

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### CHILDCARE PAYMENTS BILL

*Fifth Sitting*

*Tuesday 21 October 2014*

*(Morning)*

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CLAUSES 1 to 8 agreed to.  
Adjourned till this day at Two o'clock.

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**Saturday 25 October 2014**

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

*Chairs:* †JIM SHERIDAN, MRS ANNE MAIN

- |   |   |
|---|---|
| † Barwell, Gavin ( <i>Lord Commissioner of Her Majesty's Treasury</i> ) | † McKinnell, Catherine ( <i>Newcastle upon Tyne North</i> ) (Lab) |
| † Cunningham, Alex ( <i>Stockton North</i> ) (Lab)                      | † Macleod, Mary ( <i>Brentford and Isleworth</i> ) (Con)          |
| † Dakin, Nic ( <i>Scunthorpe</i> ) (Lab)                                | † Miller, Maria ( <i>Basingstoke</i> ) (Con)                      |
| † Elphicke, Charlie ( <i>Dover</i> ) (Con)                              | † Patel, Priti ( <i>Exchequer Secretary to the Treasury</i> )     |
| † Evans, Chris ( <i>Islwyn</i> ) (Lab/Co-op)                            | † Powell, Lucy ( <i>Manchester Central</i> ) (Lab/Co-op)          |
| † Ffello, Robert ( <i>Stoke-on-Trent South</i> ) (Lab)                  | † Russell, Sir Bob ( <i>Colchester</i> ) (LD)                     |
| † Glass, Pat ( <i>North West Durham</i> ) (Lab)                         | Smith, Chloe ( <i>Norwich North</i> ) (Con)                       |
| † Gummer, Ben ( <i>Ipswich</i> ) (Con)                                  | Wilson, Sammy ( <i>East Antrim</i> ) (DUP)                        |
| † Heath, Mr David ( <i>Somerton and Frome</i> ) (LD)                    |   |
| † Jenrick, Robert ( <i>Newark</i> ) (Con)                               | David Slater, <i>Committee Clerk</i>                              |
| † Jones, Andrew ( <i>Harrogate and Knaresborough</i> ) (Con)            | † <b>attended the Committee</b>                                   |

## Public Bill Committee

Tuesday 21 October 2014

(Morning)

[JIM SHERIDAN *in the Chair*]

### Childcare Payments Bill

9.25 am

**The Chair:** I will begin with some normal housekeeping rules; telephones should be either off or on silent and there should be no teas, coffees and so on.

Before we begin line-by-line consideration of the Bill, a brief explanation may be useful to those new to Public Bill Committees, which might include all of us. The selection list for today's sitting is available in the room and shows how the amendments that have been selected have been grouped together for debate. Amendments grouped together are generally on the same or similar issues. A Member who has put their name to the leading amendment in a group is called first. Other Members are then free to catch my eye to speak to the amendments in the group. A Member may speak more than once in a single debate. At the end of a debate on a group of amendments I will call the Member who moved the lead amendment again. Before they sit down they will need to indicate whether they wish to seek to withdraw the amendment or seek a decision. If any Member wishes to press any other amendment in a group to a vote, they need to let me know. I will work on the assumption that the Government wish the Committee to reach a decision on all Government amendments.

Where it is not already indicated on the selection list, I will use my discretion to decide whether to allow a separate stand part debate on individual clauses and schedules following the debates on the relevant amendments. I hope that is helpful.

#### Clause 1

ENTITLEMENT TO RECEIVE MONEY TOWARDS COSTS OF  
CHILDCARE

**Catherine McKinnell** (Newcastle upon Tyne North) (Lab): I beg to move amendment 1, in clause 1, page 2, line 2, at end insert—

‘(4A) The Chancellor of the Exchequer shall, within three months of Royal Assent, undertake a review of the impact of top-up payments towards the costs of childcare on the level of child poverty.

(4B) The Chancellor of the Exchequer must publish the report of the review required by subsection (4A) and lay the report before the House of Commons.’

May I start by saying that it is a pleasure to serve under your chairmanship this morning, Mr Sheridan? Clause 1 provides for parents' entitlement to top-up payments; in other words, it is the money clause that enables Her Majesty's Revenue and Customs to make the payment to eligible parents. The public money has already been authorised by way of a money resolution back in July. Subsection (2) lists the eligibility requirements

under which those top-up payments may be made. A parent meets the eligibility criteria if they are an eligible person, they have made a valid declaration of eligibility, they have a qualifying child, they hold a child care account in respect of that individual child and they make a qualifying payment into that child care account. All of those provisions are outlined and defined in subsequent clauses that we will deal with later in the Committee's proceedings.

There are various aspects of the Bill on which the Opposition are keen to seek much greater clarity from the Government, such as how the scheme will operate in practice, given that is a new concept and mechanism for the Government, and how it will impact on parents' and, in particular, children's lives. Indeed, we heard a number of concerns from a variety of witnesses over the past week that we are keen to follow up and probe the Government on to ensure that this is the best Bill it can be.

Amendment 1 calls on the Government to commit to a review of the impact of top-up payments on the level of child poverty.

**Mr David Heath** (Somerton and Frome) (LD): I am just wondering, irrespective of the merits of a review, what possible purpose a review within three months could serve. It is almost impossible to get any realistic assessment of child poverty figures within that period, so the review would be completely in the dark.

**Catherine McKinnell:** I thank the hon. Gentleman for his intervention. I will come on to why we have specified that time period. We would have hoped that the Government would undertake the work before implementing the policy at all; failing that, we will push for a review as soon as possible, which the three-month period would ensure.

**Nic Dakin** (Scunthorpe) (Lab): Given that the Government, to their credit, remain committed to reducing child poverty, does my hon. Friend agree that they should grasp the task with both hands and get on with it?

**Catherine McKinnell:** I very much agree with my hon. Friend and thank him for his intervention.

**Mr Heath:** The hon. Lady is being generous in giving way. The amendment would require a “review of the impact of top-up payments”

after a period during which such payments had scarcely been paid, so an assessment of child poverty would not be able to work to any consequence. Frankly, the three-month period is a nonsense, although it might be sensible to have a base-level review to refer to.

**Catherine McKinnell:** The hon. Gentleman is being helpful, and I genuinely take his comments as being so. I appreciate what he says, but the Government have an awful lot of work to do between now and implementation in order to explain to parents, stakeholders and Parliament exactly what they intend to achieve and the implications of the policy. I have expressed my disappointment at the fact that the impact on child poverty does not appear to

have been addressed. The amendment would give the Government the opportunity, between now and the review, to look at how the Bill is implemented. Baseline figures could be provided for three months from implementation on the effect on the children in our system who we know need support. All public money relating to child care should be spent carefully if no regard is given to children living in poverty.

**Pat Glass** (North West Durham) (Lab): Whenever I look at Government policy, I want to see not only what the Government want or say, but the triggers and means that they have put in place for making it happen. It is insufficient for the Government simply to will the ends; they must also will the means. Given what we have said this morning about the importance of child poverty and its impact on people's lives, I hope that the Government listen carefully to what has been said by Members on both sides of the Committee about ensuring that the Bill helps to reduce child poverty.

**Catherine McKinnell:** I thank my hon. Friend for a powerful intervention that pretty much sums up the argument I hope to make in favour of amendment 1. I would be pleased were the Government able to correct me, but as far as I can see the impact assessment published alongside the Bill makes no reference to child poverty or to the effect on low-income families. The Labour Government's Child Poverty Act 2010, which was voted through the House with cross-party support, was aimed at sustaining and building on the unprecedented progress that Labour had made in lifting a million children out of poverty.

**Charlie Elphicke** (Dover) (Con): Can the hon. Lady explain why child poverty rose in the previous Parliament?

**Catherine McKinnell:** It did not rise in the previous Parliament. Nevertheless, in the context of the Bill I do not think that it is particularly helpful to reflect on past child poverty trends. There is a significant challenge to meet, and the amendment has been tabled so that the Committee can reflect on what the Bill will do to meet the challenge of alleviating child poverty, which, it has been shown, will increase quite significantly under the current Government.

**Nic Dakin:** Would it not be better to look at the figures on households below average incomes, which were published only in July? They show that efforts to take children out of poverty have ground to a halt under this Government. Those are up-to-date figures that are in the public domain.

**Catherine McKinnell:** Yes, and the Act passed in 2010 committed Governments to reducing child poverty by 2020 according to the following three measures: relative poverty must be reduced to below 10% of children; absolute poverty must be reduced to below 5% of children; and combined poverty and material deprivation must fall below 5%. There was also a commitment to set a target for persistent poverty—children who have been in poverty for several years—which is currently being consulted on.

