

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### CHILDCARE PAYMENTS BILL

*First Sitting*

*Tuesday 14 October 2014*

*(Morning)*

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#### CONTENTS

Programme motion agreed to.  
Motion to sit in private agreed to.  
Written evidence (Reporting to the House) motion agreed to.  
Examination of witnesses.  
Adjourned till this day at Two o'clock.

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**Saturday 18 October 2014**

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IN GENERAL COMMITTEES

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**The Committee consisted of the following Members:**

*Chairs:* †JIM SHERIDAN, MRS ANNE MAIN

† Barwell, Gavin (*Lord Commissioner of Her Majesty's Treasury*)

Cunningham, Alex (*Stockton North*) (Lab)

† Dakin, Nic (*Scunthorpe*) (Lab)

† Elphicke, Charlie (*Dover*) (Con)

† Evans, Chris (*Islwyn*) (Lab/Co-op)

Fleelo, Robert (*Stoke-on-Trent South*) (Lab)

Glass, Pat (*North West Durham*) (Lab)

Gummer, Ben (*Ipswich*) (Con)

† Heath, Mr David (*Somerton and Frome*) (LD)

† Jenrick, Robert (*Newark*) (Con)

† Jones, Andrew (*Harrogate and Knaresborough*) (Con)

† McKinnell, Catherine (*Newcastle upon Tyne North*) (Lab)

† Macleod, Mary (*Brentford and Isleworth*) (Con)

† Miller, Maria (*Basingstoke*) (Con)

† Patel, Priti (*Exchequer Secretary to the Treasury*)

† Powell, Lucy (*Manchester Central*) (Lab/Co-op)

† Russell, Sir Bob (*Colchester*) (LD)

Smith, Chloe (*Norwich North*) (Con)

† Wilson, Sammy (*East Antrim*) (DUP)

David Slater, *Committee Clerk*

† **attended the Committee**

**Witnesses**

Purnima Tanuku, Chief Executive, National Day Nurseries Association

Frances Norris, Policy and Review Officer, British Association of Professional Nannies

Jane Platt, Chief Executive, National Savings and Investments

## Public Bill Committee

*Tuesday 14 October 2014*

*(Morning)*

[JIM SHERIDAN *in the Chair*]

### Childcare Payments Bill

9.25 am

**The Chair:** Just before we kick off, I will make some housekeeping announcements. First, apologies for the cramped conditions in this room, but I am reliably informed that a number of Public Bill Committees are going on today, so rooms are at a premium. May I also ask that any electrical devices are either turned off or put on silent? Teas, coffees and so on are not allowed in the room during Committee sittings. The notice period for amendments is three working days. Amendments tabled with inadequate notice will not normally be selected.

The Committee will first consider the programme motion on the amendment paper and the amendment that has been tabled to it. It will then consider a motion to permit the Committee to deliberate in private and then a motion to report written evidence. Then, assuming that the first of those three motions has been agreed to, the Committee will move into private session. Once it has deliberated, the witnesses and members of the public will be invited back into the room and the oral evidence session will begin.

I call the Minister to move the programme motion. May I suggest that she and other Members make any points relating to the programme motion or the amendment now? I will call the Minister to move the amendment formally after that.

#### **The Exchequer Secretary to the Treasury (Priti Patel):**

I beg to move,

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 14 October) meet—

- (a) at 2.00 pm on Tuesday 14 October;
- (b) at 11.30 am and 2.00 pm on Thursday 16 October;
- (c) at 9.25 am and 2.00 pm on Tuesday 21 October;
- (d) at 11.30 am and 2.00 pm on Thursday 23 October;
- (e) at 9.25 am and 2.00 pm on Tuesday 28 October;

(2) the Committee shall hear oral evidence in accordance with the following Table:

**TABLE**

Date	Time	Witness
Tuesday 14 October	Until no later than 10.30 am	National Day Nurseries Association; British Association for Professional Nannies

Tuesday 14 October	Until no later than 11.00 am	National Savings and Investments
Tuesday 14 October	Until no later than 2.30 pm	Childcare Voucher Providers Association
Tuesday 14 October	Until no later than 3.15 pm	4Children; Working Families; Mumsnet
Tuesday 14 October	Until no later than 4.00 pm	Citizens Advice; Low Incomes Tax Reform Group of the Chartered Institute of Taxation; Family Childcare Trust
Tuesday 14 October	Until no later than 4.45 pm	Children's Society; Child Poverty Action Group
Thursday 16 October	Until no later than 12.30 pm	Women's Business Council; Chartered Institute of Payroll Professionals; Chartered Institute of Personnel and Development
Thursday 16 October	Until no later than 1.00 pm	Dr Kitty Stewart, London School of Economics and Political Science
Thursday 16 October	Until no later than 2.30 pm	Institute for Public Policy Research; Resolution Foundation
Thursday 16 October	Until no later than 3.15 pm	Her Majesty's Treasury; Her Majesty's Revenue and Customs

(3) the proceedings on the Bill shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Tuesday 28 October.

It is a pleasure to serve under your chairmanship, Mr Sheridan. A straightforward amendment has been tabled to the programme motion. Since the Programming Sub-Committee agreed the resolution in September, a representative from the Women's Business Council, who was due to give evidence on Thursday, is no longer able to do so. The amendment therefore removes the council from the table of witnesses.

With your leave, Mr Sheridan, I will also mention briefly that I intend to table amendments to the draft secondary legislation made under the Bill. These have been prompted by concerns raised by some of the witnesses who will be called during the first two days of the Committee. I will say more about them when I am called to give evidence on Thursday, but in the meantime I will write to members of the Committee to provide greater detail on what they are intended to achieve.

*Amendment made:* in the table, in the third column, leave out "Women's Business Council;".—(*Priti Patel.*)

*Main Question, as amended, put and agreed to.*

*Ordered,*

That—

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(3) the proceedings on the Bill shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Tuesday 28 October.

*Resolved,*That, at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.—(*Priti Patel.*)*Resolved,*That, subject to the discretion of the Chairman, any written evidence received by the Committee shall be reported to the House for publication.—(*Priti Patel.*)

9.28 am

*The Committee deliberated in private.***Examination of Witnesses***Purnima Tanuku and Frances Norris gave evidence.*

9.31 am

**Q1 The Chair:** We will now hear oral evidence from the National Day Nurseries Association and the Association for Professional Nannies. Before calling the first Member to ask a question, I would like to remind all Members that we must stick to the timings in the programme motion. The Committee has agreed that, for this session, we have until 10.30 am. Could I ask the witnesses to introduce themselves to the Committee?

**Purnima Tanuku:** My name is Purnima Tanuku. I am the chief executive of the National Day Nurseries Association. We are a representative body working across England, Scotland and Wales and internationally to support private, voluntary and independent day nurseries.

**The Chair:** It would be helpful if you could speak a bit louder, because we are struggling to hear.

**Frances Norris:** I am Frances Norris. I am the policy and review officer for the Association for Professional Nannies, which works to support nannies in their work across the UK and to represent them nationally on a range of issues.

