed to ensure.

Neil Leitch: If you're okay with this, it is important to understand why providers have not gone out of business at the rate—and that's because, to a degree, we have this cross-subsidisation. It is really important that we are able to do that.

Chair: We have that message. If you have another point, make it quickly, because we are running out of time.

Neil Leitch: In terms of the costs, the predictions that we have, which are evidence based and from a research agency called Ceeda, are that the costs will start to arise over the next 18 months and when we start to go to full implementation. That is the point when you will start to see providers either move to a different model—that is, effectively, the independent sector and the state sector in terms of statutory school age, so we will have a parallel of that as you work down—or, alternatively, just come out of the sector. That is the crunch point.

I want to clarify all the talk about why we have all these providers putting their hands up saying they would love to be part of the innovation or implement a roll-out come September. At a conference I spoke at yesterday, a representative from a local authority stood up. They were from one of the eight. They said, "We would like to understand what all the problems are right at the beginning." That is why they are doing it. Let's not pretend that it is because they think there is lots of money in it and they want to be in it at the outset. A fundamental question to ask is, if someone offers you double your turnover in certain areas, why is the sector so opposed to it?

Q48 Chair: We will be asking Government in a moment. I have a couple of quick points from the Report that it is worth checking with you, then I have another question for Dalia.

Paragraph 1.18 on page 22 of the Report notes that, in September 2014, the Department told local authorities that Ofsted should be the sole body inspecting early years settings. Do you, Zoe Raven and Neil Leitch, have any comments on inspection regimes and what works well?

Zoe Raven: We are very, very pleased that it has gone back to Ofsted rather than the third parties. To be honest, most of the big concerns we had over Ofsted inspections have been resolved through the Ofsted Big Conversation, with Ofsted speaking to providers.

Q49 Chair: The situation now with just Ofsted is what you prefer. Mr Leitch?

Neil Leitch: I would agree.

Q50 Chair: Fantastic. There is another issue around the variations in hourly rates set by local authorities—page 26 of the Report covers some of this, and we found it quite startling. Even areas that are statistically very similar—they may not be neighbouring geographically, but they may have similar characteristics—have very wide-ranging rates. Do you have any comments on why that might be and the impact it has?

Neil Leitch: I think it is a local authority's decision on priorities—it seems to be nothing more than that. If they are neighbouring boroughs, it is very difficult to understand that the quality all of a sudden differs and so on, and, until it is ring-fenced, I suggest that will continue.

Q51 Chair: So you prefer ring-fencing?

Neil Leitch: Absolutely.

Q52 Chair: Zoe Raven?

Zoe Raven: We only deal with two, so it is a relatively small problem for us, but it is still a problem, because they are all totally different. Their rules are different; the way they interpret the guidelines is different. There is no consistency.

Q53 Chair: So you have staff working in settings where the funding for the children in those settings is different just because there is a borough boundary in between? Even in the relatively small area that you are working in?

Zoe Raven: Yes.

Q54 Chair: Dalia, we have had some good comments from people on Mumsnet about the impact on parents. You have touched on that. I am going to ask the others as well: what would your three asks of Government be? The Department for Education is on the next panel; those people are sitting behind you writing this down, so now is your moment to tell us and them what three practical things you think could be done. There has been some good evaluation of the work done already and there are the new pilots coming. What would make it work better for the parents you represent?

Dalia Ben-Galim: The first thing I would say is more effective targeting of how the 30-hour offer will be rolled out—that the 16-hour eligibility rule includes things like people on work experience, those in full-time education, those in part-time education and jobseekers. That would help to support those who are looking to go back into work as well as those already in work. That would be my top recommendation.

The others are about flexibility and cracking down a little bit more on providers that are charging additional hours for those who simply want to access the 15 hours. We find that single parents can't access the 15 hours—

Q55 Chair: Can I just check on that? We will ask the Department; it was down for me to ask Chris Wormald when he comes in front of us. What do you do if someone rings you up and says, "I am not getting this"? What do you advise them to do?

Dalia Ben-Galim: We advise them to go back to the provider and remind them that the current guidelines suggest that they cannot charge additional hours. There is a variety of answers that providers will come back with. I completely understand what Zoe and Neil are saying in terms of

cross-subsidising and being able to make it work, but it means that parents are missing out, and it also means that some parents are being locked out of work.

Q56 Chair: Zoe Raven, what would be your three asks of Government?

Zoe Raven: Top would be, unfortunately, money, please. A proper funding rate that allows us to open up 15 hours or 30 hours—

Chair: There is a shaking of heads behind you on that one.

Zoe Raven: I don't actually care if it is 15 or 30 hours, as long as it is funded at the appropriate rate. The second thing would be consistency from local authorities, so that it is the same for everybody regardless of where they live. The third would be to allow our early years workforce to be professionals, and not to send out stupid diktats about British values and burdens on Ofsted that are misinterpreted and that just cause stress and confusion—just allow us to be professionals and to deal with children in the way we know is best for their development.

Q57 Chair: Okay. Neil Leitch?

Neil Leitch: I have had to change mine because of Zoe's, actually. The first is honest, independent review—

Chair: Of the new entitlement?

Neil Leitch: Of the new funding. The others are a true annual assessment, so that we keep pace with what is occurring, and ring-fencing.

Chair: Okay. Thank you all very much indeed for your candid answers. You remind me that when I was the chair of governors of a small primary school, the Department—this was before Chris Wormald's time—would regularly send me posters bigger than A3 to put on my wall, with a list of actions I should take. I didn't have a wall big enough to put them on, so I sympathise with your point on diktats from the Department.

The Department is about to come in front of us. I thank you all for your evidence. Our transcript will be up on the website in the next couple of days and obviously we will send you a copy of the report, which may be published in May, but we have a number of funny recesses, so it may be as late as June. You are welcome to stay for the next panel if you wish. Thank you for travelling here to see us today.

Examination of Witnesses

Chris Wormald, Permanent Secretary, Department for Education, and Helen Stephenson, Director of Early Years, Child Poverty and Strategy, Department for Education, gave evidence.

Q58 Chair: I remind anyone watching that the hashtag for today's section is "earlyyears". Welcome to our second panel. Chris Wormald is Permanent Secretary at the Department for Education—Chris, I think this is your last appearance as Permanent Secretary for Education.

Chris Wormald: I think so—unless you call me back! On 3 May, I will be moving to the Department of Health. The Cabinet Secretary has today announced my successor at the Department for Education, Jonathan Slater, who is currently Director General of the Economic and Domestic Affairs Secretariat at the Cabinet Office.

Q59 Chair: So I think all the reshuffling has now happened, pretty much across the board? I think we know who everybody is. Do we know Treasury? Anyway, it is good news that every Government Department has somebody at its head and that we know who that is going to be. We will be welcoming you back very shortly after your appointment as Permanent Secretary for Health.

Chris Wormald: Yes, there seem to be quite a lot of hearings on health; I have been looking at the list.

Chair: Of course, we will expect you to be as fully appraised within a week of your arrival as you are about education.

Helen Stephenson is also joining us; she is Director of Early Years, Child Poverty and Strategy at the Department for Education. You heard our previous panel; I am sure we will touch on some of those issues. I shall pass straight over to Karin Smyth, who is going to lead off on the questioning today.

Q60 Karin Smyth: Obviously, Mr Wormald, the Report is complimentary about the successful implementation of childcare for three to four-year-olds. We are interested in what you have learned from that implementation to help the next stage.

Chris Wormald: Hopefully a lot. I should start by saying that we very much welcomed the National Audit Office Report. We believed that it was extremely timely and it correctly identified where we had made progress—the Chair said something about that at the beginning—as well as those areas where we need to do more and where we have challenges for the future. I will say that a lot during this hearing: we think the Report is in the correct place. It is also timely, because on a lot of the issues under discussion we are making policy on right now.

We are consulting on the new 15-hour entitlement right now; we also have big things to do around the new early years national funding formula, and our workforce strategy will be coming out later in the year. We are expecting to be able to feed the results both of the National Audit Office Report and of the conclusions of this hearing into the policy that we are making, a lot of which will then be implemented in September 2017 with the new entitlement. We have looked very carefully at the roll-outs of the previous entitlements in terms of the speed of their take-up, the effects on the market and the models. We will be building all that into our work in developing the new 15 hours' entitlement, which, as I have said, we are consulting on right now.