Despite that commitment, this Government's actions appear to be far from achieving the aim of reducing the number of children in poverty. The latest figures on households below average income, which were published in July, show that the progress Labour made in lifting a million children out of poverty has ground to a halt under this Government. The headline measures for 2012-13, which are the latest available figures, show that 2.3 million children were living in relative poverty, which was unchanged in two years; that 2.6 million children were living in absolute poverty, which was up by 300,000 since 2010; and that 1.8 million children were living in relative poverty and material deprivation, which was up by 200,000 on the previous year. If we look at the number of children living in poverty after housing costs, which the Institute for Fiscal Studies suggests is useful given that rents are a huge part of the cost of living crisis and affect low-income families in particular, we see that the number of children living in absolute poverty stood at 4.1 million, which was a staggering half a million more children than in 2009-10.

Equally worrying is the increase in the number of children who live in what is described as material deprivation. Further analysis of the HBAI statistics shows that, compared with 2010, 300,000 more children are in families who cannot afford to keep their house warm; 400,000 more children are in families who cannot afford to make savings of £10 a month; and 500,000 more children are in families who cannot afford to replace broken electrical goods, which brings the total to 3.6 million children.

**Alex Cunningham** (Stockton North) (Lab): My hon. Friend is outlining clearly and with real statistics the extent of poverty among children in our society and the different factors that affect them. The fact that the Government's own poverty adviser, Alan Milburn, has labelled their child poverty strategy for the next three years as "a missed opportunity," a "farce" and "particularly lamentable" suggests that it falls far short of what is needed. That is all the more reason why it is important that we get extra provisions in the Bill to help address poverty.

**Catherine McKinnell:** I thank my hon. Friend. I will go on to set out some of the comments that the Government's Social Mobility and Child Poverty Commission made in its report that relate specifically to child care. We feel that the Government are missing an opportunity to make some headway and progress on child poverty, because we seem to be going backwards at the moment.

It is incredibly worrying that, while coalition Ministers seem to be squabbling over the definition of child poverty, the forecasts by the Institute for Fiscal Studies indicate that it will increase substantially by 2020. The Government seem to be way off course to meet their commitments. According to the IFS's most recent projections, compared with when Labour left office, there will be 400,000 more children living in relative poverty by the end of this Parliament and 900,000 more by 2020. The projections are even more stark on absolute poverty—almost 1.5 million more children will be living in absolute poverty by 2020.

We must bear in mind that those forecasts were made before the Chancellor announced this child care plan. If they are still in government in May, the Government

[Catherine McKinnell]

plan to cut tax credits for millions more working people for a further two years; that is one of the few concrete tax pledges that the Chancellor has made so far. Thanks to the Child Poverty Action Group, we know that, last year, when the Chancellor opted to cut tax credits and other family benefits in real terms, the Government's own estimate suggested that it would push a further 200,000 children into absolute poverty.

We know that the Treasury has the means to assess of the impact of its legislation on some of our most vulnerable families and children, because it has done that on previous tax-related policies. That is why amendment 1 calls on the Government to do that work, if they have not already, and to publish the findings within three months of Royal Assent. As the Government's child poverty adviser, Alan Milburn, said recently:

"The government's approach falls far short of what is needed to reduce, yet alone end child poverty in our country."

My hon. Friend the Member for Stockton North reiterated that.

We know that a huge number of the children living in poverty live in working households. We know that the cost of living has been rising and that wages have failed to keep pace. Alan Milburn's report, "State of the Nation 2014", states:

"There are 600,000 more children in working households who are living in absolute poverty after housing costs than there were in 2009-10. Too many of the jobs that are being created in the economic recovery are low-income and high-insecurity. They are a dead-end not a road to social progress. There are five million low-paid workers in the UK and, despite the success of the National Minimum Wage in eradicating extreme low pay, the proportion has barely changed in two decades... More than one in four women in work are low-paid as well as one in six men. These figures help to explain why twice as many poor children are now in working families than in workless families, and why wages have become a stronger predictor of child poverty than the number of hours worked. Pay is not rewarding parents' efforts and neither is the way the tax and benefits system operates."

**Mary Macleod** (Brentford and Isleworth) (Con): Does the hon. Lady not therefore welcome the work that the Government have done to take 2 million of the lowest-paid out of tax to help those families? Does she not welcome the fact that more women are in work than ever before?

**Catherine McKinnell:** We have not opposed those things at any stage. We have sat in Committee Rooms over many months debating these issues, and one thing that we agree on is the lifting of the tax threshold for the lowest-paid. Unfortunately, the changes to the tax and benefits system far outweigh any benefit to the families we are talking about.

When we look at the tax and benefit changes since 2010, we see that families with children have been particularly hard hit. Even after the changes to the tax system that the hon. Lady mentioned, a family with children with both parents working will be £2,073 a year worse off on average. Where only one parent is working, they will be £3,720 a year worse off on average. The Government cannot hide behind the changes to the personal allowance to cover for the fact that families—including some of the poorest-paid families, who are working and struggling to meet their child care costs and living costs—are worse off under this Government.

**Nic Dakin:** Does the squeeze on the living standards of families with children, which my hon. Friend describes so well, not underline the importance of ensuring that the child care payments—I welcome the Government's commitment on them—reach those who most need them, liberating families from that squeeze?

**Catherine McKinnell:** Indeed. The Bill could go a long way in supporting the families who we know are struggling in work and struggling to support their children. That is why amendment 1 would commit the Government to assessing the Bill's impact on child poverty.

Will the Bill help to make up for the devastating impact of the reduced support resulting from tax and benefit changes that have already taken place in this Parliament? The Chancellor appears to be planning more changes if the coalition parties or the Conservative party win the election next May. That is precisely why, as I said in July, we believe that the independent Office for Budget Responsibility should be tasked with monitoring and reporting on the Government's progress on child poverty. The Government's Social Mobility and Child Poverty Commission has suggested the same thing.

The figures I outlined show that progress on tackling child poverty has ground to a halt. Child poverty is set to rise, according to independent forecasts. The OBR should therefore be able to analyse the Government's policy decisions, and the Bill would fall within that remit of assessing the impact of a policy on child poverty. We ask the Government to have that review undertaken independently, because this issue is too important for that not to happen. In addition, that remit would make it impossible for Governments to ignore child poverty when making policy proposals and using public money that should be going to the families who need it most.

9.45 am

Progress in tackling child poverty has ground to a halt under this Government, and child poverty is only set to rise. I therefore hope that the Government will take our concerns on board and take the necessary action to ensure that the Bill supports all families with their child care costs, particularly families who are struggling to make ends meet and children who are falling into poverty or failing to get out of it despite their parents working all hours.

**Mr Heath:** It is a pleasure to serve under your chairmanship this morning, Mr Sheridan.

There are two reasons for tabling an amendment. One is to stimulate a debate on a subject. The other is to actually change the wording of a Bill. I am quite happy to accept that the hon. Lady's purpose in this instance is to stimulate a debate on child poverty. I am not remotely happy to accept that she is serious about adding to the Bill the words that she has put down on the amendment paper, because, as I will explain, the amendment would not achieve its intended purpose.

If the hon. Lady's purpose was to ensure that we discuss child poverty, she is absolutely right. She is also right that it is relevant to the discussion about the Bill. The Government have no reason to be ashamed of their work in this area. Let us be clear about why we have child poverty in this country. First, still too many people

are out of work, although that has improved immensely over the past few years, about which I am extremely pleased. Secondly, those in work are not earning enough, which is related to the general prosperity of the nation and the wages that we can afford to pay. Thirdly, there is the issue of what the Government are taking from people, and a good point was made about the increase in the tax threshold taking people away from the poverty line by enabling them to keep more of what they earn. Finally, there are the on-costs of what the average family, and particularly families on low incomes, have to bear, which include child care costs. Therefore, if we can do something by pumping money into the system to reduce child care costs, which is exactly what the Bill will do, that is making a contribution.

The hon. Lady failed to mention that one of the reasons why child poverty has increased over recent years is that the country has been facing the biggest recession in living memory. It is hardly surprising that poverty increases during a really serious recession. Thank goodness the Government have, hopefully, dealt with the recession. The signs are certainly promising, and we must hope that that continues. That should not prevent us, however, from concentrating on child poverty as a target and from recognising that whatever Government takes office in six or seven months' time, they will need to return to the subject again and again. It is simply not acceptable in a wealthy country that people are still living in poverty.

**Charlie Elphicke:** My hon. Friend makes a really powerful argument and debunks much of the case that has just been made. Despite the challenges, relative poverty after housing costs was about 30% when we came to power and has fallen by about 10% to 27%, which is a real achievement.