**The Chair:** Thank you, and welcome to the Committee. I now call the first Member—Catherine McKinnell.

**Catherine McKinnell** (Newcastle upon Tyne North) (Lab): Good morning. Are you happy for me to refer to you by your first names for the purpose of this Committee?

**Purnima Tanuku:** Yes.

**Frances Norris:** Yes.

**Q2 Catherine McKinnell:** Thank you. As a general opening question to both of you, could you give your thoughts on the Bill as a whole to set the scene for the Committee?

**Purnima Tanuku:** The National Day Nurseries Association fully supports the principle of supporting working families with the cost of child care, and also supporting self-employed people—we have been lobbying for this for a number of years. The number of self-employed women has increased—now, about 82% of women are self-employed in this country—so that is really beneficial. Also, in terms of not only supporting working parents and self-employed people but helping them with older children, this is a really positive move.

**Frances Norris:** Like my colleague, I fully support the initiative to help working families with the cost of child care. We particularly support the fact that it will be available only for registered child care. There are still a large number of unregistered and entirely unregulated nannies working in the UK, and that is something that we have had concerns about for many years. The increased number of families who will need registered child care will encourage those who are not currently registered with Ofsted to become registered. As such, they will have to be checked by the Disclosure and Barring Service and have public liability insurance and so on.

**Q3 Catherine McKinnell:** Thank you. That is helpful. Do you anticipate an increase in demand for child care as a result of the Bill? That is to both of you.

**Purnima Tanuku:** I think the Government's estimate is that about 1.9 million families will be eligible for this scheme. The Government also estimate that two thirds of those families making a claim would equate to about 1.27 million families. That is a huge number to gear up to, and that is our main concern. We are talking about introducing the scheme in 2015. Her Majesty's Revenue and Customs is going to be managing it with National Savings and Investments, which is the sole provider—a lot of providers asked for that, because at one time they were dealing with about 10 to 16 different child care voucher providers. The issues are really the numbers and how quickly the systems will be set up and implemented to be able to address those numbers, even if two thirds of the Government's estimate—those 1.27 million families—take it up, as that is a huge number.

**Frances Norris:** We also anticipate that there will be a huge increase in demand for child care, particularly flexible child care and part-time places.

**Q4 Catherine McKinnell:** To continue on from that point, accepting that there will be an increase in demand and reflecting your concerns, Purnima, do you both have concerns that there is insufficient supply in the market at the moment to meet that demand? If you agree, will there be sufficient supply by 2015, when we may see an increase in demand as a result of the Bill?

**Purnima Tanuku:** May I address a couple of issues on that? One is that the Government already provide funding for three and four-year-olds, which is now being extended to two-year-olds. In September this year it was expanded to up to 200,000 of the most disadvantaged two-year-olds.

There is capacity, but geographically it varies from region to region. For example, in the north-east, the north-west and Yorkshire and the Humber there is plenty of capacity, but the rates the local authorities pay to providers are challenging, so providers are having to limit the number of places they offer for two-year-olds and three and four-year-olds, because they cannot afford to make any losses. There are roughly 200,000 places available across the country, but as I said, it depends very much on location.

The fundamental issue is that we are trying to tackle child care issues in so many different ways. We have child care tax credits, employer-supported vouchers, pre-nursery education funding—we have so many things. The long-term view from a policy perspective should be to make that a lot easier and more streamlined in terms of how the funding works for the parent as well as for

the child. That is really important. The biggest challenge is to get parents to know about what is available. A couple of years ago, *The Times* did an article in which parents were asked what they thought they were eligible for in child care. So-called working families who are bright and intelligent enough to understand and know the system did not know and were not claiming, to the tune of about £7,000. There is a huge issue with raising awareness, and then of course there is the issue of capacity—demand and supply in terms of how the system works. The long-term view should be about how we can streamline the funding system.

If I may make one other point, Iain Duncan Smith announced at party conference that a prepaid card system will be introduced for benefit claimants, and particularly for people with problems with alcohol or drug abuse, so that they feed the family rather than the habit. A few years ago we suggested having a prepaid card system for child care. A lot of parents say, "We don't want to handle money and we don't know exactly what to look out for. We would rather make a choice of where we want our child to go and then have the provider paid directly." I know that is a big challenge, but it could be the long-term vision that we need to look to.

**Frances Norris:** In terms of supply issues for our part of the work force, there will be an increased demand, but I feel that we can probably meet it. There are large numbers of nannies looking for work, and we are constantly hearing from people who wish to enter the profession and want to know how to go about that. There were 3,000 active CVs on one of the major child care recruitment websites in the last 30 days. We know that because the system is cleared at the end of 30 days unless you renew to say that you are still actively looking for work.

The problem here is the quality of the child care. At present anyone can call themselves a nanny. They do not have to have any kind of qualification. They do not have to be first aid trained. They do not have to be DBS checked. They do not have to provide any references. They do not have to have public liability insurance. Apart from the voluntary part of the Ofsted child care register, which has just over 10,000 currently registered home-based child carers, there is no kind of regulation whatever. So we are seeing people who say, "Yes, I'll quite happily look after your children for you", and there is no way to ensure that those children are being well cared for and are safe. While the supply is there, I would not put my hand on my heart to say that a supply of quality nannies is available.

**Q5 Catherine McKinnell:** Just to follow on from that in relation to nannies in particular, do you anticipate that more nannies will become registered as a consequence of this Bill, which should therefore increase the quality of that provision?

**Frances Norris:** We agree that there will be an increase in registrations. We hope that that will come with an increase in quality, because Ofsted registration requires a nanny or other home-based child carer to undertake a common core skills training course and also to hold an appropriate paediatric first aid certificate. However, the content of that common core skills training course is very, very basic. It can be done in one day. It is attendance-only. You only have to attend the training course. You

do not have to understand a single word that is said or take any of it on board. So while we hope that some of the fundamentals of child protection and of working with other agencies, and basic knowledge of child development, will be transmitted through that, it is not a substitute for a further relevant level 3 qualification.

**Q6 Catherine McKinnell:** On the requirement for registration in order to access the additional tax relief for the child care, putting aside the quality issues, which are not specifically dealt with in the Bill, what should the Government do to increase, encourage or support the uptake of registration as a step towards ultimately achieving the quality that you hope to achieve?

**Frances Norris:** This is a very difficult question to answer. At the moment nannies are reluctant to register with Ofsted because they perceive that there is no benefit to themselves. Part of that is to do with the whole system of the voluntary child care register, whereby they do not get inspected and graded. They feel like a second-class citizen compared with their childminder and nursery colleagues. So they do not feel that being Ofsted-registered adds any kind of prestige or professionalism. They are doing it purely so that parents can access funding and child care vouchers. That said, the Bill will ensure that more people become registered, purely because of the increased demand for registered child care.