From September '16 we will be doing two things. We will pilot the entitlement in eight areas, and we are working with a further 24 areas on specific issues within the entitlement, a number of which have been discussed already with the previous panel. We will take all the learning from that and build it into our final policy, which will be introduced in September '17. We see the way we will be developing the policy around this as iterative, both from the learning we already have and the piloting we will be doing over 2016-17.

Chair: I am going to have to request that you make your answers a bit briefer.

Chris Wormald: Sorry.

Q61 Karin Smyth: We will come back to the workforce later. Do you want to say anything about the lessons learned on the communication of the policy?

Chris Wormald: Yes. We have seen all the evidence that was reported to you and was included in the NAO Report about information for parents. That is something we are concerned about. The recent Bill that went through Parliament tightened up the law on what local authorities have to do around information, including for the first time requiring that it will be online. It is an issue that we discuss with local authorities a lot and there is more that can be done in that area.

On the existing entitlement, as you said, take-up is very high. One way or another, people are finding out what they are entitled to and accessing it, but we accept that it can be a lot more difficult than it should be to do so and we will be thinking about that in the roll-out of the 15 hours. There are also some very specific issues—Helen may wish to add something on this—around communications with particular parts of the community. When we looked at the take-up particularly of the two-year-olds offer, there were some very specific communities, particularly from South Asia, Somalia and Eastern Europe, where we have a particular challenge, and the local authorities—

Chair: The Report covers that.

Q62 Karin Smyth: We are going to come on to that. I mentioned to the previous witnesses the Social Mobility and Child Poverty Commission report around the number of strands in this area. I appreciate we are talking about this particular offer, but they have recommendations about decreased programmes and about communications across Government. Is that discussion happening across Government in terms of reducing confusion about the offer to parents?

Chris Wormald: I will ask Helen to comment. We work incredibly closely with HMRC and DWP, which do these things. It is very important to remember that the three basic types of entitlement cover different age ranges. We deal with three to four-year-olds. The other two deal with childcare up to 12 and then up to 16.

Q63 Karin Smyth: They do, but as was mentioned, two-year-olds become three and then four-year-olds. Parents need that guidance, don't they?

Chris Wormald: Yes, and we accept that there have been communication challenges in these areas. Helen, do you want to say a bit about the work we are doing with HMRC and others?

Helen Stephenson: The first thing to say is that there is now a joint taskforce of Ministers and officials across Government looking at childcare, and there was within a month of the election. We have been working very closely with colleagues from other Departments and I think we have made really good progress. One of the things that I would say is that we have joined up the eligibility for both the tax-free childcare and the three and four-year-old offer, so that those have the same eligibility criteria, and that parents, when they go online to check whether they are eligible, will go to

one place to check that. To parents it will look like more of a seamless offer. We have heard that that is an issue for parents and have already tried to do something about that.

There is already a page on gov.uk that explains the joined-up childcare offer, but you are right that we need to do more. The three Departments are working closely together to ensure that happens as the programmes roll out—that our campaigns around that are joint and not separate and siloed.

Q64 Chair: It would be nice to think that everybody is going to be looking at gov.uk to find out about childcare, but very often it is from word of mouth, local networks, information from voucher providers or perhaps employers. What are you doing to punch out beyond gov.uk, good though it may be?

Chris Wormald: A lot of that is the work I mentioned a moment ago, working with local government to deal with some very specific communities in specific places. There are the things we do at national level—

Q65 Chair: I have three children and have gone through different sorts of childcare. It is difficult to find out; it is not easy, so what are you doing to punch it out to the wider community and not just—

Helen Stephenson: I totally understand that. In the previous Parliament we ran a competition for digital responses and we are working with childcare.co.uk to expand their offer. Currently that is used by 1.2 million parents.

Q66 Caroline Flint: But it might not be the most disadvantaged parents who have got access online and what have you. There has got to be something beyond that, because otherwise it is a bit like the worried well always turning up.

Helen Stephenson: Yes. We have already got and we do still have the duty on local authorities. As the Permanent Secretary said, we are asking them to make sure that they actually publish information about childcare services in their area.

Q67 Caroline Flint: For people who cannot read English or whose reading is not that good, where is the hands-on stuff?

Chris Wormald: Those are the campaigns that are mentioned in the National Audit Office work that I was talking about earlier.

Chair: So that is the local authority—

Chris Wormald: Yes, and we try to operate at those two levels; trying to get clear national messages and then identifying particular communities where the message is not getting across and working with the relevant local authority to try and get into them. That is at a very granular level. What we have been doing in your part of London, Chair, in east London around south Asian communities is very innovative stuff that people could only design with the relevant—

Chair: We will touch on regional variations later.

Q68 Karin Smyth: I am pleased to hear about the joint taskforce and those conversations. I am not sure, but the National Audit Office might want to come back in and tell us a bit more about what they know about that. I think it would be really helpful to understand the timescales around that in some more detail. That might be helpful in the future for this report, but I might go back to the National Audit Office to come back to me on that.

Chair: Sorry, are you going to ask a question about—

Karin Smyth: It would be interesting to have the detail of timings regarding how the joint taskforce is reporting, when it is reporting, and how this work links into that—

Q69 Chair: To be clear, Helen Stephenson, is it a working group?

Helen Stephenson: It is a working group of Ministers and officials who are overseeing the implementation of all the programmes and ensuring that they join up and are implemented on time. I am sure we can come back to you with timings on the particular communication elements of the work of the three Departments.

Q70 Karin Smyth: I think that would be particularly helpful for parents.

Chris Wormald: It will, of course, be one of the things we look at in our pilots of the new offer: how to best communicate with parents about some of the issues that were raised earlier.

Q71 Karin Smyth: I want to go to Ms Stephenson about the take-up rate for two-year-olds. You started to talk about how you are increasing awareness. Would you like to expand a little bit on how you are increasing awareness for those particular communities?

Chris Wormald: Just before we come to that question, shall I say a little bit about the numbers, which Ms Flint raised earlier? She correctly quoted the latest national stat on that, which is 58% take-up. We have two data sources. We have the annual survey, which produces the national statistic, and then we do a voluntary survey of local authorities once a term, which produces more regular, but not as accurate, data.

Q72 Chair: Is that about children—not the staff survey, this is the children?

Chris Wormald: Yes. This is about pupils. The latest of our voluntary surveys, which—a large caveat—is not as accurate as the national stat, is showing a take-up rate in the region of 70%. When the national statistics come out, we are normally within a few points of where the voluntary thing is.

Caroline Flint: For two-year-olds?

Chris Wormald: Yes, for two-year-olds. We are seeing—and this is what we have seen in the previous entitlements—an encouraging upturn in the numbers towards those that we were thinking of. Now we do need to see that repeated and properly verified in the national statistic, which is comparable to the 58% figure that Ms Flint used, but certainly our voluntary surveys are showing that the take-up is improving quite rapidly.

Q73 Chair: Do you want to add to that, or to answer Ms Smyth's question? We are cutting across here a bit. Are you answering Ms Smyth?

Helen Stephenson: I can tell you about what we have done to improve that. As the Permanent Secretary said, that number was taken in January 2015 and our subsequent work has shown the figure of 70% because there was a huge amount of work that went on in between that to engage with local authorities. We did a whole raft of things. We have a support contract with an independent organisation that provides support and challenge to local authorities. We published local authorities' performance against their statistical neighbours and their geographical neighbours, and that was press-released. We talked to the directors of children's services, and the Ministers talked to them. We have made a whole raft of interventions and we have seen improved take-up, but we want to see that continue to rise and we are continuing to focus on that as a team.

Chris Wormald: And also confirmed in the national statistic. We will not know that that is true until we have the verified national statistic, which I think comes out in June.

Q74 Karin Smyth: That was my next question—about tracking that and understanding how that works in practice.

Chris Wormald: The next national statistic, which is the properly verified one and is comparable to the 58% number, I think is published in June. We will want to see what we are seeing in our voluntary surveys reported there. We do not want to declare victory too quickly, as it were. What I am saying is that our voluntary surveys are showing an encouraging trend.

Sir Amyas Morse: I want to check something before we leave this. Has there been any output from this ministerial-level working group?

Helen Stephenson: There are a number of these taskforces across Government now. They are not a review; they are literally a group of Ministers and officials working together to make sure the programmes are implemented. They oversee what we do.

Sir Amyas Morse: So they are just keeping touch rather than doing anything.

Chris Wormald: No. Shall I explain?