**Mr Heath:** I am grateful to my hon. Friend, who has figures in front of him that I do not, but I will not discuss statistics that I do not have to hand. All that I know is that whatever Government are in power they should never forget that people are living in both relative and absolute poverty and that it is our duty as a civilised society to deal with that. It is an open secret that there are frustrations about targets and about whether we can be more ambitious. Some such concerns were expressed by Alan Milburn in his report, and it was interesting how the hon. Member for Newcastle upon Tyne North glossed over the criticisms of her party in that report. I do not think that any of us came out of that report unscathed. Its basis was that we could all do more and I agree with that, and I would like to see that happen.

The hon. Member for Newcastle upon Tyne North is making an important point. I do not want us not to be looking at the context of child poverty when the Bill is reviewed, as it inevitably will be, over the years. However, her amendment, as I think she will acknowledge, is nonsense. It is not possible to make an assessment of the Bill's impact on child poverty within three months of its implementation. That does not allow time for the impact to be demonstrated in figures.

If the hon. Lady was trying to say that we should have a baseline, she should have said that. That, however, is not what the amendment proposes, which is that the review should be

“of the impact of top-up payments towards the costs of childcare on the level of child poverty”

and all of that should be done within three months of Royal Assent. That is fine as a talking point on which to hang a debate, but, once we have had that discussion, I hope that she will have the good sense to withdraw the amendment so that we can move on to discuss serious amendments.

**Catherine McKinnell:** I thank the hon. Gentleman for his contribution. We have had time to air some of these issues and express our concern that child poverty did not seem to be a factor in the Government's thinking when they came up with the Bill. We heard in oral evidence last week that 80% of the Bill's benefit goes to households with earnings in the top 40%. When the Government put money into the system, they need to take seriously who it is going to, who is suffering from the costs of child care, the barriers to work and the difficulties in terms of household incomes that have resulted in increases in child poverty.

I have taken on board the hon. Gentleman's comments and I hope that the Minister will do that, too. There is cross-party desire to challenge child poverty; it is just unfortunate that most of the Government's measures since 2010 seem to have been taking us in the opposite direction.

We have had an opportunity to air these issues and I hope that the Government will take them on board. On that basis, I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

**Lucy Powell (Manchester Central) (Lab/Co-op):** I beg to move amendment 2, in clause 1, page 2, line 2, at end insert—

“( ) The Chancellor of the Exchequer shall, one year after this Act is passed, and every three years thereafter, review the impact of the measures in this section on the cost of childcare with particular reference to—

- (a) the average cost of childcare for parents in work;
- (b) the effectiveness of this section on making childcare more affordable; and
- (c) the impact of supply-led measures on the cost of childcare.

( ) The Chancellor of the Exchequer must publish the report of each review and lay the report before the House of Commons.’

May I, too, put on record how grateful I am to be serving under your chairmanship, Mr Sheridan? May I also say how privileged I am to be working on this Bill with my hon. Friend the Member for Newcastle upon Tyne North? We share a vested interest in child care matters—when I was serving on a previous Bill Committee, I was in the same condition as she is now. I am therefore more than happy to help her with some of the heavy lifting, because I know how difficult it can be to make long speeches when an arrival is imminent. I also thank the witnesses and the Minister for helping us to explore the Bill in the oral evidence sessions and I thank the Minister for the concessions that she has made so far.

This is a really important Bill for families. Child care costs are rising much faster than wages and child care remains a big barrier to families trying to make ends meet and, in particular, to mums who want help to go back to work, or work more hours. We know that increasing child care provision is good for the economy,

[Lucy Powell]

because it helps mums back to work. Labour has plans to extend free child care, which analysis shows could help as many as 100,000 mums back to work. It remains to be seen, however, what direct impact the Bill will have on maternal employment rates and I hope that the Minister will expand on the economic benefits during the Committee's sittings.

Witnesses and other organisations raised real concerns about parts of the Bill and about its design in particular. While the Opposition support its principle and overall impact, we will seek to raise such concerns in Committee.

Perhaps one of the biggest concerns raised by witnesses, especially given the soaring child care costs we have discussed this morning, is how this new money might actually lead to further price inflation. That is why the Opposition have tabled amendment 2. We seek to put in place a review of this tax-free child care after one year and, subsequently, on a three-year basis, to assess child care costs for parents in work, whether this so-called tax-free child care has made child care more affordable for parents and how the supply of child care impacts on the cost. Under the amendment, the Chancellor would have to publish a report of each review before the House.

A key issue that has been raised is that the Bill is likely—indeed, very likely, according to some of the witnesses we heard from—to lead to further price inflation. In fact, some people—certainly the Institute for Public Policy Research—suggested that that would negate the extra support in a matter of a few years. As we know, the majority of child care providers—about 80% of the market—are private businesses, and we heard from the National Day Nurseries Association that providers are feeling the strain, which is why so many have been going out of business over the last few years.

Providers' costs are rising, but the public subsidy for three and four-year-olds has not increased. Many providers cross-subsidise free places, relying on the paid hours to fill the gap. As providers see more money going into parents' pockets to pay for child care, therefore, they are very likely to push up prices. The Family and Childcare Trust warned that

“there is little incentive for these providers not to increase prices to take advantage of the extra subsidy.”

The NDNA underlined that point, stating that

“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.”—[*Official Report, Childcare Payments Public Bill Committee*, 14 October 2014; c. 15, Q15.]

**Alex Cunningham:** My hon. Friend is outlining what many of the witnesses told us—that we could expect prices to increase perhaps way beyond inflation as a result of the extra money. That does not mean that we should not have the extra money, but we need to monitor the issue closely. However, I am particularly concerned about higher costs for parents with disabled children. The prices for their care have outstripped all other costs in recent years. How can we make sure we get the information we require over the next year so that we can demonstrate that we need to do something about that as a nation?

**Lucy Powell:** My hon. Friend is absolutely right. The issues we will be discussing in relation to the majority of families are even more acute for families with disabled children. He and my hon. Friend the Member for North West Durham produced a fantastic report on child care for disabled families, and I hope we will discuss the issue. The issues for families with disabled children, as for other families, centre on supply, and there is nothing in the Bill to address some of the fundamental issues of supply in the sector. That is particularly true for those who have poor access to their local market, whether because they are in a rural area or an area of high deprivation, and for those seeking child care for disabled children. All those issues can impact quite markedly on cost and supply.

To return to my speech, the cash subsidies to parents might not expand the amount of child care available, but they do affect the disposable income available to parents to pay for child care. This demand-side subsidy will form about half the spending in the UK and is likely to have some impact on cost, but a greater reliance on demand-side subsidy is likely to lead to additional price inflation, which may erode the effect of such support over the medium term.

The Government are investing £750 million through the Bill. That is a large amount in these straitened times, and with no strings attached, but Ministers are missing the opportunity to take this issue seriously. In the evidence sessions, we heard from people such as Kitty Stewart that, in Australia, the introduction of a child care rebate of 30% coincided with a rise of more than 100% in costs between 1997 and 2006, compared with general inflation of 27% over the same period. In the single year of 2008, when the child care rebate was raised to cover 50% of all remaining costs, costs rose by 10%. In its evidence, the IPPR also warned about the Netherlands experience. Under the previous Labour Government, when we introduced tax credits and employer-supported voucher schemes, we saw similar price increases in England over that same period, as the Family and Childcare Trust warned. There is plenty of evidence, both domestic and from abroad, that shows that introducing additional money purely on demand-side subsidies can mean that prices rise significantly.

10 am

A key aim of the Bill is to help make work pay by making child care more affordable. However, when the amount of help for families was capped at £1,200 a year, the IPPR raised concerns that that support would be eroded in a fairly short space of time. Its analysis showed that, by 2008, the gains of the scheme would be wiped out, with parents paying proportionately more of their disposable income despite that extra money going in. If we look ahead to 2018, if child care prices are uprated using the Daycare Trust averages and incorporating the £2,550 that a family would get as a benefit of tax-free child care, with the eligible amounts increasing in line with inflation, the figures rise—I realise as I am reading this that it does not quite make sense, so I will skip this bit. Plenty of analysis has been done by the IPPR and the Daycare Trust that shows that, over a period of four years, an average family would be paying more for their child care costs, despite the extra investment, than they are today.

How might we guard against price inflation? What does the Minister think about that after hearing some of the comments during the evidence sessions? Kitty Stewart made an interesting suggestion of price capping or capping the hourly rate to keep fees low and to prohibit and stop some of the price inflation that we might see. What does the Minister think of her compelling evidence?