In terms of what the Government can do to support that, when the Bill comes in, although I could not begin to put a figure on it, the number of Ofsted-registered nannies will easily double purely from self-employed people or those who were not able to access the scheme previously because their employers did not offer vouchers. That probably represents another 10,000 registrations, which will need to be processed over about two months, because nannies will not want to register well in advance, as they have to renew their registration every year to the tune of about £110. There will need to be administrative support or a mechanism to allow nannies to register in advance, which will ensure that any DBS checks are also registered. They could, for example, start the registration process in March but activate it in September 2015, so their employer can take advantage of the new scheme.

**Q7 Catherine McKinnell:** Thank you. I am aware that other Members have questions, but I want to ask Purnima another question. On your website you have a table, which you describe as a “useful table”, showing the level of monthly child care costs after which the tax-free child care offer will be a better option than the current child care vouchers. The table suggests that parents may be better off, but only once they start spending a significant amount of their income on child care. Obviously, you are not able to predict the number of parents who will come into the system, but have you had an indication of what proportion of parents will be better off under the new scheme, as opposed to the current scheme?

**Purnima Tanuku:** I think it is very difficult to estimate the number of parents, but you are absolutely right. Under the provision, the more the parents spend on child care, the more they are able to top up from Government support. In that sense, those who are paid the least and employed the least will get the least benefit. That is one disadvantage.

When I talked earlier about the potential number of families who may be eligible, we are talking not only about HMRC and NS&I gearing up towards this, but about Ofsted and the providers—childminders, day nurseries or nannies—being ready and geared up to any potential expansion. There is a huge curb on getting all the parties involved to understand and manage the implementation of the process.

There are also issues relating to technology and online accounts, in terms of data protection and issues such as that. The Childcare Voucher Providers Association set up a code of practice because providers were at one time having to deal with about 15 to 16 voucher companies, but the payments were not being received on time. It is crucial, from a provider point of view, to get paid on time; otherwise it will be difficult for them to manage their cash flow. The more we encourage and educate parents, the better it is for providers, because they know parents understand that the money has to come in. It is bad enough at the moment, because local authorities sometimes pay in arrears rather than in advance. Providers have to pay staff wages and bills, so the money has to come in on time.

If parents have shared responsibility for one or more children, there is an issue about who has the account and who manages it. There can be complications from a provider’s perspective, because they are not supposed to know the family’s circumstances. Those are the kinds of technicalities.

With NS&I being the only provider across the country, we would like to see quality standards and some kind of benchmarking set up. Somebody needs to be challenging the delivery of the service and how it is working for parents and providers. Some kind of quality standards must be set up as part of the agreement to deliver the service.

**Q8 Catherine McKinnell:** I have one final question—there are many more I could ask, but I want to open up the floor. In terms of the practicalities you mentioned, nurseries take a direct payment per child, and it is the same with childminders, generally speaking. Often, where nannies are concerned, it is because you have multiple children that you enter into that type of arrangement under the care of one person. Do you have an understanding of how this will work in practice? If you have one nanny and three children, do you have to open three accounts and pay the nanny from three different sources to access the support?

**Frances Norris:** As far as we understand it, yes. We did ask, at the consultation stage, whether it was possible to link accounts via the software so that a parent could have a single login and then could pay the nanny caring for their three children in one transaction, as it were. This is obviously an interesting issue and one that we feel is insufficiently explored under clause 20, on the permitted payments, because it is impossible to apportion correctly the amount of child care provided to any single child by a nanny. When you have one child at school and two children at home, the nanny is directly responsible for feeding, changing and playing with the two children who are at home, but they are also there for the school-age child in a way that a childminder or nursery cannot be. They will be on call if the child is ill or the school is closed. They obviously care for them during holiday periods. It is therefore very difficult to

say, “Oh yes, this is the proportion of your child care expenses on child A, that proportion is on child B and that proportion on child C.” There needs to be some mechanism for families to be able to say, “I employ a nanny who cares for all my children,” and for there to be some streamlining of the payment process.

The other thing that is very different for nannies, as opposed to childminders and nurseries, is that nannies are the employee of the family they work for. As such, their tax and national insurance contributions are deducted by the employer and the net amount is paid to the nanny. The employer is also responsible for employer’s national insurance contributions. Under the working tax credit system, it seems that that money can be used to pay towards the whole cost of a nanny; we have heard that that includes payroll expenses, too. We would very much like to see this funding being used for the whole cost of a nanny—that is, the nanny’s tax and national insurance, which will be sent directly to HMRC, and the employer’s national insurance contributions, which again will be sent to HMRC, and also any other costs that are incurred solely because a family have a nanny, such as payroll.

**The Chair:** Let us move on now. I call Maria Miller.

**Q9 Maria Miller (Basingstoke) (Con):** Thank you, Mr Sheridan.

First, I thank the organisations that are represented here for the excellent briefings that they have provided to the Committee, which have been incredibly helpful in our consideration of the Bill. With record numbers of women in work, it is really welcome to see this additional support for women and mothers, but I want in particular to press Purnima on some of the work that she put into the brief about the choices that will face parents, because with the new system being put in place—the tax relief system—there will be up to four different streams of funding for families to choose from. That is welcome, because more families will be supported, but what sort of support do you think parents will need so that they are able to make the right decision for their circumstances? When I talked to parents in my constituency, they certainly raised that with me as an issue that they wanted to understand better. How can they make good choices for their own family circumstances? Have you any thoughts on that?

**Purnima Tanuku:** Absolutely. We are already working with HMRC. We were on the working group. We held an event at which HMRC officials could talk to the providers about what the real issues were, and I understand that similar sessions were also arranged with parents. That was exactly the point I was making—the complexity of the funding system that we have, or the complexity of what they are eligible for. It is a question of getting to understand that and which scheme of funding they will be better off with, because the whole point of this is to encourage women back into work, but the most important thing is child development and focusing on the individual children and what they need. That was why I said that, in the long term, there has to be an effort to reform the funding system, but we need to use organisations such as ourselves and others that are supporting and working with parents. It is in the best interests of nurseries to let parents know what they are entitled to. Lots of people are doing it, but I think we need a co-ordinated approach

in terms of communications, because two or three years ago, when the recession kicked in, all the Government Departments cut down their communications budgets. However, I have to say that this is where we need to spend that communications budget so that we are able to get parents to understand the implications for them, and how they can be supported in doing this and in help with child care.

**Frances Norris:** I certainly agree with the points raised. Parents often find it very difficult to make choices about the funding to which they are entitled. That is less so with nannies, either because you have chosen to have a nanny almost as a lifestyle choice—as a mode of care for your child—or because you simply cannot find child care that is open over the hours that you need because of very early starts or late finishes, or overnight shift work. We have a lot of members who are working outside core child care hours.

By having a nanny, one option for funding is removed. Nannies cannot access the early years funding that nurseries and childminders can for the free hours. Much as many would like to, and would in fact be prepared to register to receive that, it is currently not an option, which leaves the different options of employer-supported child care, tax-free child care and universal credit. Up to now, nannies have not really been involved in helping parents to choose the funding for their child care. It may be that in the future, nannies are able to say, “You are currently receiving employer-supported child care. You are expecting another child. That means that you will have three children. Have you thought about switching schemes?” It is just sort of making parents aware of that as family circumstances change in the course of their job.

