# PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

## Public Bill Committee

# CHILDCARE PAYMENTS BILL

*Seventh Sitting*

*Thursday 23 October 2014*

*(Morning)*

CONTENTS



PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON – THE STATIONERY OFFICE LIMITED

£5·00

PBC (Bill 007) 2014 - 2015

Members who wish to have copies of the Official Report of Proceedings in General Committees sent to them are requested to give notice to that effect at the Vote Office.

No proofs can be supplied. Corrigenda slips may be published with Bound Volume editions. Corrigenda that Members suggest should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor's Room, House of Commons,

**not later than**

**Monday 27 October 2014**

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

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

*Chairs:* †Jim Sheridan, Mrs Anne Main

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

David Slater, *Committee Clerk*

**† attended the Committee**

# Public Bill Committee

*Thursday 23 October 2014*

*(Morning)*

[Jim Sheridan *in the Chair*]

## Childcare Payments Bill

11.30 am

**The Chair:** May I give colleagues a general reminder? It would be greatly appreciated if phones were switched off or set to silent.

### Clause 14

Qualifying child

**Alex Cunningham** (Stockton North) (Lab): I beg to move amendment 17, in clause 14, page 8, line 36, at end insert—

'( ) A child is a qualifying child for the purposes of this Act until the last day of the week in which falls the 1 September following the child's 11th birthday (or 18th birthday in the case of a disabled child).'

It is a pleasure to serve under your chairmanship, Mr Sheridan.

Committee members will be aware that the provisions in clause 14 relate to qualifying children and lay out the criteria that children must meet in order to be eligible for the scheme. The clause is therefore fundamental to the entire Bill, so it is of the utmost importance that we get its provisions right. Failure to do so would risk undermining the entire scheme.

I understand that the Government's intention is to frame regulations such that a qualifying child is defined as one aged under 12 or, in the case of a disabled child, under 17. Will the Minister clarify whether that will be aligned with the start of the school year, or with some other date? Such a definition would not fit easily with section 6 of the Childcare Act 2006, which places a duty on local authorities to provide sufficient child care for working parents with disabled children aged up to 18 years, as far as practicable. In practice, the sufficiency duty is constrained by local authorities' limited resources—we have all seen the considerable cuts that they have suffered recently. That said, the Department for Education publishes annual statutory guidance that sets out what can be expected of local authorities in meeting the duty.

I am sure that fellow Committee members will be aware of the report published in July by the independent parliamentary inquiry into child care for disabled children, in which my hon. Friend the Member for North West Durham took a leading role. The inquiry identified a key gap in access to child care and activities for older children and young people. Many such activities and the gaps faced by parents simply do not fit easily into the current support framework, in which child care costs and access are based on supporting parents into work. Undoubtedly, one reason for that is the limited financial support available to parents with older disabled children, the result of which is the limited market for provision that we currently see.

The 2006 Act's sufficiency duty is not compensating for the failure to provide child care for disabled children. In short, older disabled children, as well as those with particularly complex needs, are missing out. That has knock-on consequences for parent carers who, as a result, are excluded from employment opportunities. Although not directly contradictory to the provisions of section 6 of the 2006 Act, the Government's planned course of action is certainly not in keeping with their spirit. The Government should be taking action to address the shortcoming not by narrowing the parameters within which a child will qualify for the new scheme, as proposed, but by adopting the amendment.

Acting to align the maximum age of eligibility for the tax-free child care scheme and the child care element of universal credit with the 2006 Act would ensure that older disabled children can benefit from financial support, and it would also help to address the current poor provision for that age group. Failure to accept the amendment will effectively mean that disabled children as young as 16 will lose out on the provision; we all know that there would be considerable advantages to the well-being of the young person and their family if support continued until after their 18th birthday.

I urge the Minister to increase to 18 the maximum age of eligibility for disabled children in the tax-free child care scheme and, in future, the child care element of universal credit, in order to align the scheme with the prescriptions of the 2006 Act's sufficiency duty. That would not only support families with disabled children but help to nurture a market for provision for that particular group. How does the Minister intend to address the shortcoming I have described?

**Pat Glass** (North West Durham) (Lab): It is a pleasure to serve under your chairmanship, Mr Sheridan.

I should say something about the parliamentary inquiry I conducted earlier this year into child care for disabled children, because the issue has been mentioned a couple of times already.

I spent most of my career in education, until 2010, and I was aware that there were problems on all kinds of issues for disabled children. However, I was really shocked by what I saw in that inquiry—we heard the most horrendous stories from parents. To take some of the factual stuff, it is 12 times more costly to get child care for a child who is disabled than for one who is not. Who among us can afford 12 times the cost of anything?