Sir Amyas Morse: I am not trying to be unkind; I am just trying to understand whether they are actually producing anything.

Chris Wormald: Yes. The Prime Minister announced just after the last election that he was going to establish a series of ministerial taskforces to deal with cross-cutting issues to ensure that the things that cut across several Departments were joined up properly, and one of those is on childcare.

Q75 Chair: Just to be clear, this is the place that any clashes with benefits, which were raised earlier by our previous witnesses, would be sorted out.

Chris Wormald: Yes, and resolved.

Q76 Chair: So heads would be banged together in that room; you'd go away with a task to go and sort it out.

Chris Wormald: Yes. That's exactly right.

Q77 Karin Smyth: I want to move to local authorities, which we touched upon earlier in the hearing when Mr Leitch talked about there being no mechanism to talk locally. What assurance do you have that local authorities are now effectively supporting provision of good-quality childcare?

Chris Wormald: Our best evidence on the quality of childcare is Ofsted inspection. As I think was quoted in the Report, we have seen an extremely encouraging increase in the number of settings that are found to be good and outstanding—I think it has gone up from 69% to 85% since 2010. That is our independent measure of quality, measured against the early years foundation stage. As I think was picked out earlier, that is still not good enough because we have a gap between performance in disadvantaged areas and more advantaged areas. That has been narrowing but it is still there. The recent trends do show an encouraging narrowing of that gap, but it still exists and we need to see that closed further.

Q78 Chair: There is a graph in the Report that refers to this. It is figure 5 on page 20. We understand that the dot on the right is Birmingham, the lowest dot, on the left, is Tower Hamlets, which is highlighted in the Report, and the top dot is Richmond upon Thames, which is also highlighted.

Chris Wormald: I do not know which one is which. The National Audit Office would. As I say, this is a concern to us. It is why we are investing more in deprived areas through the early years pupil premium. Of course, as we mentioned earlier, the offer for two-year-olds is also focused on the most deprived areas. That is something we will need to look at in our workforce strategy and the early years national funding formula, both of which we will publish later this year. We do need to address these questions through policy. As I said, that gap is closing. The percentage point increase between 2013 and 2015 in terms of Ofsted outstanding and good was 10 points in the most deprived areas and six points in the least deprived areas, so we have seen that gap begin to close, but, as the National Audit Office correctly pointed out, it still exists and therefore we need to do more about it.

Q79 Karin Smyth: Do you think local authorities are providing that local mechanism to support parents in finding the offer and providers in stepping up to provide the offer?

Chris Wormald: As with everything, it is a mixed picture. There are some local authorities that have done excellently and some, as Helen described, that we work with because either they

have a greater challenge or they need to do better. When we look at the national numbers, as the Chair set out at the beginning, we have seen basically—this is not a point about the current Government, as it has been going on since 2004—a success story in terms of local government and providers stepping up as each of the new entitlements is introduced.

When we look at the national numbers, as you said, we see a very encouraging picture both on take-up and quality. That masks variation between local authorities. When we see those variations we go and work with the individual local authority to see what can be improved.

Q80 Karin Smyth: Do you see yours as a supportive role in that?

Chris Wormald: Yes. We have never used our formal intervention powers in local government on an early years issue as we have in children's services, as we have discussed before with the Committee. The intervention we make is transparency—we publish a lot of data. The first level is that when we see that people are not performing the same as their statistical neighbours, we ring up the local authority to talk about that and then offer support and challenge. We do have formal intervention powers but we have never used them.

Q81 Karin Smyth: Are you concerned, as Mr Leitch said, about the survival of providers and the marketplace being able to make that offer?

Chris Wormald: It is important to divide the question in two. When you look at the “as is” situation today with the existing entitlement and the national numbers, as the National Audit Office pointed out, we see no evidence of providers going out of business in large numbers. There is an inflow and an outflow on the Ofsted register every year and the numbers are pretty stable. We also see high and increasing levels of take-up of the existing entitlement. When we look at the situation right now we do not see signs of a problem.

As the NAO identified in its Report, as we introduce the next 15 hours in September 2017 that does bring new risks, and we accept that. As we pilot the new offer and consult on it, we will need to work with local government to monitor how that affects the market and how the new funding rates that we have introduced are working, and build that into our policy around the national funding formula and what we do around workforce.

All that said, this is an area, rather unusually, where the Government are investing quite a lot of new money. This is one of the few sectors where we are not only increasing the entitlement but raising the price. We are putting in an extra £1 billion.

Q82 Karin Smyth: Having been a governor of a Sure Start, I sympathise and understand that when you are a provider trying to plan your service a year or two ahead and employ your staff, pay them the living wage and so on, you do need certainty of income. They are having to match and badge the income around the child rather than the needs of the child, so what we have to get to is who picks up the can when it goes wrong? The local authority has the role in the market. How do you know in the Department?

Chris Wormald: The accountabilities are pretty clear. We are responsible for the funding and the framework and the overall success of the programme nationally. Local government is

responsible for managing the market in their individual areas, and the two of us work together. I do not think this is an area where there is any ambiguity.

Q83 Karin Smyth: How do you know when the local authority does fulfil that function?

Chris Wormald: We monitor the national statistics on take-up and quality and then we do our various surveys, both of parents and of providers. We actually have a very good national dataset on this. On cost, this is exactly why we did the review of childcare costs that we published at the same time as the spending review—I think the National Audit Office described our review as “thorough and wide-ranging”. It gave us a range of costs, but it gives us confidence that the decisions we took in the spending review around the uplift to the childcare costs are economic. That is not the same as saying that it is easy—it has a lot of efficiency need built in, as we have across the publicly funded sector—but we are confident that it is deliverable.

Q84 Karin Smyth: I want to come back to the role of the family information service in the local authority. I think 30% is the figure for the family information service take-up. How can you test the local effectiveness of the family information service, which should help parents through this problem of not understanding what they are entitled to?

Helen Stephenson: I am sorry, but I don’t know the reference for the 30% figure you are referring to.

Karin Smyth: I would have to look back to find that exact reference on the use of the family information service, but it is about how to help parents through the mire of information. The family information service is supposed to help them, so how do you test that that is working properly?

Helen Stephenson: We test parents’ views on this. We have a regular survey in which we substantively survey parents about their views on childcare as a whole, including whether they feel they have enough information. We have seen the figures rise: 49% of parents say they feel there is enough information, which is up from 44%, so parents are feeling more confident. In terms of the effectiveness of letting parents know about the offer, we measure it through our national survey, but we know that parents get a lot of information from talking to each other. It is actually about your own recommendations, like when I, as a parent, talk to someone I know who has used childcare. Parents use their own networks significantly to understand about different childcare providers locally. But we monitor that as part of our national survey, which we published recently.

Q85 Karin Smyth: Do you have concerns about the family information service locally?

Helen Stephenson: I think that is why, as part of the Childcare Act 2016, we strengthened the requirement to publish information about services, recognising that there is more we can do. I am not digitally savvy, but I am thinking particularly in terms of the open data and the digital awareness we have now. Being able to have data published in an open format can enable people more easily to access information about the childcare that is available.

Chris Wormald: Just to be clear on what we do, we act when we see problems in the take-up statistics.

Q86 Karin Smyth: There's a lag there, isn't there?

Chris Wormald: Yes. I appreciate the distinction between the point you are raising and that one, but to be clear, that is what we do. When something shows up to suggest that a local authority is not performing in the same way as its statistical neighbours, that is what triggers our conversations with the local authorities. Your question is whether we should be back up the chain a bit from that. I accept it is a fair challenge; we will take it away and think about it.

Chair: The point is that there is so much change coming through.

Q87 Karin Smyth: There is so much change and so many different funding streams for parents. From all the evidence and the forums, this issue is about 50% of people not understanding where to go or how to find support and navigate through the system. If the family information service is the go-to place, rather than the internet, who makes sure that operates and works?

Andy Fisher: Just to clarify, the Department's survey found that 70% of parents were not aware of the service, while 84% of parents surveyed said that they found that the service was useful.

Chris Wormald: So those who use it think it's good, but not enough know about it.

Chair: And that is a national survey?

Chris Wormald: I think it is a fair challenge, as part of the roll-out of the 15 hours. I think you are making a more general point about the family information service, which we will take away.