**Q10 Maria Miller:** And, inevitably, family circumstances do change and it would not be always possible to make exactly the right choice at one point in time for the future, but at least having the information will help families.

Another area I am interested in—it was not in the briefings that I have seen, although it may have been included elsewhere—is the challenges facing parents with disabled children, particularly. I met a group in my constituency who attend a fantastic nursery called KIDS, which specialises in supporting disabled children. Finding support for disabled children can be very difficult. The point that was put to me was that there cannot be a differential cost. The same has to be charged for non-disabled and disabled children, and that is perhaps causing a problem of supply in the sector. Is there anything that you think the Bill could do to help to alleviate that?

**Purnima Tanuku:** Absolutely. The early years pupil premium, although it is welcome, would add another layer of complication to the whole process. Providers, and particularly nurseries, are able and willing to provide care for disabled children, but some disabled children need one-to-one care and, in some cases, it needs to be more intensive. Unfortunately, local authorities are not prepared to pay for that.

For example, I took up an incident with the local authority recently involving a child who was eligible for 11 hours’ child care. However, the local authority had agreed to pay for only nine hours, so who pays for the rest of it? Either the setting has to subsidise that cost, or

the parent will have to pay additional costs. There is a lack of understanding that disabled children need a lot more attention and one-to-one care in most circumstances, and it is very difficult for parents to find it. That is not because providers are not willing to do it, but they need to be paid for that cost while still managing ratios and quality across the board.

**Q11 Maria Miller:** Under the current law, they are not able to allow differential rates. Will there be an opportunity—perhaps not now, but in the future—to acknowledge the differential cost and therefore make differential payments for people with disabled children?

**Purnima Tanuku:** I absolutely agree with you: currently, the three and four-year-old funding and the two-year-old funding does not make any difference, because on average across the country they are paid, I think, about £3.50, which is half the current minimum wage. We must think seriously about how we can provide child care. Some of you always said that child care should be expensive because it should be high quality, but equally it should be affordable to parents. The whole funding system needs to be addressed in terms of how parents can be helped and supported.

**Q12 Maria Miller:** Would there be any knock-on benefits for nannies, as the same challenges apply to nannies who are caring for disabled children?

**Frances Norris:** Yes, the same challenges apply, in that it is very intensive. Quite often, nannies are chosen by families who have a disabled child because they can provide one-to-one care and receive additional training, such as on the applied behaviour analysis approach for children with autism. However, there is the age-old problem that nannies are not eligible for many types of Government funding when it comes to child care. Short of including in the Bill a differential whereby the Government give an additional top-up towards child care for disabled children, I do not see how that will change for nannies.

**Purnima Tanuku:** May I make another point on that? The early years pupil premium currently works out at about 53p a child. We are not only talking about disabled children needing more one-to-one care; in fact, a lot of the two-year-olds from the most disadvantaged communities now need a lot more care and attention. Also, for staff to go out and represent at meetings and at case conferences with social services and health professionals is quite intensive. Some parties have promised to increase the pupil premium. One way to deal with the issue is to enhance the pupil premium to account for children's additional needs, because every child is different and some require more attention than others.

**Q13 Lucy Powell (Manchester Central) (Lab/Co-op):** I have a couple of different points to put to you, the first of which is about how the Bill will affect child care costs, which we have seen going up over time. For many providers, there is very little profit margin, yet child care is still very expensive for parents. How do you think the Bill will affect child care costs, given that there is going to be extra money in the system? Do you think prices might go up because providers will try to make ends meet a bit more as a result of knowing that families will have more money to spend?

**Purnima Tanuku:** It is really difficult to judge. If you look back four or five years, you will see that the funding that child care providers receive from local authorities has not changed—in fact, in some cases it has actually come down. One London borough pays £2.85 an hour for three and four-year-olds, which is absolutely disgraceful in terms of delivering high-quality care. However, on the other hand, providers' business rates have gone up by 150%. Utilities prices have gone up, along with everything else, so it is like they are always trying to play catch-up. That was why we said when the early years pupil premium—a really positive thing—was introduced that that 53p per hour actually covered only some of the losses, rather than enhancing payments so that they can put up child care costs. They are constantly trying to catch up in terms of child care costs.

One thing about the mechanism that makes me really pleased is that parents are allowed to use the funding only for child care. It is what it says on the tin, which is really positive because, at the moment, there is no ring-fencing on early years funding, so local authorities decide how much they pay providers. We must examine what the Government are investing in child care and how much of it is passed on to providers. Only then will we get to a scenario where child care will become affordable to parents.

**Q14 Lucy Powell:** May I press you on that? Given that context, do you think that some providers, knowing that suddenly a parent will receive 20% of the costs that they were not previously getting, will think that it is an opportunity to put up prices by 5% because parents will still be better off and that will help providers to make ends meet? Do you get any feeling of that at the moment?

**Purnima Tanuku:** At the moment, providers can charge a differential rate over and above the funding for three and four-year-olds or for two-year-olds. They are free to do that. We do not want the scenario that we already have in some cases of fully funded children subsidising those who do not receive adequate funding through the local authority. A nursery cannot survive on funded children alone. That is not a business model and it will not work. You cannot manage a nursery if children attend for only 15 hours because of the costs. Staff costs are 75% to 80%. That differential is there and we must streamline the funding to make it easier for parents and providers, without having additional admin bureaucracy, to serve the child. That is the fundamental issue.

You are right. There may be scenarios, but the majority of providers are business people—85% of child care in this country is delivered through private, voluntary or independent providers—and they must make ends meet. Equally, they know how to manage the situation if there is more demand. They will not do so at the risk of losing some of the families whose children they look after. Some children go to a nursery from babyhood until they go to school, and a family relationship and bond develops. Many places are found through word of mouth. Yes, Ofsted is there, but it is another issue that we should look into as part of this. Frances mentioned registrations, and perhaps there will be surge in demand for registrations from all sorts of providers. We need to be aware of that as well.

**Q15 Lucy Powell:** Following on from that, we have talked about perhaps using this extra sort of subsidy to see how we can lever in more quality to the PVI and the nanny sector. What mechanisms do you think could be brought into play to stop price inflation, as well as looking at quality alongside the measures in the Bill?

**Purnima Tanuku:** On the price inflation issues, the decisions are left to local authorities.

**Lucy Powell:** No, I mean price inflation by providers involving the subsidy that has nothing to do with local authorities but is included in the Bill—so-called tax free child care.

**Purnima Tanuku:** We need to test the water because although the estimate that the Government talk about is about 1.27 million families, we need to see what surge of demand there will be. This is where we need different debates with different people—Ofsted, HMRC, NS&I, the Department for Education and other Departments—because a collective approach will work in the end but, on price inflation, when we speak to our members every year, some of them say that they have not put up their fees for two years during the recession. They will have to play catch-up.