That, however, is just if people can find child care. The stories we heard about people trying to find places were absolutely awful, and they were not just from one sector—they were from the private and voluntary sectors, and even from some outstanding nurseries. We heard the most awful stories about outstanding maintained nurseries coming up with things such as, "Oh, I'm sorry. We can't take your child, because we're full," only for the next person to come along to be told that, yes, there were places. Another reason given was, "We're not qualified to meet your needs." That is completely illegal, but outstanding maintained nurseries in London were saying such things to parents. There was also the usual, "We have insufficient support," rather than, "We'll take your child in, assess them and get support from the local authority if we need it."

We heard stories of parents who were losing their jobs. If parents do not have child care and cannot go out to work, not only are their jobs at risk, but they are in danger of losing their homes. Parents were having to move from one part of the country to another to be near their families, who were then able to support them. We also heard of families splitting up. The figures on families who split up show that the proportion is much higher among those who have a child who is disabled than among those who do not.

For all those reasons, I urge the Minister to look at the inquiry and the report that came out of it, which makes very difficult reading. I urge the Government carefully to consider the needs of parents and families of disabled children when they look at any child care provision.

**The Exchequer Secretary to the Treasury (Priti Patel):** Good morning, Mr Sheridan. It is a pleasure to serve under your chairmanship.

I pay tribute to the hon. Members for Stockton North and for North West Durham for their contributions. This is an important clause, and it is important to put the context of disabled children's child care needs at the forefront of what we are trying to do in the Bill. I particularly pay tribute to the hon. Member for North West Durham for her report, which I have read. The inquiry and the comments in it—the very raw views and experiences that were highlighted—are a salutary reminder to all of us not only in this Committee, but in Parliament, of how disabled children's needs have historically been overlooked, particularly when it comes to the care component and the relative costs involved.

Having listened to the debate, I am obviously hugely sympathetic, and I understand the points both hon. Members have made. It is absolutely right that the parents of disabled children are wholly supported in the right way if they choose to work. We have been careful to make sure that that is reflected in the way the scheme is designed.

Clause 14 allows the Government to make regulations to define a qualifying child for the purposes of the scheme. We intend to make regulations to focus support primarily on children under the age of 12, for whom child care costs are at their highest. Eligibility will end in the first week of the September following the child's 11th birthday. I want to assure the hon. Member for Stockton North that we are aligning the scheme with the school year—a point that he mentioned.

We also recognise, as I have stated already and as hon. Members highlighted, that child care costs are very high for parents of disabled children who are in their later childhood years. Therefore, parents of such children will continue to be eligible for support until the September following the child's 16th birthday. We want the eligibility conditions to be straightforward for parents.

**Alex Cunningham:** The Minister knows that if it is somebody's birthday on a particular day, they can lose out on a whole year's provision. We really need to look carefully at that gap, because it could be a case of one week for one person and a whole year for another.

**Priti Patel:** I thank the hon. Gentleman for his intervention. He makes the point well. We recognise that, completely.

We want the eligibility conditions to be straightforward. For example, a child will be considered disabled for the purposes of this scheme if disability living allowance or a personal independence payment is paid for the child, or they are certified blind. We are looking into the package of measures and the wider support, outside tax-free child care.

Amendment 17 would extend the scheme to parents of disabled children under the age of 19. I recognise why comments have been made and the genesis of the amendment. In the evidence sessions, it was suggested that such a measure would bring the age limit parallel to that in universal credit. However, that is not so. The child care element of universal credit is available to parents of disabled children under 17. This is already in line with existing schemes, particularly employment-supported child care and the tax credits scheme. It is right that we make the new scheme consistent with the current framework.

Unsurprisingly, increasing the age up to which a child will be entitled to support across the schemes would carry significant Exchequer costs, and that will have an impact on the welfare cap and on the wider universal credit system. The Government are clear that they support disabled children and disabled people more widely. As we have said previously, universal credit provides more generous support for disabled adults and disabled children than it does for people in similar circumstances who are not disabled.

As I have set out, under the new scheme, parents of disabled children under 17 will continue to be eligible for support, in recognition of the fact that child care costs for this group can remain high in later years. This will provide support for qualifying child care, which includes care regulated by the Care Quality Commission—we have discussed that—and that will allow parents to access and use domiciliary care. Again, I highlight my commitment to look at increasing the maximum amount for the parents of disabled children. As I confirmed on Tuesday, working parents will be able to use the scheme to pay for respite care, where this enables them to work.

I am conscious of the additional child care costs that families might have to meet. I will therefore explore the possibility of increasing the maximum amount that they can pay into their child care account, which in turn will attract a top-up payment from the Government. I will engage—I am committed to doing so—with all interested parent groups to establish how this might best be done. I will take the time to get this right. Again, it is important that we ensure that any necessary changes to the regulations are made before the scheme goes live.