Part of the problem with rising child care costs is that supply in many areas of the country does not meet the demand from parents, as we discussed earlier. That is true for all parents, but particularly for parents of disabled children, those working atypical hours and those living in deprived communities, where local markets do not work for many parents. The Government have watered down the sufficiency duty on many local authorities. That is one of the key reasons why supply is falling. We need to hear more from the Government on what they will do to increase supply and quality in the child care markets.

The Government came into office with a strong agenda on what they described as deregulation. They thought that deregulation of the child care markets and loosening of ratios would resolve the problem. Thankfully, they dropped those proposals as they did not have the support of parents around the country. What is their plan to increase supply of child care places now? Ofsted figures show that there are 41,000 fewer early years child care places across the country since 2009. The hon. Member for Dover and I often have an exchange about the reduction of childminders, but he will know that the number of childminders has decreased over the course of this Government by more than 3,000.

**Charlie Elphicke:** There are a couple of points here. That figure is a minor difference compared to the complete decimation that took place before. The hon. Lady should recognise that. I hope she will talk about the evidence given by the Family and Childcare Trust, which talked about childminders, the importance of making it easier, deregulating, and making, if you like, the supply-side reforms. Does she recognise that we ought to be looking at supply-side reforms as well?

**Lucy Powell:** I absolutely agree that we should be looking at supply-side reforms, but the hon. Gentleman and I probably differ on what the reforms would look like. I am interested in meeting the twin challenge of bringing prices down for the parent while increasing quality. We must try to meet both those agendas. The truth is that in order to do so we need a public subsidy in the middle. What we are discussing today is whether the public subsidy will actually increase quality or bring down prices. I am not sure that it will do either.

**Ben Gummer (Ipswich) (Con):** On a point of information, the hon. Lady mentioned decreases, but she did not mention that average child care costs fell last year for the first time in 10 years.

**Lucy Powell:** The hon. Gentleman might want to look a little closer at the figures. I would not be quite so quick to jump to my feet to gloat about a 30% increase in costs over the course of this Parliament. Last year,

costs fell by 1% in England alone, but I am not sure whether he would want to jump to his feet with the overall figure in mind.

**Nic Dakin:** The compelling evidence that we heard from the National Day Nurseries Association and the British Association for Professional Nannies underlined the quality challenge as well as the supply challenge. If we do not get the quality of supply right, we will not be doing anybody any favours. How should the Government respond to that challenge?

**Lucy Powell:** I recently wrote to the Deputy Prime Minister on that point and gave him an action plan for how he might increase quality and supply in the system, which I also shared with the new Minister responsible for child care in the Department for Education. I see little evidence of the proposals being brought forward.

Returning to my main point, price inflation and poor supply are particularly acute for some types of families, such as those who are deprived or who live in rural areas. Alison Garnham from the Child Poverty Action Group underlined the point in her evidence:

“It is really difficult to talk about market impact because there is an imperfect market operating in child care. For higher-income couples, the child care market probably does operate as a market, but for lower-income families, it really does not; it is completely dysfunctional.”—[*Official Report, Childcare Payments Public Bill Committee*, 14 October 2014; c. 64, Q130.]

I wonder what the Minister will say in response to that point, because she and her colleagues believe that market forces will deliver what the Government want, which is a lower price point and higher quality, but I do not believe that that will happen as a result of the Bill. The NDNA agreed that the Bill will increase demand, but will do nothing to increase supply. Mumsnet said:

“Although the extra support is welcome, if there is no guarantee that supply will increase we must pose a big question about what will happen over the next five years.”—[*Official Report, Childcare Payments Public Bill Committee*, 14 October 2014; c. 41, Q86.]

In conclusion, the tax-free child care scheme is a significant injection of funding into the child care system that will unfortunately do relatively little to help address access, quality and affordability over time. Amendment 2 would provide a means to review and analyse the Bill’s impact on child care prices over a period of time. Substantial Government investment could simply disappear if supply issues are not dealt with and prices are not controlled. How will the Minister respond to those points? Will she accept the suggested review of prices? What are the Government doing about supply? What does she think of Kitty Stewart’s suggestion for a cap on prices and hours? What does she make of the evidence from the IPPR and others about price inflation?

**The Exchequer Secretary to the Treasury (Priti Patel):** It is a pleasure to serve under your chairmanship, Mr Sheridan. I thank the Committee for how the debate has started this morning.

Clause 1 introduces the Bill’s provisions and provides a general overview of the new Government tax-free child care scheme, which will provide financial help to working families for their child care costs. Committee members have already started the debate, but as we proceed to consider the other clauses, we will definitely have a thorough debate about the nature of the Bill,

[Priti Patel]

eligibility and other aspects. Before I respond to the amendments and the questions that have been posed, I would like to set out why the scheme is needed and why it will provide such vital support for hard-working families throughout the country.

The Government are determined to help families to provide what is best for their children. As we heard last week in the evidence sessions, including when I gave evidence, the important thing is the timing and impact of child care support in children's formative first few years. We recognise that many families face a difficult decision about whether it makes greater financial sense for them to stay at home and look after their children, therefore putting aside employment opportunities and career ambitions, or for them to go out to work and pay for child care. Those are the families that the Government are helping through the package of reforms in the Bill.

Our ambition is for those who wish to work to be able to do so. That is the underlying principle of the Bill. It is in the public interest to reduce the barriers and burdens on parents and support their movement back into the labour market, where they will both help to contribute to economic growth and, more importantly, be able to fulfil themselves. Today's sitting is topical and timely, coming as it does after yesterday's publication of the report by the Social Mobility and Child Poverty Commission, which featured a great deal of emphasis on social mobility and the need to give parents the opportunity to fulfil themselves personally by having the chance to pursue employment and careers—child care costs should not be a reason why people cannot do that.

Since 2010, the Government have introduced a comprehensive package of measures to help working families to cover nursery costs for their children. Unprecedented increases in the personal allowance, which my hon. Friends have already mentioned, have allowed people to keep more of the money they earn. We have extended entitlement to free early education to 15 hours for all three and four-year-olds and, by 2014-15, 260,000 two-year-olds from the most disadvantaged backgrounds are to receive 15 hours of free child care. On top of that, there has been an increase in the rate of child care support provided through universal credit from 70% to 85%, which will enable more families to move off benefits and into employment. Those are significant and radical measures that represent real changes for working families.

We have increased families' freedom to find the right balance between work and family life, and the policies in the Bill are aimed at continuing that work. At the same time, we continue to focus on ensuring that early education continues to improve our children's life chances, especially those from the poorest backgrounds, to whom we want to give a fairer start in life. No one can be complacent. The latest survey data from the Department for Education indicate that nearly a quarter of employed mothers would increase their working hours if they were able to access suitable high-quality child care. That is a challenge faced by many working parents and that all Governments have tried to address in the past. Through the Bill, we are taking action by providing working families with funding worth up to £2,000 per child per year.

The Committee will not be surprised to hear that a number of important stakeholder groups—we heard from some last week, but there are many others, including those involved in the consultation process and the development of the Bill—have warmly welcomed what the Government are doing with the Bill. The Professional Association for Childcare and Early Years welcomed the scheme, rightly pointing out that improving access to child care will help to support families balancing work and home life. The Family and Childcare Trust said that it was delighted by the measures and that the Government listened to its suggestions and recommendations as the details of the scheme were developed.

The support will be delivered through top-up payments. For every £80 a parent contributes to child care, the Government will provide a top-up of £20. The scheme extends to child care costs of up to £10,000 per child, and it is estimated that a million families in the UK will be better off.

I want to describe how the scheme will work in a little more detail. To qualify for these payments from Government, a parent must meet a series of eligibility conditions.

10.15 am

**Lucy Powell:** The Minister says that 1 million families will be better off. Will she break that down a little bit further for us? I understood that 1 million families will qualify for the scheme, but it is not clear to me or to many of the stakeholders we have heard from that 1 million families will be better off. Some will be worse off if they are basic rate taxpayers.

**Priti Patel:** I thank the hon. Lady for her question. I was going to come on to eligibility, because that will help to inform the Committee how families will be better off. I will touch on some of the specific points she raised about who will be better off, who will qualify and the financial support in the Government's wider child care package.

Clauses 6 to 13 set out a series of eligibility conditions; we will come on to look at those later. There are requirements on parents to: submit a declaration of eligibility to Her Majesty's Revenue and Customs each quarter, confirming personal circumstances, to demonstrate that they remain eligible for the scheme; have a qualifying child as defined in clause 14 and supporting regulations; and have a child care account as defined in later clauses, and pay money into that account. Those eligibility conditions are required to satisfy the criteria before we go into questions of who and how, and the detail.