Q88 Chair: Before I pass over to John Pugh, I want to touch on the issue of the variations in funding and get your take on it. The quality has gone up and there has been some good performance, but some local authorities are taking up to 10% of the money that you pass down from Whitehall. Do you have any comment on whether that is a reasonable figure, or are local authorities creaming it off and not spending it on children?

Chris Wormald: This is something we will look at, as part of the early years national funding formula. We think that the variations in funding, both in what we give to local government and in how it is used, are too great; we accept that.

Q89 Chair: Have you any sense that it correlates with quality?

Chris Wormald: We have to dig into this a little further. Central spending is not necessarily a bad thing. It is, for example, all the spending that involves the outreach to difficult communities, and a lot of special needs spending is part of that central block. We don't want to say money used by a local authority is necessarily bad and should be passed on, because they are doing a lot of powerful things.

Q90 Chair: Nobody is monitoring it. You are monitoring it from a great height, and there may be a local scrutiny panel.

Chris Wormald: Just as with the schools national funding formula, we want a much simpler formula with much clearer rules, which will include looking at that central block. As ever with a national funding formula, what you do not want to have are rules that are so tight that they crush what is a perfectly sensible local decision based on the circumstances of the local authority. That is what we will be consulting on later this year.

Q91 Chair: We were very struck by the variation—

Chris Wormald: Yes, as are we. That is a result of history, rather than maths.

Chair: The variations in funding, even between similar authorities, were really stark. We heard from a previous witness that there can be two settings in neighbouring boroughs with very different levels of fee for children in those communities.

Chris Wormald: I do not need to tell the Committee that, as with every national funding formula, they are very difficult to introduce, they can go wrong, and there are winners as well as losers.

Chair: You are getting your excuses in—

Chris Wormald: No, I am merely stating that we do not want to see this as a silver bullet or magic formula that will make everyone happy. It is a tough thing to do, but it will hopefully address the variations.

Chair: We will be asking Jonathan Slater about this in time, no doubt.

Q92 John Pugh: It is a kind of dream scenario for you, because here you are, unusually for a permanent secretary, defending a Government policy that is universally popular and good in its outcomes. The only way from now on in is down, and you seem to be getting out at just the right time. I am still questioning whether you are actually running one policy or a suite of policies, because there are a number of objectives here, aren't there? Some are to do with employment, some with school-readiness and some with equalisation of life chances. Do you feel that tension? It was particularly alluded to in Mr Leitch's earlier evidence, in which he suggested that 30 hours for some children was not actually an ideal outcome in terms of education, though it might be quite good for the employment of their parents.

Chris Wormald: It is a complicated picture that reflects the complications of the world out there. We are trying to achieve three inter-locking but separate objectives: educational development, reducing the burden on working families and getting people back into work. Those are different types of objective, and some of our policies are aimed at either one, two or three of them. As Ms Flint was saying earlier, the two-year-olds pledge is very much about educational attainment and was designed around that. That is why it was targeted at the most disadvantaged, and our evidence shows that it is the first 15 hours that has the biggest impact on education. At the other end of the spectrum—this was very explicit in the governing party's manifesto, which we are implementing—the additional 15 hours, taking it up to 30, is about the cost of living.

Q93 John Pugh: Can we zone in on that a little bit? You seem to be quite sanguine about the market's capacity to provide these extra 15 hours.

Chris Wormald: No, not at all. I am sorry if I have given that impression. I agree exactly with what the National Audit Office said about this: that it is a challenge that needs to be very carefully piloted and monitored as we go forward, so that we can design a policy that doesn't have—

Q94 John Pugh: But you accept that there is quite a fragile ecology here. Despite all the talk about extra provision and care and the Government putting more money on the table, the number of providers is not increasing and the workforce is actually decreasing. Do you see the workforce, and actually finding the people, as a problem?

Chris Wormald: There are some very good things about the workforce. We have seen the qualification level of the workforce rise over the last few years, which explains the rise in quality we have seen. That is a positive thing.

John Pugh: But not the numbers. According to the Report there has been a 5% decrease in the workforce.

Q95 Chair: We have not really talked much about childminders. They are of increasing quality but have gone down in numbers.

Chris Wormald: Those two things can be related.

Q96 John Pugh: Can we accept that at any rate there is uncertainty?

Chris Wormald: We do not see in the current take-up numbers and the current number of providers in this system as it exists today much sign of stress in the market. We do, however, accept, as the National Audit Office pointed out, that as we increase the entitlement, that brings new risks that we will have to manage. The reason why I may have sounded sanguine about it is that since 2004 both local authorities and the sectors have always stepped up to the plate on new entitlements, and we do think we are building on a sound basis. When the Economist Intelligence Unit compared early years sectors across the world in 2012, they ranked the UK fourth out of everybody, so we think we have something safe to build on, but that is not the same as saying—

Q97 Chair: You say there is no sign of stress, but we heard—it is important to pin this one down before I lose track of it—from all the witnesses that many parents ask for their 15 hours free. But the providers for all sorts of reasons—for them good reasons—will pick out the parents who can afford to buy the extra classes. So you say it is not under stress and we take that at face value, but it is these funny work-arounds that go on that deny many parents their rights to get their 15 hours.

Chris Wormald: We accept that that is a problem. It is not supposed to be allowed to happen. Helen, do you want to say what the position is?

Helen Stephenson: We have 96% of children accessing it, so I really would like to hear if parents are being told that by local authorities, and we will take that up with local authorities, but the high level of take-up does suggest that parents are getting the free entitlement.

Q98 John Pugh: I do not think the allegations are that people are being denied. The economic model for the providers works through there being an element of cross-subsidy. If, none the less, all the people decide they want 30 hours at the Government's rate, not only will there be more than a cross-subsidy to support, but there will be less opportunity for cross-subsidy because people will not need to take any more hours of childcare, so the economic model that is tenuous now and likely to fracture is going to be more under stress.

Chris Wormald: What I am saying is that the current national numbers that we look at do not suggest, as the National Audit Office was saying, that it is tenuous at the moment, but we accept there are risks in the expansion, as there are with any expansion, of those sorts of unintended consequences, and those are the things we are going to have to look at in our pilot phase.

Q99 John Pugh: Okay. Can I just touch on another unintended consequence? Clearly, if you have more children in for more time in the same buildings—often they organise morning and afternoon sessions, with different sets of children doing 15 hours, and now we have the possibility of a huge uptake of children taking 30 hours—you will need to release some capital funding to facilitate more providers.

Chris Wormald: Yes, and I think we have £50 million in the spending review for new capital. In a number of cases, these are private businesses that can raise their own capital, but we are putting money into this. We estimate—I am always reluctant to use these numbers, but this is the estimate we were working on in the spending review—that the actual number of new places that we have to create is about 45,000 when you look at the number of people already taking up hours and the number of spare places in the system. So we have a clear view of what we need to achieve and we have some money, but we will need to test those assumptions in the pilot phase.

Q100 John Pugh: Enough money?

Chris Wormald: It's £50 million.

Q101 Mr Bacon: You have £50 million to create 45,000 new places.

Chair: The private sector will do their own. The gearing on the borrowing will mean they will not make much money, possibly not enough.

Chris Wormald: As I say, we are putting the price up as well. When we have looked at the roll-out of the previous offers, which also involved the creation of lots of new places, that 45,000 looks like it should be doable.

Mr Bacon: Should be what?

Chris Wormald: It should be achievable based on historic trends. We will need to test that, exactly as the National Audit Office has suggested, in our pilot phase and in our consultation phase.

Sir Amyas Morse: Just one thing. It seems to me—and this goes to the questions that Dr Pugh was asking earlier—that there is a surprising reduction, in paragraph 121 of this Report, in the numbers of applicants for degree-level qualifications. Those have fallen really very sharply. Of the things that have happened that look a little bit concerning, that looks rather sudden to me. What do you think about that?

Chris Wormald: That particular programme is a worry. Of course, that is the qualified teacher part, so that is not the vast majority of the workforce. As I say, when we look at the workforce as a whole, the qualification level is rising, and that is what is driving the increased quality. This is a problem.

Sir Amyas Morse: So that means that you will think about some action—

Chris Wormald: Yes. As I have said, we are publishing a workforce strategy for the early years later this year, and we do have more thinking to do around that, because the numbers speak for themselves.

Sir Amyas Morse: If I might, I will just ask one more question, which is on your ability to react promptly. You have said that you will test and see the critical areas, and if it starts falling off you will move to do something about it. Does the mechanism of passing this through local government and so forth give you the ability to react sufficiently quickly? If you saw a real cliff edge being reached by providers, could you do something about it reasonably quickly, or is it actually no faster than a year?