**Q16 Lucy Powell:** So I guess there will be increased demand but no increase in supply. Providers are already under pressure, so it is possible that prices will go up.

**Purnima Tanuku:** Absolutely.

**Q17 Lucy Powell:** I have one other point. Following on from an earlier question, what is your view about the interaction of the scheme with existing schemes—particularly tax credits, which will soon become universal credit—and those families that will sit on the boundary between those two schemes? There is provision for people to change only twice in a year. What is your view about how that will play for some families?

**Purnima Tanuku:** It is not only families that will have dual systems running. Providers will also have that, because the employer-supported child care vouchers are not open to new entrants, but there will be some existing ones. So the providers will have to deal with that as well as the new tax-free credits and the LEA funding.

It is a very difficult balance to match the demand with the supply while the two parties come to understand some of these implications. When we hosted an event with providers, what they were very keen on was not to be burdened with even more bureaucracy. They already have enough of that. From a parent's perspective, they need to be very clear and it has to be an easy system that they can implement. I think the two sometimes conflict with each other. It is difficult to see.

We are still talking about the system starting in 12 months and there are a lot of issues that we need to iron out before it is implemented. A lot of the issues are not with the vision, because we absolutely all of us agree about any support to working families and parents in terms of quality child care, but it is the implementation which sometimes causes the issues.

**Q18 Lucy Powell:** Have you got anything to add, Frances?

**Frances Norris:** Can I come back to that point about costs and parents, with a note of caution? If this is not used towards the whole cost of a nanny, it will become more expensive. We will see the subsidised amount

being paid to the nanny as the net salary and then, on top, the tax and the national insurance and the employer's national insurance and that is, for many families who employ nannies, a significant proportion of their budget.

The alternative is that we see fewer nannies correctly employed and more being illegally asked to become self-employed by the families who they work for, or where tax and national insurance is not being paid for the nanny. A couple of years ago there was an estimate that around £60 million was being lost on nannies who were not having their salary declared or who were not having the whole part of their salary declared.

We do think that in some ways it is very positive that we have one provider because the information flow will then be all through one provider and HMRC will be able to see families who employ a nanny. It will be able to carry out, possibly, spot checks and cross-reference those against the employee's record to see if they have been employed correctly. There will be less flow in and out of nannies who are employed in a job but, this time round, the parents did not want to employ them. They need a job so they will take it.

Nannies know that they should be employed and that employment gives them sick pay, maternity pay, paid holidays and redundancy when they have been with a family and are no longer needed. They know that if they are self-employed, then all of those rights disappear, but they need a job. There are people out there who are happy to take jobs under those circumstances. If this funding is not permitted to be used for that entire cost, I fear that we will either see a massive increase in the cost of employing a nanny or a cost to the country in lost contributions.

**The Chair:** I am conscious of the time. Two Committee members have indicated that they wish to speak. Brevity would be appreciated.

**Q19 Robert Jenrick (Newark) (Con):** My colleague Lucy Powell has already asked about price inflation and you answered that very interestingly. Obviously, it is one of those sectors where, while many people in it work on very low wages, affordability for parents is key. Maintaining that was always a concern of mine, which you have addressed.

Specifically on nannies, one area in addressing the cost of nannies is supply. You have spoken about the large number of nannies who are not registered. I do not know what our best guess is of the percentage of the sector who choose not to register. Of course, they choose not to register for many reasons, including the ones you have just alluded to, such as tax and other issues. How realistic do you think it is that large numbers of unregistered nannies would choose to register and provide the supply required for parents to be able to make use of this new opportunity?

**Frances Norris:** It is very difficult to give concrete numbers because we do not know how many nannies there are in the UK. The last estimate, which is on the National Careers Service website, is around 100,000. If we look at the number of Ofsted-registered nannies, it is around 10,000, because we cannot predict precisely how many on the voluntary part of the child care register are nannies as opposed to child minders caring for over-eights, or au pairs who have been asked to register, or another form of child care.

We also cannot predict how many of those have been continuously registered or how many, over the approximately 10 years that nannies have been eligible either for the child care approval scheme or Ofsted registration, have been registered at one point and then found that they no longer need to be registered because their employers do not need to use the vouchers, and are coming in and out.

We would estimate that there will be at least 10,000 who will register because they need to, but we also believe that it will become more and more standard for anyone seeking to enter the profession to register pre-emptively, so that when they are offered a job they can immediately be paid using that funding. If there are 100,000 nannies in the UK, 30,000 would be a conservative estimate if we went with the pre-emptive registration model.

**Q20 Robert Jenrick:** Thank you. Do you think it will increase the cost of nannies if more have to register and, in all likelihood, more tax is paid by the families employing them? Does that mean that the cost of a nanny is going to increase significantly as a result?

**Frances Norris:** Ofsted-registered nannies do not tend to get paid more. The cost to the family of registration is often the renewal fee, because at present nannies basically refuse to pay it because they feel it does not benefit them; it benefits the family they are working for. Therefore, they are more than happy to register and meet the requirements of registration in terms of qualification, first aid and insurance, as long as the families are happy to pay the yearly fee and for the DBS check. That has long been standard; if the families require a DBS check, they will meet the cost of it.

**Q21 Robert Jenrick:** But there is no evidence that an Ofsted-registered nanny is materially more expensive than a non-Ofsted-registered one.

**Frances Norris:** No. A nanny's salary tends to depend on their qualifications, experience and the job that they are required to do, such as extended hours. Newborn experience commands a premium. Bilingual nannies are highly sought-after and languages command a premium. That is more on the profile of the nanny than whether they are Ofsted-registered.

**The Chair:** Thank you. This will probably be the final question. David Heath.

**Q22 Mr David Heath (Somerton and Frome) (LD):** I apologise for asking questions almost from behind you due to the design of the room. You talked about the distribution of access and said that there were significant regional differences. I represent a very rural area and my perception is that access is limited the more into the country you get. Is that supported by evidence across the country? Are there deserts of provision in rural areas?

**Purnima Tanuku:** It is. In rural areas, childminding and nannies tend to be more popular because there is no provision nearby. Of course, any provider setting up a provision requires a certain number of children to be able to make the business proposal worth while. Yes, the rural areas are particularly difficult for accessing high-quality child care.

**Q23 Mr Heath:** I think you are absolutely right. You need that critical mass in order to run a business, and transport costs for parents are key to that. Have you any view about the relative proportions of the costs of transport and of fees for an average family? It seems to me that for many people in rural areas, transport costs are a significant proportion of the total cost of child care.

**Purnima Tanuku:** It is very difficult to pinpoint the exact costs of transport, but a lot of families in rural areas tend to take their children to nurseries near their work. For example, in a community in Derbyshire there is a nursery that looks like it is in the middle of nowhere, but actually it is bang in the middle of the main road which takes people into Derby for work. There are settings like that.