Once a parent has had their eligibility confirmed, they will be entitled to Government support for three months, regardless of changes in circumstance. We covered that point last week in the evidence sessions. That will significantly reduce the burden on parents, who will be required to reconfirm eligibility only at the end of each three-month entitlement period. The point is that we are ensuring that child care accounts are simple to operate for parents and child care providers, while giving parents the certainty that their money will be secure.

On the hon. Lady's point on families having access to the scheme, tax-free child care will be available for up to 1.9 million families. Approximately 1 million families

will be better off under the scheme. It is different from existing schemes, and it is worth touching on the financial support available to families through it. The Government have already increased entitlement to child care provision. We have announced that families who are eligible for universal credit will benefit from additional support under the scheme, with 85% of the total cost of child care being met by the Government. That comes back to the extremely important underlying principle of the Bill: supporting families as they move into work.

**Catherine McKinnell:** One issue that has been raised is the fact that 80% of the benefit of this policy goes to the top 40% of earners. Can the Minister reassure us that the Government have given some consideration not only to those in receipt of universal credit, but to those who, though not in receipt of universal credit, are on low incomes and are struggling with child care costs?

**Priti Patel:** We touched on that last week in the evidence sessions. The scheme is about supporting all working families and providing support, in terms of child care provision and places. The overall system of child care support remains focused on those on lower incomes. Families in receipt of tax credits are already in receipt of more generous support as regards their child care costs. UC will extend to cover up to 85% of the costs of child care. That will be available regardless of the number of hours worked.

It is worth me emphasising that this scheme is not about helping only wealthy families—that is a misconception. It is about ensuring that all families qualify for support with their child care costs. Of course, that is subject to meeting the conditions of the scheme's eligibility criteria, which I briefly outlined.

To qualify, parents must meet a minimum income level, based on the amount earned from working eight hours a week on the national minimum wage. That means that parents will qualify when they earn just over £50 a week on average. It is therefore a misconception to say that the Bill benefits only one group of people. I also emphasise the fact that support has been extended significantly under universal credit and that those in receipt of tax credits already get more generous support with regard to child care costs.

On eligibility, it is worth saying—we touched on this last week—that the scheme has been designed having learnt many of the lessons of previous schemes. Its simplicity is paramount: it has been designed to ensure that child care accounts are simple to operate both for parents and for child care providers so that the money flows and is secure. The scheme marks a significant improvement on existing employer-supported child care schemes in a number of ways.

**Charlie Elphicke:** I have a couple of key points about what the Government are doing with the Bill, compared with the previous schemes. First, it is fairer than employer-supported child care because it is per child, not per adult. Secondly, it helps to provide fairness to self-employed people, who have found it so hard to access any kind of child care help.

**Priti Patel:** My hon. Friend pre-empts the point I was going to make—we touched on it last week. The current schemes provide no support at all for those who are self-employed and that is exactly where the new scheme offers a significant benefit.

Less than 5% of employers offer the employer-supported scheme, which means that more than half of all employees—as well as all self-employed parents—are without essential access to any Government support for child care. Frankly, that cannot be right. By contrast, the new scheme will be available to all working families, provided they meet the eligibility criteria, which we will come to later. We expect that the new scheme will be open to at least twice the number of people who currently access employer-supported child care. That has been widely welcomed by parents and other stakeholders as well as the Committee.

Another significant weakness of the existing scheme is that it favours some parents to the disadvantage of others. In particular, it provides twice as much support to couples where both partners work for employers who offer the scheme as it does to single parents. That is neither fair nor right. The new scheme will address that unfairness by ensuring that the level of support provided is determined not by the number of parents who can access the scheme, but by the number of children in the household. That means, for example, that two-parent and lone-parent households with the same number of children will have access to the same level of support.

In summary, the Bill introduces an important addition to the Government's programme to support families with young children. The scheme will provide much needed help to hard-working families with their child care costs. It will enable them to go out to work when they choose to do so and help them to enrich their careers.

The hon. Member for Manchester Central asked about child care supply. There is no evidence to suggest that the scheme will increase costs. We all accept that child care costs have risen faster than inflation since 2003, but, in addition to the reforms that are being put in place by the Government, there are signs that costs are now stabilising. I emphasise that we are not complacent and are working to increase the child care supply further, which will improve choice and affordability for parents.

I think that I mentioned this point last week, but it is worth repeating that more schools are opening nurseries. We are establishing childminder agencies to increase the availability of childminders, and are also increasing the number of school nurseries that extend their opening times from 8 am to 6 pm, because parents' working hours can change. We are supporting good nurseries to grow, and are making it easier for them by removing planning restrictions and some of the red tape associated with setting them up.

There is further work to do, as I have said. We are making start-up grants available, totalling £2 million, to help people to set up new child care businesses. We are making up to 32,000 good and outstanding childminders automatically eligible for early education funding. As more people go back to work, there will clearly be demands on the system, and it is incumbent on us to work collectively to find ways to meet that challenge.

The Government have already made a commitment to review the impact of the scheme within two years of implementation. That was set out in the impact assessment published alongside the Bill. That, together with the Government's clear and continuing commitment to tackling child poverty, and reporting on progress, is essential. Child poverty was mentioned earlier; the Government are committed to the goal of bringing child poverty in

[Priti Patel]

this country to an end, once and for all, by 2020. Under the Child Poverty Act 2010, we are required regularly to report, through the publication of UK strategies for child poverty, on the progress that we are making towards that goal.

Progress has been made. We are committed to tackling the root causes of child poverty. Employment has increased by 1.7 million, but it is worth touching on other measures in the troubled families programme, in which the Government have invested £200 million. An additional 400,000 families will get back to work through the measures that we are concentrating on. Resources are being targeted. We are focused on breaking the cycle for poor children.

**Lucy Powell:** The Minister makes a good point about supporting poor families, but I wonder whether she is content with the Government's record on Sure Start centres, which are an important part of that support, especially in the early weeks and months. Recent figures have shown that there are now 623 fewer Sure Start centres. Is she happy with that record?

**Priti Patel:** Those are not figures that I recognise, for a start. This is not about Sure Start centres; it is about the value and purpose of children's centres. I have been to many children's centres even in the past three months, and I saw a great one run by 4Children in Newham, which I may have mentioned last week when I gave evidence. Integrated services are benefiting parents and children. The same is happening in my constituency.

It is a question of targeting the resources, ensuring that the children's centres are in the right locations, providing the right support to communities, and providing additional resources, particularly in parts of the country where we know through the troubled families programme that there are challenging families, so that we can focus assiduously on breaking the cycle of deprivation for poor children.

**Pat Glass:** At the children's centres did the Minister see any children? She may know that the Select Committee on Education recently published a report on child care showing that there are no longer any children in more than a third of child care centres.

**Priti Patel:** Let me reassure the hon. Lady that all the centres that I have been to, including the ones in my constituency—

**Pat Glass:** You were very lucky, then.

**Priti Patel:** I do not think it is about luck at all. These are children's centres doing the right thing. They are full of children who are benefiting from the provision there, which should be welcomed. Parents are also spending good-quality time with their children, particularly at the start of the new school year. New children are going into centres, where their parents are helping them settle down. Children's centres—certainly the ones that I have visited—are successfully reaching out to the families most in need; 90% of eligible families are registered. It

has been a privilege to meet many of those families and see their children benefiting from the quality environment provided.

10.30 am

The steps that we are taking to increase choice and provision of child care will, I hope, give the Committee confidence that any fears that the scheme will simply drive up the costs of child care and cause problems with provision are inaccurate. The points made have been welcome, and this has been a constructive debate. I commend the clause to the Committee, and I hope that the amendment will be withdrawn.

**The Chair:** Before I call the Opposition spokesperson, as this has been an extensive debate, I seek your comments. It would be appropriate for anyone wishing to contribute to a clause stand part debate to make that contribution now. If no one wishes to contribute, I call Lucy Powell.

**Lucy Powell:** I thank the Minister for her response, but we will not withdraw the amendment. She says that there is no evidence that the Bill would cause price inflation. I outlined to her, as did many others, that the oral evidence session showed both domestic and international cases in which demand-side injections of cash without strings attached led strongly to price inflation. I know that families will be extremely concerned to see money being spent simply to increase costs.