Chris Wormald: No, I think we ought to be able to do that. As I hope we have described through this hearing, this is a very data-rich area. We collect a lot of survey data and a lot of census data. It is also, when you look across the whole of the education sector, one of the best-researched areas of anything. There is an awful lot of independent evidence and research out there. Your challenge is a completely fair one. We think so, but of course that will get tested in the reality.

Sir Amyas Morse: Forgive me. Just to be slightly boring about it, though, that is great, and I am glad it is a fair challenge, but what I am trying to find out is, in the event that you see that the number of providers in trouble, or going out of business, or declining to provide is going up sharply, how fast you can actually react to that? I know it is data-rich and everything, but what I am asking is: if you see people going out of business in significant numbers, how fast can you do something about it?

Chris Wormald: Well, it would depend. I can't tell you, "It would take us X weeks." It would depend upon the nature of the situation. What I would say, however, is that the way entitlements get taken up is that they are not big bangs. They build up really quite slowly after implementation dates, and in all the previous roll-outs of new entitlements, we have been able to manage that properly. As I say, I do think it is a fair challenge, and I will go away and construct a better answer on that.

Q102 John Pugh: Another challenge that might be thrown at you: I am trying genuinely to look at it from the point of view of a provider who wishes to fill this demand by stepping up to the

plate, or whatever metaphor we want to use, and expanding their facility. Now, I may not get the staff and I have a problem digging in my pocket for the capital funding, but I have a further problem, haven't I? They are already complaining that they have to meet wage costs on a weekly basis, and there is a cash flow problem. Many of them are very small providers. I think they are paid on a termly basis. Is that correct?

Helen Stephenson: Yes, and that is why we are consulting on that at the moment. That is—

Q103 John Pugh: And you're going to change that.

Helen Stephenson: We are consulting on that at the moment. We want to move to a prompt payment part of the contract with the local authority. We have absolutely heard that from providers as we have talked to them as we have developed it.

Q104 Chair: Just to be clear, will you pay the local authority more promptly, or are you going to make the local authority pay the provider more promptly?

Helen Stephenson: We want to ensure—we are consulting on this—that the local authorities have a prompt payment policy so they will pass that on quickly. Because many of these providers are smaller providers—as you say, childminders—it is really important that they have a proper cash flow, so that is what we are working on at the moment.

Q105 John Pugh: So I am trying to manage this and reduce my staffing to what, basically, I can get away with. I am probably not going to be that keen on taking any more two-year-olds than I have to, am I, really? Three-year-olds would be a better thing to concentrate on as a business model.

Chris Wormald: I don't think we have seen any evidence for that. As I say, the take-up rates for two-year-olds are—

Q106 Chair: In the right areas?

Chris Wormald: It is focused on the most deprived people, so the rate going up will disproportionately affect—

Q107 Chair: May I put to you what some of my local childminders have said to me? We have a very active network of excellent childminders in Hackney. They take a two-year-old at what is in Hackney the higher rate, and then the child turns three, of course, and the rate goes down. The childminders then have this moral dilemma. Do they continue with a child with whom they have developed a relationship, often referred by social services—as you say, they are from a deprived group—or do they cut their losses at that point and say, “Well, we're not going to take them at three”? They are facing that; some are making decisions because they have overheads and they have to think about their costs.

Chris Wormald: I accept that dilemma, but in fact it is directly opposite to what Mr Pugh was describing, in terms of two-year-olds being funded at a higher rate.

Q108 Chair: That is Hackney. There are different models, and some local authorities are funding two-year-olds at a higher rate.

Chris Wormald: We will need to look at part of this in our national funding formula, but it is also why we wanted an early years pupil premium for the most challenged.

Q109 John Pugh: Pursuing that, to implement this in time, you will require a fairly stable and expanding market with a clear view of what is going to happen. Yet, while they may get odd forms of finance in local areas, what they are probably looking at is a changing picture as you standardise and average that out across the country and separate it from the traditional school funding formula.

Chris Wormald: It is a changing picture, which we need to do for all the reasons this Committee has raised—

Q110 John Pugh: So I simply won't know, if I am a provider, how much I am likely to be getting two or three years down the line.

Chris Wormald: Once we have a national funding formula, you will have much greater certainty and you won't have the strange variations between—

Q111 John Pugh: So I am going to my bank manager suggesting that I expand my premises to deal with this new demand, without any guarantees about the revenue funding I am going to get. It is quite a hazardous situation to be in if you are a provider, isn't it?

Chris Wormald: At this second, because we have not consulted and introduced our national funding formula. We have, of course, said what the overall picture is, and the Government is putting in an extra £1 billion over this spending review period. That does put you in a better position than many sectors that I could mention.

John Pugh: I think you are probably getting out at the right time.

Q112 Caroline Flint: Do you think there is a problem with the terminology we use in this area, in that we are not able to define what is pre-school educational development as opposed to childcare? For example, evidence has told us that access to pre-school education is really important for a child's development, regardless of whether the parents are in work or out of work. I see that as a developmental contribution that the state is making. Childcare beyond that has to be high quality, of course, but it is there to help working parents more. Someone from Mumsnet said that "communication from the Government regarding the 30 hours free childcare is at best misleading, at worst a barefaced lie." If you are saying children of three and four should have pre-school education—and obviously it is up to parents to take it up—that's not really childcare. That is about providing education, isn't it?

Chris Wormald: In all our entitlements, we require everyone to do the early years foundation stage, which is based on—

Q113 Caroline Flint: But for the children and the family, that 15 hours is not childcare, it is education for the child, isn't it?

Chris Wormald: Yes, and for the offer for two-year-olds and the first 15 hours of the universal three and four-year-old offer, we have been very clear that it has a very clear educational purpose of the type you describe. It is different for the additional 15 hours. We are keeping exactly the same educational standards, but there was an explicit policy built into the manifesto commitment that this was about reducing the burden on working people.

Q114 Caroline Flint: Does it worry you, then, that parents who work in all sorts of different environments—some on shift work, some on early hours, some starting late—are pretty limited by whatever the childcare provider says when it comes to accessing the 30 hours of free childcare? For example, if it is a nursery school attached to a school, they might get 9 am to 11.30 am and then 1 pm to 3.30 pm, but who is going to be there for the bit in between?

Chris Wormald: We do worry about the flexibility. Do you want to say a bit, Helen, about what we do?

Caroline Flint: And how is that going to help a working parent?

Helen Stephenson: I think you make a very important point, and that is another thing that we are consulting on at the moment; we don't think it is acceptable that there are very rigid times when you are able to take up your entitlement. One of the things we are very concerned about with this policy is flexibility. That is a key thing that we are testing through the early implementation and a key thing that we are consulting on at the moment. Again, one of the things we want to move towards is a model contract between the local authority and the provider. Some of the witnesses before said that was one of the problems they had—the number of different environments in which they were operating. We do want to simplify that.

Q115 Chair: Presumably you are consulting childminders on that—

Helen Stephenson: Absolutely.

Chair: Because they are sometimes in a better position to offer the flexibility Ms Flint referred to.

Helen Stephenson: I care very deeply about this area and care about this policy being delivered properly. For me, childminders are a very important part of this, because they do have flexibility. They are often caring for children in a home-based environment, which some parents prefer. They are quite happy for their child to do three hours in a pre-school or a nursery school, but they want a more home-based environment. So we absolutely do want more childminders, and we are working with PACEY, the childminder organisation, to really try to understand and improve that. We think the prompt payment and the simplified bureaucracy at local level will help childminders to deliver the free entitlement places.

Chair: I should say that we hoped to have a childminder on our pre-panel, but because of the size of their businesses, they were all working, looking after children.

Caroline Flint: I had a childminder, and it was great. That was consistently for nine years.

Chair: You personally or for your children? *[Laughter.]*

Q116 Caroline Flint: For my children! The children went to playgroup and then to the local school for the pre-school provision, but I paid across the piece. This has come up on the Mumsnet forum as well. Some parents, when they are talking about 30 hours, which may be in a nursery school setting, are saying, “Well, we’re still having to pay, potentially, the childminder for all those hours as well.” How does that factor into all this? Regardless of how good a childminder is—there are some fantastic childminders—parents will often say school-led provision, with other children and with what that can develop, is something that they want to take advantage of.