People choose a nursery either near where they live, because of convenience, or near where they work. So it is very difficult to work out the real cost of transport in that sense, because parents are travelling to and from work when they collect the child or drop them off. Sometimes families take it in turns, particularly in rural areas. It is a bit like the school runs, where parents take it in turns to take children. Some nurseries provide transport of their own, especially after school. They pick up children from the school and bring them back to the nursery. Some providers will do that.

**Q24 Mr Heath:** Is there any correlation between the supply of places and cost? In other words, does limited supply drive up the fee structure, or is there no real correlation?

**Purnima Tanuku:** I think it is really about quality. High quality does drive up costs, which is how it should be. The more qualified staff nurseries have, the better the facilities they have and the quality schemes they use will all increase the cost base. However, in rural areas I would not exactly say that the cost increases for that reason. This is because, in a rural location, if someone opens even in a setting where there is demand, then obviously the cost would not be too high because they know that if it is then parents might take their children somewhere near to their work rather than coming to that nursery.

**Q25 Mr Heath:** One last question, if I may. There is an assumption that one of the outcomes of the Bill will be to increase demand. I think everybody assumes that. Do you see demand increasing in the form of more families reaching the threshold of affordability, where they can now send a child to nursery provision when they would not previously have been able to? Alternatively, would we expect the increased Treasury contribution to mean that those who are already sending a child for a limited number of hours can afford more hours? Will the key driver of increased demand be more children or more hours within nurseries?

**The Chair:** Before you answer, perhaps I could request that you be brief because we have another question coming up.

**Purnima Tanuku:** Okay. It will be both, because the more parents become aware of what is available, the more they will be able to use child care and therefore hopefully get retrained or look for active employment. Equally, people earning a certain amount will now be able to say, "Actually, I can use more child care hours".

At the moment, there is a Monday and Friday syndrome, especially in London. Nurseries are more or less empty on Mondays and Fridays because people cannot afford to pay for the full five days. Tuesdays, Wednesdays and Thursdays are the busiest times in nurseries. Hopefully, that pressure will ease; whether or not nurseries are empty they still have running costs. In a way, higher occupancy means that the cost will be a lot more spread out. So it will be both.

**The Chair:** One final question. Nic Dakin?

**Q26 Nic Dakin** (Scunthorpe) (Lab): Thank you. Both witnesses seem to have indicated a challenge that will occur as the likely demand increases. As you have described, this is maintaining or even improving quality. Purnima spoke earlier about the need for national standards to be driven up. Where do you see the leadership for that coming from, and are you confident that it will be there?

**Purnima Tanuku:** Obviously, HMRC will be the ones managing the whole process and, as I understand it, NS&I will be the delivery agent for this. There need to be some quality standards which are set up right at the onset, to challenge and scrutinise the delivery from NS&I in terms of how the whole system will work. It has to work for parents, first of all, and then it has to work for providers. The more parents demand higher standards, the better it will be—not only for providers, but for children as well. There has to be accountability and scrutiny for HMRC to be able to set up some standards and really challenge NS&I in terms of its delivery.

**Q27 Nic Dakin:** Frances, you seem to be indicating that, for registration, there is currently a fairly low threshold in terms of quality. Are you arguing for a higher threshold or is that satisfactory?

**Frances Norris:** There are two answers to that question. One is that it is important that child carers are, in some way, shape or form, registered, regulated and known about. In that sense, it is logical to have a fairly low requirement as we do at the moment, as well as a basic training course and a first aid certificate which can be done in one day. More people will then feel able and encouraged to register.

However, the knock-on effect is that the Ofsted regime itself does not do anything to improve the quality of care provided by home-based child carers. Inspections are very much paper-based: “Please may I see your insurance and certificates and have this, that and t’other boxes ticked? Do you know how to recognise signs of abuse? Yes, you do. Thank you very much. Goodbye.” We can compare that with the three hours on average taken for a childminder, or the days that can be taken for nurseries.

There is an argument for a higher threshold, and also for a differentiated system where anyone who is looking after children should at least meet these minimum requirements. However, there is an option for nannies to access what childminders and nurseries currently can in terms of grading and meeting additional requirements, should they or their employers choose that to be so.

**The Chair:** As there seem to be no further questions, I thank the witnesses on behalf of the Committee. They were very informative and will certainly help us in our deliberations. Thank you very much.

### Examination of Witness

*Jane Platt gave evidence.*

10.27 am

**Q28 The Chair:** I remind colleagues that we have until 11 o’clock for this session. I ask the witness to introduce herself to the Committee.

**Jane Platt:** My name is Jane Platt. I am the chief executive of National Savings and Investments and the director of savings.

**Catherine McKinnell:** Hi. Do you mind if I call you Jane?

**Jane Platt:** Please do.

**Q29 Catherine McKinnell:** Could you set out your estimate of the number of child care accounts you expect to open under this scheme, once the Bill is rolled out?

**Jane Platt:** The estimations of the number of accounts have been made by HMRC in their work, and we have used their particular estimations. I do not have the figure to hand, although I would be happy to provide it in a written reply. I can say, however, that—given that NS&I pays out 1 million premium bonds prizes every month—the figures involved are well, well within our operational capability.

**Q30 Catherine McKinnell:** Okay. The figure I understand we are working with is up to 1.9 million families. Obviously, the number of individual accounts is significantly more, given that the scheme will be dealt with on a child-by-child basis. You mentioned that the figures involved are well within your current capabilities, but there is likely to be a significant increase in a very short space of time as parents look to register for the scheme. Could you just outline what resources are in place to meet that demand?

**Jane Platt:** We are in the planning stages at the moment, because of the time before the scheme will be launched. What I can say is that, for example, this year in the Budget the Chancellor announced that the maximum amount that you can invest in premium bonds would be raised from £30,000 to £40,000. So in a period of three months we put in the resources to be able to cope with millions of people registering that, starting from midnight on a Sunday. We were able, in a period of three months, to put in place the IT requirements and the telephone requirements so that all that passed off completely seamlessly. This is the kind of thing that we do all the time.

**Q31 Catherine McKinnell:** My understanding is that the new system will require the development of an entirely new IT system to manage the accounts. Could you confirm that that is the case? If so, what steps are being taken to develop that system so that it will be ready in time?

**Jane Platt:** That is not correct. NS&I's business is all about taking money in at one end, processing it, administering it, making sure that we keep all the records and then paying it out. We do that for NS&I's retail customers, for the Court Funds Office, for the Home Office and for Equitable Life. All the plumbing work in terms of administering, taking funds in and then paying them out is all there. What you need to do is to plug into the particular source of funds on one side and the new list of payees at the other end, but the infrastructure is all there.

**Q32 Catherine McKinnell:** Thank you. That is very helpful, because there has not been very much information available to date as to the processes and systems, or what the requirements will be of NS&I. In terms of manipulating the current systems to meet the demand for these new child care payments, you say that you are at the development stage. Could you elaborate on that in terms of the process that will be required between now and roll-out in 2015?