*Question put, That the amendment be made.*

*The Committee divided: Ayes 7, Noes 9.*

#### Division No. 1]

#### AYES

Cunningham, Alex	Glass, Pat
Dakin, Nic	McKinnell, Catherine
Evans, Chris	Powell, Lucy
Flelo, Robert	

#### NOES

Barwell, Gavin	Macleod, Mary
Elphicke, Charlie	Miller, rh Maria
Heath, Mr David	Patel, Priti
Jenrick, Robert	Russell, Sir Bob
Jones, Andrew	

*Question accordingly negatived.*

*Clause 1 ordered to stand part of the Bill.*

#### Clause 2

#### QUALIFYING CHILDCARE

*Question proposed, That the clause stand part of the Bill.*

**Mr Heath:** I want to raise one point briefly with the Minister. She knows that I am concerned about access to child care in rural areas. Of course my constituency plays a large part in that, but there are many constituencies around the country in which it is extremely physically difficult to get to child care provision. The problem is of course that there needs to be a critical mass for a nursery to be viable, and in many rural areas there

simply is not the population to support a multiplicity of nurseries. This means that people have to travel a reasonable distance, which can often be extremely difficult. I very often say to the House that my village has one bus per week. I am not sure whether anyone believes me, but it is true. If people do not come back within two hours, it will be a week before they can return, if they do not have private transport. That is an illustration of how difficult it is.

Travel is also expensive. I am concerned that in some rural areas a further barrier is the cost of getting children to the place where child care is provided. This can be a significant part of the total cost. I ask the Minister simply whether it is possible to bundle up some of the access costs into the qualifying child care regulations for those people whose transport costs form a significant part of their child care costs. That would make a real difference, and I ask the Minister to take this away and ask her officials to at least look at it. It is entirely proper that the cost of getting a child to the nursery be part of the cost of providing child care. It will not be easy to find the funds to cover these costs, but we should consider this, with the provision that there is some regulation regarding what would or would not qualify. The total must still fall within the cap. I see no reason why the total should exceed the cap, because the cost of child care in rural areas is generally not at London prices—there is certainly no need for it to be at London prices—so I do not think that this would approach the £10,000 cap.

Help with transport costs would be a significant boost to people who are in great need of this provision on two grounds. The first is that it is often more difficult to find employment in rural areas, and the second is that the dangers of lack of socialisation and isolation are greater for young children in areas where they are not regularly in contact with other children. As I say, I do not expect the Minister to say, “Yes, of course, that is a good idea and I shall implement it immediately.” However, I request that she ask her officials to look at whether it is possible for the regulations to meet what I believe to be a modest request.

**Alex Cunningham:** It is a pleasure to serve under your chairmanship, Mr Sheridan, and to serve on this Committee. Members of the Committee will already be aware that provisions in clause 2 allow parents to use the scheme to purchase child care only when the main purpose—or one of the main purposes—is to help them to work. However, such a requirement will cause headaches for all parents, and is likely to prove particularly problematic for parents of disabled children. I would therefore like to take this opportunity to highlight the importance of relaxing these restrictions by broadening the definition of qualifying child care, and making sure that the available support is made more flexible for these parents.

We are all aware that access to good-quality, affordable child care is important for all parents. The quality of provision has a positive impact on children’s learning outcomes, as well as enabling parents to work. However, we must also be conscious that the relationship between work, family life and child care is not always straightforward, particularly for families with disabled children. There are intricate complexities that are unique to individual families. Indeed, it is impossible to foresee and cater for every eventuality, although that is not to say that we

cannot look to do more with the knowledge that we have. I was therefore pleased to see the Minister acknowledge in her letter to the Chairs of the Committee the additional challenges faced by parents of disabled children, and offer a commitment to giving more support to these families.

One such complexity that is destined to arise is that the parents of disabled children need to buy child care outside of normal working hours, in order to allow them to combine caring and working. This may, for example, be over the course of a weekend, or perhaps for the purpose of providing respite care or short breaks. An extended definition of qualifying child care would be very beneficial for those parents. Let us also remember that for families with disabled children in particular, access to good quality child care is of great significance, because they are comparatively far more vulnerable to poverty.

It is an unfortunate reality that childhood disability is frequently a trigger for poverty, because families incur considerable additional and ongoing expenses as they care for their child or, in many cases, children, with it costing as much as three times more to bring up a disabled child than a child without disability. As a direct consequence, parents with disabled children are more dependent on accessing child care provision to support family well-being and to manage an often extremely tough combination of caring and work. To complicate matters further, disabled children are also more dependent on organised activities that fall within the child care registration system to stay active, make friends and participate in activities outside school.

Adding to the burden imposed by the higher everyday costs incurred is the fact that less quality child care provision is available for parents of disabled children to access. Only two in five parent carers believe there are child care providers in their local area that can cater for their child’s disability, while only 35% feel that providers are available at times that fit around daily commitments. We have had an example locally in Stockton-on-Tees, where the parents of one child are absolutely distraught at the decision of the local hospital foundation trust to close the nursery at North Tees hospital, where they believe provision is of high quality and specialist enough to cope with their child’s special needs.

This is not the case at North Tees, but generally speaking, where suitable child care for disabled children is available, it is often significantly more expensive than care for non-disabled children, which can render such options unattainable for many parent carers. That does not help parents of disabled children to return to and access work.

I was pleased to see the Minister acknowledge the additional child care costs that such families will need to meet, and to hear her commitment to exploring the possibility of going further to support them. I hope the written and oral evidence presented to the Committee will convince her that she needs to go further. I look forward to hearing her expand on the theory outlined in her letter.

As the Committee heard when taking oral evidence, a recent parliamentary inquiry found that 38% of parents with disabled children paid between £11 and £20 an hour for child care, while 5% paid much more than £20 an hour. That is obviously very high, particularly when compared with the national average of £3.50 to £4.50.

[Alex Cunningham]

As a result, 72% of such families were forced to cut back on, or give up, work. That not only risks forcing parent carers out of the labour market, but leaves working parents to pay what amounts to a significant income penalty due to their child's disability. There cannot possibly be any fairness in that.

It would therefore make eminently good sense to expand the definition of qualifying child care to include that which supports carer well-being or educational and social activities for disabled children. As a feasible alternative, the parents of children with disabilities could simply be exempted from the requirements in clause 2. That would, effectively, allow them to qualify for child care under the regulations, because they would not be subject to the specific requirement that the cost of child care was incurred for work purposes only.

I hope the Minister will consider those potential courses of action when exploring the possible additional support that can be provided to parents of disabled children. She has gone some way, but I hope she will go the extra distance and make the difference that is needed.

**Maria Miller (Basingstoke) (Con):** It is a great pleasure to serve under your chairmanship, Mr Sheridan, and to have the opportunity to welcome this Government Bill, particularly because it will make tax-free child care available to almost 2 million families and to 200,000 self-employed people for the first time. That is particularly welcomed by working women in my constituency; as I am sure Members know, record numbers of women are now in work in this country.

I want to make a short contribution to the clause stand part debate to build on what the hon. Member for Stockton North talked about: what constitutes qualifying child care, as set out in clause 2. It is clear that the Bill is about supporting working families and those who are moving into work, and that is clarified in clause 9, which says that a person or their partner will be eligible under the Bill if they are in qualified work or moving into qualified work. However, there is merit in considering what is required, as subsection (2) says,

“to enable the person to work”.

Families with disabled children face particular difficulties; the hon. Gentleman set out a number of examples.

In Basingstoke we are privileged to have the KIDS nursery, which Hampshire county council helped establish. It is there particularly to support disabled children. Parents at that local nursery have explained to me clearly the distinct problems that parents of disabled children face when trying to get into employment. Short breaks and respite, for example, which may not occur when an individual is in employment, enable individuals to recuperate and have the energy to continue to be a working, contributing member of our community.

10.45 am

I urge the Minister to go a little bit further, if she is able, and provide details about the Government's recognition that parents of disabled children—families—may require additional child care support. I know that the Government understand that parents of disabled children face higher child care costs, and that that might restrict their ability to get into employment. Evidence from the Family and

Childcare Trust showed that the way the system works at the moment may be restricting the supply of child care for disabled children.

It is not necessarily advantageous for such detail to be included in the Bill. There is far more flexibility to do that in regulations, and I could accept the Minister's saying that. However, I hope that she takes this opportunity to reassure Committee members that these differences and difficult circumstances faced by many families with disabled children have been fully recognised by the Government, and that that recognition will be acted on, either in the Bill or through regulations that will support it.

**Lucy Powell:** The Opposition have not tabled any amendments, but there are a few grey areas that I hope the Minister will use this opportunity to clarify.

The clause defines what qualifying child care is. The two qualifying criteria are that the child care must be “registered or approved childcare”,

and

“the main reason, or one of the main reasons, for incurring the costs of the childcare”

must be

“to enable the person to work”,

and where they have a partner, the clause specifies that the child care must enable them to work, too. Obviously, we strongly support the principle behind that. On eligibility to qualify for the scheme, the Bill sets out how “work” will be defined for the purpose of the clause. It suggests that “enabling persons to work” will be defined as meeting the minimum income rule.