We designed the scheme to meet the needs of parents of disabled children. We worked with Scope, for example, which has been encouraged, and has been positive, in terms of working with us. It recognises the needs we have identified, and has welcomed our measures to enable disabled children to benefit from tax-free child care. I therefore ask the hon. Member for Stockton North to beg leave to withdraw amendment 17.

**Alex Cunningham:** I am grateful to the Minister for providing clarity about which dates apply to the provisions, but I remain disappointed that a child of 16 could still no longer qualify for any support from the Government

*[Alex Cunningham]*

scheme. That said, I appreciate that the Minister has also talked about considering the wider provisions on support for particular groups of people.

I would ask that, in the next few weeks, prior to Report, the Minister explores and perhaps talks about how the additional costs of the provisions I have suggested would affect the Government. She talks of considerable Exchequer costs. I should be interested to know exactly what those costs are and whether it can be demonstrated that we cannot afford, as a country, to look after some of the most vulnerable children in our society.

Although I reserve the right to reintroduce it, depending on what comes forward on Report, I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Clause 14 ordered to stand part of the Bill.*

## Clause 15

### Childcare accounts

11.45 am

**Catherine McKinnell** (Newcastle upon Tyne North) (Lab): I beg to move amendment 10, in clause 15, page 9, line 4, after may—", insert—

"() amend this Act to allow childcare accounts to be held by persons other than those specified in subsection (1)."

*This amendment would allow the Government to bring forward regulations to allow for the provision of Childcare Accounts to be made available to persons receiving childcare support other than top-up payments.*

**The Chair:** With this it will be convenient to discuss the following:

Amendment 11, in clause 69, page 44, line 28, at end insert—

"() regulations under section 15 that amend this Act to allow childcare accounts to be held by persons other than those specified in section 15(1)."

*This amendment would make regulations outlined in amendment 10 subject to the approval of both Houses of Parliament.*

Amendment 9, in clause 15, page 9, line 36, at end insert—

"(11) The Chancellor of the Exchequer shall, within three months of Royal Assent, undertake a review of the impact of subsection (2).

(12) The report referred to in subsection (11) above must in particular examine and explore alternative options to the requirement for persons with responsibility for more than one child to set up more than one childcare account.

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

**Catherine McKinnell:** It is my pleasure to serve under your chairmanship this morning, Mr Sheridan. I will provide a small amount of context to the clause, to set the amendments in context. The clause provides for child care accounts, the mechanism by which the Government have chosen to deliver the top-up payments to eligible parents. The accounts are central to the support that is provided for by the Bill. Once parents make a valid declaration of eligibility, qualified parents will be able to open an online account, into which they, their employers and others will be able to pay in money specifically to pay for qualifying child care. Any qualifying payment made into the account—"qualifying payment" is defined in clause 19—will automatically be topped up at a rate of 25%. The maximum amount of top-up that the Government will provide per quarter is £500, so the annual cap will be £2,000.

I pay tribute to my hon. Friends the Members for Stockton North and for North West Durham, who put forward a compelling case on the previous clause, and I was pleased to hear that the Minister will look into reviewing some of the limitations, particularly those relating to disabled children.

In respect of non-disabled children, the clause provides for three different account providers—a point that we will come on to shortly. The Government have chosen National Savings & Investments as the deliverer of that role. If the legal challenge is resolved, money in individual child care accounts will be paid directly from NS&I to qualifying child care providers for qualifying child care.

Subsection (2) specifies that

"Each childcare account must be held in respect of one child only."

That requirement exists irrespective of whether parents will receive a top-up payment for having more than one eligible child, meaning that such parents will have to open and maintain multiple child care accounts. I am happy to be corrected on any of this, but that is our understanding. Amendment 9 seeks to understand why the requirement is necessary, and whether alternatives should be explored that would make it less burdensome for parents. It seems that we are moving from a system that, albeit available to fewer parents, is praised for the fact that employers take on the burden of administering the vouchers on behalf of their employees, which removes a lot of the burden from parents, to a system in which the burden is placed wholly on parents. As we have discussed, there are concerns about that principle.

Subsection (2) takes that principle a step further by implying potentially impracticable solutions for parents who have more than one eligible child. Can the Minister provide clarity on how the mechanisms will work? I appreciate that she entered her role after the Bill had been drafted, and some months after the scheme was initially devised and the Government's consultation and response were published, but it would be helpful if she could elaborate on the alternatives considered, if any, by the Government before the final proposal was produced.