Helen Stephenson: One of the things that we want to build on is some really good examples around the country of where childminders and schools are working together in a far more joined-up way. We have seen evidence of what we call childcare hubs, whereby you have a school; a childminder is attached to it; the childminding services are advertised on the school’s website; and childminders use it for drop-in and informal sessions. There are some examples of that in the country already, and we want to see more of that in terms of the 30 hours.

Q117 Caroline Flint: What I am asking about is really the payment for all this, for a family. If you have 30 hours of free childcare and that can be provided by pre-school provision at a local primary school, a lot of parents will want to take that up. Then what they will want to look at is maybe dropping the children off at school and picking them up. If you are a working mum, maybe you can’t go to work after 9. And then you have the lunchtime period. I am just wondering how you are thinking about how this is going to affect the provider market. How are you going to match that all up, in terms of the children being at the school and, say, with a childminder? Or how do you find the provision in between?

Helen Stephenson: To the parent, that is free, so there should not be complexity in terms of paying for different services. The provider will continue to get the payment from the local authority as they do now, so it will go directly from the local authority to the provider.

Q118 Caroline Flint: What if a parent, instead of having the free hours spread out over five days, wanted to use them over two days? Can they do that?

Helen Stephenson: I can’t see why they couldn’t. That is about flexibility.

Q119 Karin Smyth: The simplification is really welcome, obviously. This is something we touched on earlier. One of the pre-panel witnesses mentioned the complications in flexibility around universal credit, and the commission I referred to earlier talks about the decline of the voucher scheme and the tax-free offer that is coming separately. I appreciate they are not your ball-game, but in terms of simplifying things at local level for parents and providers, does that simplification

involve the DWP and HMRC so that the offer looks consistent and is easy to understand for parents? Does it involve discussions about universal credit and the tax-free offer through HMRC, so that parents locally see it as simplified?

Helen Stephenson: That is what I was talking about earlier, in terms of our joining up our communications around the three offers. It does boil down—

Q120 Karin Smyth: I just want to be clear. The conversation earlier was about the taskforce that Government—*[Interruption.]* What I wanted to drive back was: does that then translate to a co-ordinated—

Chair: Is there a calculator or something?

Karin Smyth: Is there a booklet that involves all these things? Is that the way you are thinking?

Helen Stephenson: There will be a calculator that enables you to put in your circumstances and test what your entitlement will be. You can find out there whether you are eligible for tax-free childcare and the 30 hours. If you are not, it will point you in the direction of the universal credit, which will pay 85% of your childcare costs as from now.

Chris Wormald: These are all things we are designing now. Are we having what we think are the right discussions? Yes. Is the situation on the ground right now as we would want? No.

Chair: We welcome an honest admission. That is fantastic.

Q121 Caroline Flint: On the three hours now, can a parent, instead of spreading them out at five two-and-a-half-hour sessions—

Q122 Chair: Three hours.

Q123 Caroline Flint: Yes, three-hour sessions. Let me get it right. Can they do two seven-and-a-half-hour sessions?

Helen Stephenson: This comes back to your point about local requirements that are put on to that. There is real variation at local level and that is one reason why we are consulting on taking that variation out and making it much simpler for parents. Flexibility is hugely important.

Q124 Chair: In my area I can tell which school has mostly working parents and which school does not. The one with working parents has a real struggle filling its 15 hours of free childcare because for a working parent it is not enough, and the others have full nurseries because 15 hours is good enough. Some have tried to flex it, but because they are schools, they have not been able to sell the extra. Have you done any work on that?

Chris Wormald: To be honest, this conversation has brought that out very well. There is a big policy dilemma in that we both want national rules, simplicity and clarity, and we want things that are highly responsive to local communities with lots of flexibility. That is very difficult. I am not claiming we have the balance exactly right, but that is what we are trying to balance in our policies and why we work with local government as we do.

Q125 Chair: Most parents would understand that.

On the 15 hours, we heard a number of examples from Dalia Ben-Galim earlier—I hope Gingerbread will provide them to us—and we have heard anecdotally from our constituencies that people are turned away from nursery settings. Helen, you said there was 90% take-up, which we have recognised is good, but do you think that perhaps people are being pushed away from the settings they want and if they know that they will not get into a nursery, they find a childminder or someone who will be able to provide the 15 hours without top-up? They will be pushed to a provider who can provide that and away from a provider that, perhaps for financial reasons, is refusing to take someone on.

Helen Stephenson: That is a very good point and we need to understand it further. We will certainly take it away to try to understand more about it because it is important.

Chris Wormald: That is not supposed to happen and the individual should be raising it with their local authority, which has responsibility for managing the market, but we will take it away and come back to you.

Q126 Chair: We know how it works. There is no vacancy and then, miraculously, there is a vacancy for the next parent who comes along with the money in their back pocket to pay the top-up.

Chris Wormald: This has been a clear point from the Committee and the evidence we received. We should take it away and come back to you with a considered answer.

Q127 Chair: We will ask Gingerbread to submit more detailed evidence to us and make sure we get that to the Department. We take your offer of looking at the matter seriously seriously, so thank you for that.

I want to touch on Ofsted inspections. There was quite an alarming figure for the inspections, which take place only every four years. On page 22, paragraph 1.17 of its report, the National Audit Office found that, in August 2015, of 690 providers rated as inadequate at their latest inspection, 313—not quite half—had previously been rated as good or outstanding. Do you have any worries about that, or do you feel that statistically it is all right?

Chris Wormald: It is always a worry when a provider is falling backwards. To be clear on what Ofsted does, there is the four-year regular inspection cycle and in between those inspections it takes a risk-based approach to who they look at. If it has had complaints about a provider or whistleblowing or the proprietor has changed or other evidence suggests that something might be going wrong, it goes back before four years. So it is four years for everyone and then a risk-based approach. As the National Audit Office said, there is always a question of what is the right length of time between inspections, and we have to trade off the cost to the business—

Q128 Chair: We understand that, but to move from “outstanding” to “inadequate” is quite a big jump, is it not?

Chris Wormald: Yes, and it occasionally happens in schools as well. It does not happen very often, but the smaller the institution, the more likely that is.

Q129 Chair: So you are relying a lot on whistleblowers. If I were a parent worried about a childcare setting, maybe so worried that I might want to take my child out of it, who would you recommend?

Chris Wormald: Ofsted run a hotline on early years, which is actually very well used.

Q130 Chair: Just to be clear—I should know this because I use Ofsted-registered childcare—is it a requirement, whatever the setting, for those carers to provide information about how parents can raise concerns?

Chris Wormald: Yes, I think it is.

Helen Stephenson: I am not sure.

Q131 Chair: My experience is that it is probably not, but I sometimes deal with individuals who are registered with Ofsted—

Chris Wormald: I thought that it was, but since you asked the question, I will go away and check.

Chair: It may be so for institutional settings, but not quite so common for individuals.

Q132 Nigel Mills: On that point, presumably the one way that there are some data will be the baseline data that schools collect in the reception year when the kids get into the formal school setting. You are not planning to publish that data as some kind of data set or league table, are you? We are not going to know, even by area or by school intake, how well this policy is working. Is that something that Ofsted could look at, to assess whether there is a mixed variation? Could schools flag up kids coming from one nursery or another?

Chair: Page 23 of the Report refers to this.

Chris Wormald: There are two things. We are putting a lot of effort into the evaluation of this, and in 2012 we launched a new longitudinal study that will be key to us assessing the value for money. That plays out over a very long time.

Q133 Chair: When is that due?

Chris Wormald: The first data set will come out in the next few months, but we actually track pupils through until they are 18. We have just published the final bit of the 1997 survey that we did, which shows the effect of early years on A-level results. This is very powerful research that takes a very long time.

To assess kids at five to get some nationally comparable data is incredibly difficult, and we do not have simple tests of the type that we have for 11-year-olds. You will have seen the Government's recent announcements on what they are doing on baseline testing, but it doesn't do what you are suggesting. Nothing we have done allows us to tell the quality of individual providers from school results.

Q134 Chair: You cancelled the programme.

Chris Wormald: We were running a pilot of baseline assessment, which was using three different providers. It was not producing nationally comparable data. As I have said, assessing children at five, and doing it well and comparably, is very difficult. We will be discussing with the sector how we move forward. We do not have a mechanism at the moment.