What steps is the Minister taking to define more clearly “enabling persons to work”, where they might also have a minimum income? For example, if they are in training, to what extent could that be used? They may be in paid work elsewhere, although being paid a small amount, but are in education and training for the other part of the week. Perhaps she will clarify what that means. Looking more closely at the explanatory notes, there is also confusion regarding the suggestion that this will be tested and measured in other ways, other than simply by how much a person earns.

Paragraph 30 of the explanatory notes states:

“This means that a person cannot use the money in their childcare account, which the Government will have topped up, to pay for childcare that enables them to pursue leisure activities. For example, if a person works for one day a week and pursues a hobby for two days a week, they will be able to use the funds in their childcare account to pay for childcare only for their one working day a week. They will not be able to use their childcare account to pay for childcare for the two days a week when they pursue their hobby.”

There will be no other checks to ensure that rule is met. Indeed, the explanatory notes go on to clarify that paying for child care to enable a parent to travel to work will be permissible. Again, this suggests that the Government, or HMRC, will require further proof from parents about whether they meet the minimum income rule and what activities they are undertaking in the rest of their week. Do the Government intend to require parents to prove that they are not using top-up payments to enable them to “pursue leisure activities” and how will they define travelling to work? If not, why is that requirement not made clearer in the draft regulations?

Do the Government intend to introduce further regulations that set out the kind of activities that parents can and cannot pursue while paying for child care? Can the Minister clarify the issue of training and education? I echo the comments made by my hon. Friend the Member for Stockton North about the other reasons that parents might want to claim for childcare. For example they may claim for respite for a disabled child while working on other days, and claim child care for days when they are not in work. That is a grey area and I hope that the Minister will take the opportunity to clarify the issue.

**Priti Patel:** We have heard already, and I will explain again, that the objective of the new scheme is to ensure that parents can choose to go out to work and are not prevented from doing so because of the high cost of child care. Fundamental to the scheme is what is meant by child care for these purposes. As we have already heard, the definition is set out in clause 2. It contains two conditions which child care must meet to be treated as qualifying child care.

I will respond directly to the points made by the hon. Member for Stockton North and my right hon. Friend the Member for Basingstoke, in particular about their focus on disabled children. Obviously, the Committee saw my letter last week, which was very clear that we recognise that parents of disabled children face a range of additional challenges as well as costs and burdens when they are trying to fulfil working life alongside caring for a child. It is challenging and incredibly difficult. We have already recognised that by allowing support under the scheme to continue until a disabled child reaches the age of 17.

A number of points were made about whether parents will be able to use the scheme to pay for short breaks, assistance and cover in terms of carers' breaks. Parents will be able to use the scheme to help pay for a disabled child to take a short break, providing the care meets the definition of qualifying childcare and the parent is using the child care to enable them and their partner, if they have one, to work. The scheme will also support parents of disabled children in other ways. We recognise that the costs of child care are incredibly high.

I re-emphasise the points that I made last week to remind hon. Members of my commitment to look at increasing the limit for parents of disabled children. I am very keen to engage with interested parent groups to discuss how that might be done. It is important that we invest time to try to get this right. I assure the Committee that I will make any necessary changes to draft regulations in due course. The scheme as it stands recognises that this is a difficult issue and that disabled children need specialist care, which is expensive. Therefore we are extending support to care that is regulated by the Care Quality Commission and allowing parents to use domiciliary care to access the scheme as well.

**Maria Miller:** I thank the Minister for giving way: she is very generous. Her comments are welcome and I am sure that parents listening to this debate will recognise that she has worked incredibly hard on this and will be extremely pleased with the comments she has just made.

**Alex Cunningham:** I echo those comments. For the sake of clarity, is the Minister confirming that short breaks and respite care would qualify 100% under the scheme?

**Priti Patel:** I thank both Committee members for their comments on and contributions to the debate on this important clause and for the points that they have just made. As I have said, we want to spend time with parents and stakeholders to get it right. I do not think that anybody would benefit if we were to rush into a decision. It is vital that we get it right. We developed the scheme to give maximum benefit to families and children.

I thank the hon. Member for Somerton and Frome for his contribution and observations about travel time. That is particularly important in rural communities, and it is important to recognise the challenge that it poses for all working families and households, full stop. The main reason test allows parents to use their childcare account to pay for child care that enables them to work, and that includes commuting time. We have outlined an example in draft guidance, but the point is that child care covers travel time from the nursery to work and back each day, which will enable a parent to access and use their tax-free child care account to pay for their total costs.

**Mr Heath:** I am grateful to the Minister for that helpful comment. Actually, I was referring specifically to travel costs rather than time. Sometimes it will be necessary to hire a taxi in order to access child care.

**Priti Patel:** I hope that I can assure the hon. Gentleman that we are addressing an aspect of that. Potentially, as the scheme evolves and as we assess it, we might look into wider considerations and aspects.

**Lucy Powell:** I know that the Minister has moved on from this point, but I wanted to put on record Opposition Front-Bench Members' gratitude to her for the concessions that she has made on parents with disabled families and their ability to use the payment for respite. She has done a fantastic job getting that through.

**Priti Patel:** I thank the hon. Lady, and I welcome her comments on this important issue. We must all work collectively to achieve the right outcome. I have nothing else to add on this clause, so I commend it to the Committee.

*Question put and agreed to.*

*Clause 2 accordingly ordered to stand part of the Bill.*

*Clause 3 ordered to stand part of the Bill.*

#### Clause 4

##### DECLARATIONS OF ELIGIBILITY

*Question proposed, That the clause stand part of the Bill.*

**Lucy Powell:** Again, we have no amendments to the clause, but on a point of clarity, has the Minister given any further thought to some of the issues raised previously, which I know she has sought to address, about whether she is sure that those without access to digital and electronic registration will not be excluded? I know that that is not her intention at all. Is she happy that the measures will not cause problems for those who are digitally excluded?

11 am

**Priti Patel:** I reassure the hon. Lady and the Committee that, as we emphasised last week while giving evidence, we aim to simplify the scheme to make it as straightforward as possible. As we touched on last week, we are aiming to work with third parties and stakeholders to get all the right signposts in so that no one misses out on the potential to access the scheme. We are being conscientious and focused on doing this in the right way.

In addition to the digital development—as I explained last week, I have experienced a walk-through and it is straightforward—it is our priority to ensure that everyone who is eligible for the scheme has access to it. I hope that the Committee will agree that the clause should stand part of the Bill.

*Question put and agreed to.*

*Clause 4 accordingly ordered to stand part of the Bill.*

### Clause 5

#### ENTITLEMENT PERIODS

**Lucy Powell:** I beg to move amendment 3, in clause 5, page 5, line 2, at end insert—

‘(5) The Chancellor of the Exchequer shall, within 12 months of the opening of the first childcare account under section 17, undertake a review of the impact of the three month entitlement period under this section.

(6) The report referred to in subsection (5) must in particular consider—

- (a) the administrative impact of this requirement on eligible persons;
- (b) the effectiveness and necessity of a three-month entitlement period; and
- (c) what provisions are necessary to ensure effective awareness and communication of the requirement to reconfirm eligibility on a quarterly basis.

(7) The Chancellor of the Exchequer must publish the report of the review and lay the report before the House of Commons.’.

May I first put on record our gratitude to the Minister for the concessions that she has made on the entitlement periods for the self-employed? They will prove to make the measure much more effective, especially for those people who work, for example, a lot in the summer and less in the winter; those who have what was described in the oral evidence sessions as a “lumpy” income—that was a new phrase to me.

The amendment would allow for a review of the need for a three-monthly reconfirmation process, given the concern about whether that is necessary and the burden that it might place on parents. It is a probing amendment to allow us to understand the process better.

I understand where the Government and the Minister are coming from in trying to get the balance right between learning lessons from the tax credit system, where people ended up in a situation where they were overpaying, and taking some of the best parts of the employer-supported child care voucher scheme, which leaves people in the system on an ongoing basis without the need to reconfirm. I want to see whether we have got that balance right, so the amendment would provide the option to look at this measure again in time.

The clause sets the entitlement period—the time for which a person has made a declaration and will receive top-up payments—at three months, which means that parents and other eligible people will have to reconfirm

their eligibility each and every quarter. Concerns have been raised about that requirement, which is why we would ask the Government to undertake a review of the impact of the reconfirmation. In particular, the amendment would ask the Government to consider fully the administrative burden that the clause will place on people as well as the provisions necessary to ensure that all child care account holders are fully aware of the requirement and do not accidentally slip through the net.