**Jane Platt:** The key pieces of work will be the interfaces with the other sister parts of Government who are involved in the process, so the links with HMRC and the links with the register and the people who are providing the validation of the child care providers who are eligible for payments to be made for them. Those are the key things in the user interface, and those sorts of things.

**Q33 Catherine McKinnell:** Under current proposals, parents will have to reconfirm their eligibility every three months, presumably through that interface that you will be developing. Could you elaborate on how that process will work for parents? How long do you estimate that it will take a parent to enrol initially and to re-enrol or reconfirm every three months? Will it simply be a tick box, or will there be many forms to fill in?

**Jane Platt:** We are working to make it as streamlined as possible. I cannot give you a definitive answer, but part of our role is to work with HMRC to make that as simple and as streamlined as possible with one interface, and to make it as easy and swift as possible. We recognise that working parents do not have a lot of time, and we need to make it as elegant and seamless as possible, with no obvious passing off to HMRC or any other area—just seamless tax-free child care and straight-through processing.

**Q34 Catherine McKinnell:** You say that, but obviously it is very much dependent on that interface with HMRC. Could you just elaborate on exactly how that interface will work? Will it log into the real time information system, for example? How will you monitor that eligibility? Parents are expected to reconfirm every three months, but obviously there need to be checks and balances at each stage of the process as well.

**Jane Platt:** The process will be that the details will be put in by the parent, and then the system will automatically contact the HMRC system, which will give a very swift answer back. That arrangement is currently being developed. Again, at this stage it is impossible for me to say "It will take exactly this number of minutes" or whatever it will be. We need to work through the detail of that.

**Q35 Catherine McKinnell:** Just to clarify, if it is linking in with the HMRC system, and presumably if it is linking in with the RTI system, which is a real-time information check on the information that parents are providing, why is there a requirement for parents to reconfirm every three months? That is one of the big concerns; that this is going to be administratively burdensome for parents accessing child care, who we know are already pretty hard-pressed for time.

**Jane Platt:** The answers that I have been giving are all from an operational mandate point of view. I am afraid you would need to talk to HMRC about the policy, because it is effectively leading on the policy and we are implementing what we are being asked to do.

**Q36 Catherine McKinnell:** Are you suggesting that it may not be necessary within the system that you are devising if there is a constant check anyway?

**Jane Platt:** I cannot comment on that. You would need to speak to them about policy, I am afraid.

**Q37 Catherine McKinnell:** Okay. I have one or two more questions. You mentioned the number of systems that NS&I is currently in the process of managing, so could you give an overview of what your current relationship is with Atos and how the relationship with Atos will work in terms of the delivery of the child care payments?

**Jane Platt:** Certainly. A few years ago we had a major retender of our back-office operations contract, because for the past 15 years NS&I was outsourced—all of our back office and front office—to a company that was formerly known as Siemens, but was then bought by Atos. We went through a very rigorous retender process, at which exactly the sort of work envisaged with tax-free child care was specified in the tender. We went through an open-market process. I think we had 80 expressions of interest at the beginning, and it was whittled down to three potential contenders for the work: Capita, Hewlett-Packard and Atos. Atos scored the most highly and was awarded the contract.

**Q38 Catherine McKinnell:** You will be aware of the concerns that have been expressed around some of the more high-profile projects that Atos has been involved in delivering, such as the work capability assessments and personal independence payments. What steps are being taken to ensure that we do not see similar concerns coming to light in relation to the delivery of this project and the child care payments?

**Jane Platt:** I cannot comment on other contracts, but what I can say about NS&I's contract is, first, that the contract has a large number of key performance indicators and the work that would be done for tax-free child care would have the same rigour that we have right across the business. If those key performance indicators are not met, there is a financial penalty.

The second thing is that they have delivered consistently for NS&I's business. If you look back through our annual report and accounts you will see that the strategic delivery measures that we publish have all been met, and that in addition to that we are one of the most trusted brands in the financial services market. That is not just because we have a 100% Treasury guarantee; it is because we have very high levels of customer services.

I can evidence that by the very small number of complaints against us that are upheld by the Financial Ombudsman system.

I cannot comment on Atos's work for other people, but we have a really strong, tight contract, which the Treasury and the Cabinet Office crawled all over. They agreed that the financials are really tight, and that tax-free child care will get the benefit of that and of the rigorous management we have in place.

**The Chair:** Be very brief, Ms McKinnell.

**Q39 Catherine McKinnell:** So you are confident that in contracting with Atos, NS&I will be able to deliver the child care payments plan on time as expected in 2015?

**Jane Platt:** Atos will be able to deliver what is specified to us by HMRC.

**The Chair:** Perhaps the question on HMRC could be answered by a Minister at a later date.

**Q40 Maria Miller:** Jane, thank you so much for the information you have given us, and it is reassuring to hear about the experience that you have in delivering these sorts of projects. Is this project a little different though? Some 80% of the organisations providing child care, which will be at the other end of the flow of money that you talked about, are small businesses—providers that are running on incredibly tight margins. Therefore, cash flow is going to be an incredibly important issue for them. To what extent can you be confident that you can deliver that money into their hands, speedily?

**Jane Platt:** This is one area that I have a great deal of confidence in, because the current arrangement is that there is a multiplicity of different vouchers, whereas now there will be just one method of transmitting that money. Once a company is registered on one of the registers of eligible child care providers—the Ofsted register or that of one of the other bodies that hold the registers—there will be a seamless way of transferring that money very quickly. In our last report and accounts you can see that NS&I generally pays bills within seven days. We have a very good track record of speedy payments, so I hope this will make a real difference.

**Q41 Maria Miller:** As we have heard from previous individuals giving evidence, the schemes will be running concurrently, so there will be voucher schemes running concurrently with the new tax-free scheme. Do you see that posing any problems to your organisation?

**Jane Platt:** We will just ensure that the new system runs as efficiently as possible. We want to work with the child care providers to ensure that we do whatever we can to make the transition seamless.

**Q42 Maria Miller:** On that point, we were talking to the NDNA, which, in its evidence, suggested perhaps considering a code of conduct—a set of rules or an agreement on the way that you might be interacting with the sector, much in the same way as the child care voucher providers set up a code of conduct for their relationship with the sector. Is that something that you would welcome?

**Jane Platt:** I would be very happy to talk about that. It is not something that has been suggested to me but, again, HMRC is running the scheme, so it is something that we need to work on in partnership.

**Q43 Maria Miller:** So it is something that the Minister should perhaps consider.

At the risk of incurring your wrath, Mr Sheridan, I have a final point. Based on the evidence that we have been given previously, enabling parents to make good choices is going to be quite important, whether they are going for tax-free child care or other subsidies that the Government make available to parents in support of child care. Is the supply of information to parents to help them make that choice something that your organisation could get involved in? I know that it would be up to HMRC but, practically, is that something in which you may have a role to play, or is that more difficult for reasons you might want to explain?