We can now data match between our national schools census and the national pupil database, so we ought to do much more of and be much better in future at tracking what happened to people in the early years and then what they achieved as they went through school. That does not give you an immediate feedback on whether a nursery or childminder is a problem, but it ought to give us—

Q135 Chair: Before I bring Nigel Mills back in, I am not sure from my experience that my children had a number, when they were in certain childcare settings, that they could track through. How do you track through?

Chris Wormald: You data match between the names and addresses of the children and then the national pupil database.

Q136 Chair: What if they move house?

Chris Wormald: I asked exactly that question. I am told that the data matching gives you an average 93% match of children on the census to the national pupil database.

Q137 Chair: Is it something you have thought about providing? People have NHS numbers.

Chris Wormald: Again, I asked this question. I am told it is technically very difficult to do, because the cohort enter at different times. Some start at two, some at three. We are looking at it, but I am told it is more technically difficult than you would think.

On Mr Mills' question, in future we ought to be able to evaluate much better what type of setting produces the best results as people go through primary and into secondary school. It will not do that on an individual basis, but we ought to be able to say that settings that did this type of thing are more associated with successful later school careers.

We will always have the problem that there is quite a big time lag in that, and there have been some examples. There was a very famous one in the United States, where there was a big effect from a particular intervention by age eight, which had then completely disappeared by age 11. Because the effects are so long term, it is quite easy to declare the success or failure of a particular thing too quickly, which does not help us with the evaluation but is just a fact of life.

Q138 Nigel Mills: But you would encourage headteachers at infant schools, if they spotted a trend whereby kids who had gone to one nursery were well behind, to flag that up to Ofsted or somewhere.

Chris Wormald: Yes, we would expect them to be flagging that up.

Q139 Nigel Mills: And you would probably expect Ofsted to look at the baseline assessments and try to spot that when they went to a school as well, wouldn't you?

Chris Wormald: Yes. As I said, Ofsted takes a risk-based approach and if a school had concerns about particular providers, we would expect them to be alerting Ofsted and Ofsted to be taking the appropriate regulatory action.

Q140 Chair: May I just come in on another quick point, before I lose track of where I am, and then I will bring Caroline Flint and Richard Bacon in? We heard a lot from providers about their funding—we have touched on this point already, and John Pugh was trying to tease this out on expansion. Some of these business are very marginal—very fragile. As the custodian of the market, I suppose—is that the right phrase? I am not sure—you are there to try and make sure the market works, and the market is very diverse. What would you do if certain areas just saw a withdrawal of childcare? Private providers can barely manage in an area such as mine, with high capital costs and high staffing costs already, without the national living wage and other things still to bite.

Chris Wormald: We would expect the local authority to have noticed before we did. They have a responsibility to manage the market in their local area, as we do when we look at the national picture. We would then expect to sit down with that local authority and look at exactly what was happening in that area and why, and whether it was in the commissioning process or elsewhere.

Q141 Chair: Would more money be forthcoming? It might be down to sheer money. That is what we were hearing from some.

Chris Wormald: Money is always a challenge. We only have as much as we have in the spending review, so if we were putting additional money into somewhere, it would have to come from somewhere else.

Q142 Chair: But this is a universal offer. If it wasn't working out in a geographical area for a particular reason, that would be very unfair on those parents and children.

Chris Wormald: I think I would answer it this way. When we introduce our national funding formula, we will—as with any national funding formula—look at what the right area cost adjustments and what the right deprivation indices are, and so on. The situation you are describing would arise if we had got our national funding formula very wrong—if we had set a rate for a particular category of local authorities where it was not sustainable. That would suggest that we had—

Q143 Chair: Some local authority rates are very low—£2.50 or so.

Chris Wormald: Yes and as I say, we need to find a much fairer basis by which we fund local authorities and then local authorities fund individual providers.

Q144 Chair: I have a couple of other points. One was about the evaluation of these pilots. When we will be able to see the results of that? You are piloting in September 2016 with a view to full implementation in 2017, so by the time you have a pilot going and have evaluated it, you are not going to be able to give much notice.

Helen Stephenson: We have already got something in the field—we are working with the University of East London and Frontier Economics. They are helping us to design the framework for the evaluation, which will then be commissioned out and be in place ready for the implementers to start. They are looking in particular at what data sources they can already use—so things that we are already collecting information about—and then whether there are other sources of data that we need to collect.

Q145 Chair: And when will it be published?

Helen Stephenson: I am not aware that that one will be published. We want this pre-survey to help us inform—

Q146 Chair: Sorry, when will the actual evaluation of how well the pilots are working be published?

Helen Stephenson: I don't have the timings on that, but we obviously want to use the information from the evaluation to inform us as we roll the programme out.

Q147 Chair: But you are going to be rolling a programme out and people will be making their financial assessments, so whichever setting they are in, they will have a financial deadline by which they will need to know what is coming down the line. Childcare often does work—I know from experience—on a two-week horizon or a month horizon but many childcare settings, particularly those that require capital investment, would need to know in good time many months before.

Chris Wormald: Yes. I will come back to you. I don't have details with me of what we will publish and when.

Q148 Chair: If you could, please do, because I think it is really important and we may call your successor back on that.

Chris Wormald: The key thing is that because of the exact issue that you raise—that we will be piloting and then introducing—we are going to be in constant conversation with the areas that are piloting it. It is not going to be a case that we do some research, we publish it, and we consider; this will be something we will be discussing with local authorities and building back in to our policy—

Q149 Chair: We appreciate that there are internal procedures, which sound like they are all going swimmingly, and that the process is worked out in the Department, but we were just a bit wary. Whitehall processes do not always really work with people on the ground—that is, parents, who will also be deciding whether they can go back to work and asking whether they will get this 30 hours and whether it will be provided locally. Is there enough certainty? You have heard from providers; they are not all sure about what they are going to do.

I shall just turn to figure 14 on page 39 of the Report. For those who do not have it in front of them, it shows the percentage of children in each provider type broken down by deprivation decile. I will not read through the chart, but it clearly shows that the highest number of children go to maintained school settings in deprived areas. We have seen a programme from your Department, Mr Wormald, of academisation, so there will be freedom for schools to do as they wish. Does that freedom of admission apply to early years settings as well? Can they turn children away?

Chris Wormald: For academies in general, there is not freedom of admission; they still have to comply with the admissions code.

Q150 Chair: But they could set their own admissions?

Chris Wormald: Only within the terms of the code, so it has to be free, transparent and fair.

Q151 Chair: But would it be possible, for example, for them to have musical aptitude tests for three or four-year-olds?

Chris Wormald: I don't think so.

Helen Stephenson: I am not aware that nursery codes operate in the same way, in terms of eligibility for the maintained sector.

Q152 Chair: I am just trying to see how these two policies match up. All schools will have to become academies under the current proposals and you've got, particularly in deprived areas, large numbers of children—in fact, the majority of providers for most deprived children are in maintained school settings. Those schools will be “independent” academies funded by the taxpayer and looking after and educating children. Perhaps you could write to us about what admissions criteria they will be allowed to implement. Can they set the same sort of changes to criteria as they can for secondary levels?

Chris Wormald: We will come back to you on that. The timescale on the academies White Paper is quite long, so this is a longer-term issue. We have not seen any differences in behaviour, in this area, between primary schools that are academies and primary schools that are not, but I take your point.

Q153 Chair: That's all right, but when there is a mix of provision it is less—the other key thing is that local authorities are currently responsible for maintaining and managing the maintained provision, and have the overall responsibility for the early-years agenda, but once the academisation happens they won't have any control over those nursery settings in schools.

Chris Wormald: They are still the commissioner and they are the commissioner of all early years, whether in the maintained sector or not.

Q154 Chair: Where will accountability lie? If there is a problem with an early years setting in an academy nursery environment for three and four-year-olds, who is responsible for sorting that out? Would it be the commissioner? Would it be the chain? Would it be you?

Chris Wormald: It will be the same as the accountabilities in the PVI—the private and voluntary—sector at the moment. The local authority is the commissioner of all sectors, and is also the provider of the maintained sector; once all schools are academies, it will be the commissioner for everything with three and four-year-olds, but not the provider of any of it. When it commissions an academy, its relationship is exactly the same as if it is commissioning a voluntary sector organisation or a private sector organisation. It is still responsible for the money being spent properly, the contract that it has being fulfilled, and the overall state of the market, but, just like the owners of a private company are responsible for how they then deliver that, that is what the relationship with the academy will be.