According to the consultation documents, the Government have promised that this process will be light touch and we warmly welcome that. However, to reconfirm, parents will have to prove each quarter that they are: still in paid work; expecting to earn more than the minimum income rule but less than the maximum income limit; and not claiming other child care support that would render them ineligible. HMRC in turn will have to check any relevant PAYE references and self-assessment forms. However, the mechanics of the reconfirmation process are still not entirely clear. Will the Minister therefore take this opportunity to talk us through the process? She has mentioned on a couple of occasions that she has had the privilege of walking through some of these processes, so perhaps she could expand on them.

Does the Minister recognise the potential downside to the three-monthly revalidation, compared with the employer-supported child care scheme? Have the Government made any assessment of how long it will take the average parent to do the paperwork every quarter and whether parents are willing to do it? From the evidence we heard last week, I understand that the Minister and HMRC are changing the reconfirmation window from seven days to 14 days, which is to be welcomed. Why did the Minister alight upon 14 days rather than a longer period that might enable those of us who are busy both at work and at home to ensure that we do not unintentionally fall foul of the system?

The amendment would also require the Government to review the necessity of the reconfirmation requirement, because we are not entirely sure of the extent to which HMRC will be able to use other information to clarify what parents state. In their response to the consultation in March, the Government elaborated on the process, suggesting that

“HMRC will be able to use its existing information streams”

to assess whether a declaration is valid. Could that be done automatically so that parents do not themselves have to reconfirm?

Will the Minister clarify whether the reconfirmation process is necessary? Perhaps she can expand on why parents must reconfirm rather than simply having them enrol and stay in the system while other checks are made, and taken out of the system if their circumstances change.

**Priti Patel:** Clause 5 deals with entitlement periods, another fundamental building block of the new scheme, which are designed to ensure that it is simple for parents to use. Entitlement periods will deliver certainty and make parents safe in the knowledge that their entitlement will last until the end of the period, regardless of any changes in their circumstances.

The clause sets out that an entitlement period will be three months long, a key scheme design feature that takes into account both the views of parents and the need to learn lessons from tax credits—as we have touched on—about the risks of long entitlement periods. The three-month entitlement period also avoids both the additional errors and overpayments that an annual scheme entails and the excessive administrative burden that monthly reconfirmations would place on parents.

A three-month period strikes the right balance between simplicity and certainty for parents and not allowing entitlement to continue for too long without checking continuing eligibility. Furthermore, the requirement for parents to reconfirm their details regularly in order to access Government support will be an effective means of reducing the number of ineligible parents seeking to access the scheme, and it will be more effective than requiring parents to notify us immediately of every change in their personal circumstances. We know from tax credits that many simply would not do that.

The clause also allows regulations to vary the length of an entitlement period for a particular person in specified circumstances. We intend to make regulations to allow, for example, an entitlement period to end around the middle of the month, thus avoiding the potential confusion that might arise if a parent were required to reconfirm their eligibility at the same time as payments were made into and out of the account. We also intend to use the powers in the clause to allow for all child care accounts held by one parent to have the same entitlement period end date, so that they can reconfirm their eligibility for all their children at the same time.

The hon. Lady's amendment appears to reflect a concern that the quarterly reconfirmation cycle will be onerous for parents. It would require the Chancellor to review the effectiveness of the three-month entitlement period 12 months after the first child care account is opened, then to publish a report and lay it before the House of Commons. The quarterly entitlement regime design was reached after extensive stakeholder engagement and has been welcomed by those we consulted and engaged. The Government currently have no intention of altering the entitlement period, for the reasons to which I have already alluded.

I want to emphasise that the entitlement period system, with the requirement for parents to actively reconfirm, is aimed at driving behaviour. It is reasonable to ask parents to take that small step every three months in order for them to secure continuing entitlement and for the Government to be certain that taxpayers' money is not being paid to people who are not entitled to it. Once in the scheme, parents will receive reminders of the need to reconfirm their eligibility via their preferred communication channel—normally e-mail or text. I have touched on the walk-through of the scheme that I have had; it is straightforward and happens quickly. After that, parents will have a three-week window in which to reconfirm, allowing them the flexibility to do so at any time of their choosing.

When a parent reconfirms, all the forms will be pre-populated with their information provided at registration, so they will not have to re-upload data or personal information. That will save time and effort. We have had comments from parents when we have engaged them on the scheme, along the lines of, "If I am managing

an online account, I would expect to receive e-mails or text reminders", because that is how many of us operate now, whether in online banking or purchasing goods online. We have also heard, "I would expect my eligibility to be checked first before I waste any time going back on the system." In particular, parent groups welcomed the continued entitlement period for a number of reasons. They thought it would give parents the opportunity to get another job and therefore become eligible for the scheme in time for the beginning of the next fixed quarter. It was also felt that it would enable some parents to make changes to their child care arrangements, depending on their circumstances.

I remind members of the Committee that a review of the effectiveness of the scheme is already planned and is referred to in the published impact assessment. That review will take place two years after the new scheme is fully implemented and will consider the appropriateness of all aspects of the scheme rules. It is therefore wholly unnecessary to require an additional review in the Bill, as that is already covered. I therefore ask the hon. Lady to withdraw her amendment.

**Lucy Powell:** I thank the Minister for her reply. She has responded to a number of the points that I made and given clarification as to how this process will work. It seems from her comments that this will be an extremely light-touch process, and I hope that that spirit will be maintained. On that basis, I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Clause 5 ordered to stand part of the Bill.*

### Clause 6

THE PERSON MUST BE 16 OR OVER

*Question proposed,* That the clause stand part of the Bill.

**Catherine McKinnell:** I have a few comments relating to clauses 6 to 13. However, I have none relating specifically to clause 6. Instead, I would like to make some comments when we get to clause 8. All of those clauses address the scheme's eligibility criteria.

*Question put and agreed to.*

*Clause 6 accordingly ordered to stand part of the Bill.*

*Clause 7 ordered to stand part of the Bill.*

### Clause 8

THE PERSON MUST BE IN THE UK

*Question proposed,* That the clause stand part of the Bill.

11.15 am

**Sir Bob Russell (Colchester) (LD):** Will the Minister clarify what is meant by the statement that a person must be in the UK? The clause states what regulations "may" do

"if the person is in the United Kingdom on the date of the declaration."

[Sir Bob Russell]

The explanatory notes, which the Minister may recall I quoted last week, specifically state that

“members of the armed forces who have been posted overseas...are to be treated as being in the UK.”

I detect that the words “may” and “permits” might provide some wriggle room, but the explanatory notes specifically mention that members of the armed forces serving overseas are to be treated as being in the UK. When we discussed clause 2(4) earlier this morning, reference was made to child care provided outside the United Kingdom, yet clause 8 states that the condition of eligibility is met

“if the person is in the United Kingdom on the date of the declaration.”

I need clarification on how that may or may not affect members of Her Majesty’s armed forces who are serving overseas. Have the Minister and her officials had time yet to discuss with the Ministry of Defence how to ensure that children of military personnel, whether in this country or overseas, do not miss out because their parents have been moved from one depot, garrison or naval port to another?

**Catherine McKinnell:** I also have one or two questions on the clause. The regulations setting out the residence criteria do not seem to provide a definitive definition. Will the Minister outline what does and does not constitute ordinary residence in the UK? Like the hon. Member for Colchester, I have been reading the explanatory notes, which refer to treating non-residents—those taxed in the UK but who may have some of their income exempt from UK taxation—as being exempt for the

purposes of the scheme. Will the Minister explain to what sort of people the explanatory notes refer? Are they referring to non-domiciled taxpayers, for example? The Committee would be grateful for clarification on those points.

**Priti Patel:** The Bill provides a broad rule setting the territorial scope of the scheme by requiring those benefiting from it to be in the United Kingdom. That follows the same approach as for tax credits and universal credit, so regulations made under the clause will provide detail on exactly what that means, with some necessary explanation. The draft regulations that we have made available to members of the Committee provide that explanation. Subject to exceptions, people will be required to be ordinarily resident in the UK to meet the criteria, and I emphasise that point.

The hon. Member for Colchester rightly mentioned our armed forces and the children of military personnel. I assure him that British forces posted overseas whose child care is outside the United Kingdom will be able to use this scheme. We are proud to emphasise that point. Last week I made a commitment to him that it is my mission to join up with the Ministry of Defence to ensure that no one misses out on the scheme. The families of all military personnel who are entitled to the scheme will be able to use it.

*Question put and agreed to.*

*Clause 8 accordingly ordered to stand part of the Bill.*

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

11.19 am

*Adjourned till this day at Two o'clock*