**Jane Platt:** It is a matter for HMRC. The only thing I would say is that NS&I, in its retail business, has a straightforward, simple range of products and prides itself in its brochures and collateral in pointing out when a particular product is right or wrong for a person. We have experience of informing people in a balanced way, but that is a matter for the Minister and HMRC.

**Q44 Maria Miller:** But it may be something, from what you have said, that we could press the Minister and HMRC on. It sounds like you would have a lot to bring to the table.

**Jane Platt:** We would be happy to discuss it, but it is a matter for them.

**Maria Miller:** Thank you.

**The Chair:** Just a reminder that we are due to finish at 11 o'clock. Three Members are indicating that they wish to speak, so brevity would be appreciated.

**Q45 Lucy Powell:** Thank you for coming, Jane. Before it was announced that NS&I would be the single contractor, we had some concerns about there being lots of different providers so it is welcome that there is only going to be one and that it will be NS&I; as you say, you come with a great deal of credibility in the area. Given that, and as we have less than a year to go before this becomes live, are you worried about your credibility and reputation? There are so many other players in the mix who you are going to be reliant upon to offer that speedy service—HMRC at the input point, Atos at the middle point, and Ofsted and others at the output point. We have less than a year to go. How confident are you that that whole pipeline is going to work?

**Jane Platt:** The management of any large project is all about relationships and making sure that the interfaces work. This is something that we do all the time, and we have done it for the Court Funds Office, on which not only are we liaising with the Ministry of Justice, with which we are working in partnership, but we are working with the courts and various other institutions to ensure that it works as seamlessly as possible. That is an area to which we are very sensitised, and we are working with HMRC, and increasingly with other agencies, to make it work.

**Q46 Lucy Powell:** In reply to a previous question, you said, “This is an area I am very confident about.” That suggests to me that there may be some areas about which you are less confident. I wonder whether part of that is the signing-off bit, if you like, on the HMRC end of things—families proving that they are a qualifying family. How detailed are those discussions at this stage? How confident are you that that is going to be as speedy as your customers will expect? They will expect it to be almost instantaneous—they fill in a form and within, say, a 24-hour period their account is set up. How confident are you about that at the moment?

**Jane Platt:** I am very confident that it will be resolved. The issue is that there is a legal challenge on this work at the moment, and we have to work within the constraints of that legal challenge until it is resolved. We are very confident that it will be resolved, and we have an extremely strong case. My only reservation is not about the technicalities but about getting through the legal challenge.

**Q47 Mr Heath:** A point was raised earlier about how the payments are critical to both the parent and the supplier. The supplier is often working hand to mouth, with disastrous results when payments are discontinued, although less so at the beginning. The original assessment is not the problem; the problem is when payments suddenly stop in the middle. Is it possible to design your system so that it is failsafe in supporting the parent and the provider, rather than failsafe in supporting the Treasury? There seems to be a capacity for HMRC to screw up your system by not providing the information that you need, which in turn will have a disastrous effect on the individual.

**Jane Platt:** That is a matter for HMRC and the Minister to comment on, but I understand the issue.

**Q48 Mr Heath:** I understand that, which is why I phrased my question in that way. Is it possible for you to produce a system that is failsafe in the direction of the consumer?

**Jane Platt:** Anything is possible, but whether it is required or desired is another matter.

**Q49 Mr Heath:** I don’t remember ever being told by my Department that anything is possible. The other key issue, following on from Ms Miller’s question, is that you said you have experience of providing explanatory material. Have you been asked to do so?

**Jane Platt:** Not at this point, as far as I am aware.

**Q50 Charlie Elphicke (Dover) (Con):** Jane, you may recall that, some years ago, the previous Government set up things called individual learning accounts, which did not work very well and, frankly, went horribly wrong. Are there any lessons from that experience, which had certain parallels with this kind of mechanism? Have you drawn on any lessons learned from other things that went wrong in IT-land for Governments in previous times to ensure that this system will be delivered effectively and work well?

**Jane Platt:** The team has looked at those areas. Again, we have tried to draw some lessons learned from that process into the way in which we are developing the systems.

**Q51 Charlie Elphicke:** Was it the decision of your organisation to appoint Atos?

**Jane Platt:** We went through a tender process, which was extremely rigorous, and they met the criteria better than any other people. The decision was taken as the result of an 18-month due diligence process; they came out the best.

**Q52 Charlie Elphicke:** It was a fair, free and open tendering process?

**Jane Platt:** It was, and neither of the other two contenders at the end, Capita and Hewlett-Packard, raised any objections to the process.

**Q53 Sir Bob Russell (Colchester) (LD):** I want to follow up on the point made by my colleague David Heath. Whose responsibility will it be to inform folk that their payment has been stopped?

**Jane Platt:** I will need to double-check that. The statement that the parents will be able to view online instantaneously will show that it has stopped, but I need to double-check. It will be the system that does that, but we are not at the stage of me being able to say exactly.

**Q54 Sir Bob Russell:** I would ask for that clarity because, with respect, not everybody will have online access. I suspect that every MP here today will be aware of constituents who suddenly find when they try to buy something that benefits have stopped and nobody has told them. Following on from the point that Mr Heath made, I can see issues arising with payments being stopped and nobody knowing until some while later.

**Jane Platt:** That is a very helpful comment. Thank you.

**Q55 Nic Dakin:** In your evidence, for which we thank you, you sound pretty confident about taking this forward, but constrained a bit with reference to the legal challenge. Will you give us the factual information about what the legal challenge is?

**Jane Platt:** The legal challenge comes from Edenred and the Childcare Voucher Providers Association, and it surrounds the allocation of this work to NS&I.

**Q56 Nic Dakin:** Thank you for that. We heard evidence from the NDNA earlier that there will be a need to develop sound standards around how this system operates. They seem to believe that you ought to have a role in developing those standards; is that something that you are taking on board?

**Jane Platt:** HMRC are leading on the policy on this, and we will support them in any way we are asked to.

**Q57 Nic Dakin:** Do you see standards as an issue in taking this work forward?

**Jane Platt:** We work on the basis of key performance indicators, so if standards means the length of time it takes to do something, how often and that kind of thing, then that is what we do.

**Q58 Catherine McKinnell:** This is a follow-up to your previous answer about the legal challenge. What stage in the process is it at, and is it having an impact, as you alluded to, on your ability to plan properly at this stage for 2015?

**Jane Platt:** We are very confident about the result of the legal challenge, but until that result is known and we have worked through the legal process it is impossible to know exactly what effect it will have. However, I know that the Government are absolutely committed to delivering this as fast as possible.

**Q59 Catherine McKinnell:** Do you have a time frame, or a date when you anticipate the legal challenge will be resolved?

**Jane Platt:** The resolution of it, unfortunately, is down to the timing by which courts can give a view on things, so it is not possible to give a date at this point.

**The Chair:** There are no further questions, so I thank our witness for giving us that evidence; I am sure that it will help us in our further deliberations.

*Ordered,* That further consideration be now adjourned.  
—(Gavin Barwell.)

10.54 am

*Adjourned till this day at Two o'clock.*