Q155 Chair: So basically they will just be treated a bit like the private and voluntary sector?

Chris Wormald: Yes, you will actually have a level playing field between different types of provider.

Q156 Chair: That is one way of putting it, I suppose. This is my final question before I pass to Caroline Flint and Richard Bacon for the last couple of points, and I will go back to our lead members as well before we finish. Caroline Flint touched a bit on the difference between childcare and early years, and we touched on the value for working parents and for parents not working. What is your assessment or description of what the value should be, and how will you be measuring that?

Chris Wormald: This is very complicated, and it is different between the offers. For the two-year-old and the universal element—the first 15 hours of the three and four-year-old offer—our main long-term evaluation is about its educational impact. For the extension to 15 hours, the Government's manifesto was clear that the biggest purpose was around the cost of living, but we want it to have exactly the same educational standards as the first 15 hours. We would expect to see an educational impact, but that was not the starting point of the policy.

Q157 Chair: In terms of the value on cost of living, you could have lots of well-paid MPs putting their children into this setting who perhaps would not get the same value as someone for whom it is making the difference as to whether they are working or not. We heard a bit from Gingerbread about that.

Chris Wormald: We have been working with Frontier Economics on that. In February, it published a very extensive feasibility study on how we should go about evaluating that, and we will be taking that work forward. A lot of this is very complicated and difficult.

Q158 Chair: We get very worried when you say it is too complicated for people like us to understand. It makes us a bit suspicious.

Chris Wormald: As I said, how we are going about doing this is there and it is published. Particularly when you get to the areas of return to work, trying to distil out exactly what contribution affected someone decision's to return to work is a very complicated thing to do.

Q159 Chair: On the ground, it is not that complicated. There is good, stable, secure childcare that can be secured at the same point someone gets a job or goes to study. That is what people need.

Chris Wormald: That clearly helps.

Chair: I recognise that measuring it from your end is a little more challenging.

Q160 Caroline Flint: May I just redeem myself on my maths earlier, because I was citing a mum from Mumsnet? Despite the 15 hours, she was told that she could have five two and a half hours, and that is often the case in these pre-school settings. It was either 9 to 11.30 or 1 to 3.30. That is what I was citing there, despite the 15 hours. Can you just clarify what you were saying earlier about tracking the outcomes? Where does the two-year-old provision fit into that? Is there a separate service?

Chris Wormald: Our longitudinal study starts with two-year-olds.

Q161 Caroline Flint: On the two-year-olds, as you said earlier, that is specifically looking at development goals being reached to help later educational attainment. How are you judging that against such things as the troubled families programme, which I think replaced the family intervention programme or the other way round, because lots of local authorities are having to deliver those programmes where they have identified families where the children are at risk of not reaching their development goals. How does it fit with that, and how are you going to work out which bit of the intervention with families is making the most difference?

Chris Wormald: The way that the 1997 longitudinal worked was that it took pupils who had had early intervention from two to four and ones that had not and then controlled for other things that had happened to them. It then looked at whether you could identify a specified difference

between the two, and it could. You do have to account for all those other factors, which is why, when you do these studies, you take a representative sample and study it very carefully indeed.

Q162 Caroline Flint: In terms of take-up, I understand that there are three categories: looked-after children, children with disabilities and other children who are disadvantaged, possibly with parents not in work. Why can you not make it a requirement that any looked-after child or, for that matter, any child in a workless family has to be accessing the provision?

Chris Wormald: All our pre-school offers are voluntary, and that has been a principle of policy for some time.

Helen Stephenson: It has always been a voluntary offer, and that is partly because parents have very strong views about what is right for their child.

Q163 Caroline Flint: But you're making a judgment that this is targeted at children who, under other circumstances, are not thriving?

Chris Wormald: Yes, but it is still a choice. We have never gone into the requirement for early years.

Q164 Chair: And there are no plans to change that policy?

Chris Wormald: No, there are no plans to change that. I will go away and check the position on looked-after children, because of course it is a little different when the state is the parent. I will look at that.

Q165 Chair: If you could let us know. Ms Flint's point is well-placed. A lot of the thrust of this of this policy is to target just—

Chris Wormald: Yes, but we still see this as a choice policy.

Chair: Given that we've done previous hearings on the educational outcomes of children in care, it's very important to us as a Committee.

Q166 Mr Bacon: Mr Wormald, I have just one question. The pre-panel—the Pre-school Learning Alliance, Gingerbread and Acorn Childcare—had a lot of things to say, and I think you listened to all of it. Did any of what they said surprise you?

Chris Wormald: We do not recognise, from the national numbers we see, some of the things they were saying about what the market is like now. That's not to say that they are necessarily wrong. That may be their experience and their personal perception, but that bit of the story does not match up with what we see from the national numbers.

On the risks of the 30 hours, we are in exactly the same position as the National Audit Office. There are risks, but the question is how you manage them. We would not put the case as starkly as the pre-panel did. As I have said during this hearing, our bottom-line position is that this is an area of strength for the UK. There are very few other areas on which we would be ranked fourth in the world across a public service. It is something that successive Governments have invested more and more in, and they have rolled the entitlements out very successfully. We believe that we have a very strong base on which to build going forward, which I don't think is the implication you would take from hearing that evidence.

Q167 Mr Bacon: I listened to them at length, and I got the impression that things are in deep trouble, which is not the impression that I got from reading the Report. I wasn't aware of the fourth in the world figure.

Chris Wormald: That's from the Economist Intelligence Unit in 2012. They did a big study across the piece.

Q168 Mr Bacon: Which are the areas on which you most agreed with what they had to say or thought they had the greatest validity?

Helen Stephenson: Speaking as somebody responsible for developing the programme, the local variability and the issues around prompt payment are things that I have definitely heard as part of our consultation on developing the programme. We are trying to do something about that through the consultation. That's something that resonated with me and my team.

Q169 Mr Bacon: You said that you're in the middle of a consultation process. If these groups want to bring you more evidence, you're still in listening mode. Is that right?

Chris Wormald: Absolutely.

Helen Stephenson: Absolutely. We are always in listening mode.

Chris Wormald: We talk to provider groups all the time. Inevitably, providers want to lobby for more money—that's what they're for—and of course we have to make judgments about the use of money against other priorities and our duty to the taxpayer to spend less. That's a perfectly healthy debate. I am not surprised by where they were, but likewise we don't necessarily agree with them.

Chair: I am aware that we have a vote at 5 o'clock, and I have one last point that I forgot to raise.

Q170 John Pugh: I'm tortured by the thought of market failure. One solution to deal with market failure, which was suggested in the past by Elizabeth Truss in a Department for Education pamphlet, is to alter the ratios. Is that ruled out now?

Chris Wormald: That is not on the current agenda.

John Pugh: Sorry?

Chris Wormald: That is not on the current agenda.

John Pugh: Oh, good.

Q171 Chair: One thing that's been raised by local childminders is a real concern about the delay in DBS checks. We're in London, so that's often down to the Metropolitan police. I used to be the Minister responsible, and the problem doesn't seem to have got any better in the last six or seven years. Helen Stephenson, I wonder whether that's on your radar. It's clearly a big issue. If you can't get your child, your lodger or your partner DBS checked—you have to get them renewed, obviously—that's a big issue for a childminder who has to have safe adults in the home. Is that something that you've picked up on? Are you doing anything about it?

Helen Stephenson: I had not picked that up in relation to childminders, but you've raised it so I'll take it away and check it.

Q172 Chair: Okay, thanks. I may write to you if we need more information.

Helen Stephenson: Please do.

Q173 Chair: Thank you very much indeed for coming along. Chris Wormald, congratulations on the new job. We look forward to seeing you with that hat on.

Chris Wormald: I will see you in that capacity very frequently.

Chair: I ask Helen Stephenson to warn your successor that we will be looking at this again. Clearly, we are keen to watch what happens with the pilots and that evaluation. It's a matter of huge interest to our constituents and huge importance to the children who are both cared for and educated. There's a lot of change in the landscape, so we think this Report comes at the right time. It's like pre-scrutiny of what's coming. We want to do more scrutiny of this to make sure it works.

We've all got an interest in making this work, whatever our party, or constituency or whatever. We wish you well with it, but we will be watching and holding your feet to the fire on the things that we've said today. Presumably, you've got very able people behind you who took a note of the things we've asked for. We will also write to you with that. Thank you very much indeed.