We heard evidence last week from Frances Norris of the Association for Professional Nannies, who raised particular concerns about the requirement, particularly on nannies and childminders. When asked how she thought the scheme would operate for parents employing nannies, she suggested that parents would indeed have to open two, three or four child care accounts and make two, three or four separate payments to one nanny or childminder. She felt the issue had been insufficiently explored at the consultation stage. She said that

"it is impossible to apportion correctly the amount of child care provided to any single child by a nanny."—[*Official Report, Childcare Payments Public Bill Committee,* 14 October 2014; c. 10, Q8.]

She gave the example of someone with one child at school and two children at home, all of whom were under the care of the nanny or childminder at different times of the day.

I want to press the Minister for some clarity on those concerns. Is she aware of the issues that have been raised? Will parents have to open multiple child care accounts and make multiple payments to one carer, nanny or childminder? If so, what plans are in place to ensure that the burden on parents is eased and that the process is made as simple as possible? A single log-in for parents has been mentioned, but if the Minister could provide reassurance on what that will mean in practice, that would be helpful for the Committee and of interest to stakeholders and parents.

Simplicity is often spoken of as one of the scheme's key objectives, but it does not seem to be the order of the day when parents have several eligible children. Have the Government assessed how many families are likely to have multiple accounts and to make multiple payments to one child-carer? It would be interesting to hear what analysis they have of the number and type of families who will potentially be affected.

Amendments 10 and 11 relate to concerns raised in last week's evidence sessions about the interaction with universal credit. Subsection (1) defines when child care accounts can be used. It states that they can be used by a qualifying person "receiving top-up payments" and that they must satisfy

"the requirements imposed by or under this Act."

The concern is that those requirements preclude child care accounts from being used for or by parents on any other form of Government support, such as universal credit. Although the Government have made it clear that child care accounts are purely to provide top-up payments under the Bill, some witnesses we heard evidence from last week suggested that such accounts could be hugely beneficial for other low-income families.

Amendment 10 therefore provides for regulations to allow the requirements to be repealed in the future. It allows the Bill to proceed as drafted, but it keeps open the possibility that child care accounts could be extended for the purposes of other Government child care support schemes, and it provides for that to be done by way of regulations. That should be attractive to the Government, given that universal credit is very much in its infancy. In order to avoid having to revisit the entire scheme, and as the Minister said in response to the previous clause, it is important that parents on universal credit and in other Government schemes are treated on a par with parents under this scheme, and the amendment would enable the Government to ensure that that happened.

**Alex Cunningham:** My hon. Friend outlines carefully and comprehensively what an administrative burden this could be on families. What troubles me, given what we heard from our witnesses, is the issue of arrears and the way the system can be so far behind in paying people. Families can face the prospect of borrowing money again and again just to cover their child care costs, because the Bill's provisions do not allow for earlier payment.

**Catherine McKinnell:** My hon. Friend raises a key issue. I reiterate that the Minister has expressed a desire to ensure that the treatment of universal credit parents is on a par with the treatment of those who can access the top-up scheme. Ensuring that that alignment is absolutely correct is vital for the reason my hon. Friend sets out: we could end up penalising parents on universal credit when they switch to the new scheme. They would start their working life and have their new child care arrangements but be in debt, which could put many of them in tremendous difficulty.

In last week's evidence sessions, we heard a number of reasons to allow for the possibility of alignment. First, it would minimise the enormous complexities involved in the relationship between the new scheme and other Government support child care schemes. Secondly, as my hon. Friend said, with respect to universal credit, it would mean that the Government would be paying support in advance of the costs being incurred, rather than in arrears, which would mean that those households on universal credit that were on the lowest incomes would be treated in the same way as those in receipt of top-up payments, a parity of which we all recognise the benefits.

We have discussed at length the inherent complexities in the scheme and in its relationship and interaction with other schemes. That is particularly true for universal credit; parents on fluctuating incomes could find that they move between the schemes on numerous occasions as their circumstances changed. Victoria Todd of the Low Incomes Tax Reform Group outlined particular concerns last week, when she said:

"I think people at the lower end of the income scale will be caught in a very difficult position, because if you have higher income and you are not currently receiving any child care support, it is fairly straightforward. The scheme, as a stand-alone scheme, is okay, but when you introduce all these complexities"—

which we know exist—

"it is a problem."—[*Official Report, Childcare Payments Public Bill Committee,* 14 October 2014; c. 52, Q101.]

There are serious concerns about whether the better off calculator that is being developed will provide parents with sufficient information to enable them truly to be informed about their decision. A better-aligned process in which Government support is provided through a single mechanism—child care accounts—across top-up payments, and which includes universal credit recipients and others, could be hugely beneficial to those parents who most need Government support, and who will have to deal with the inherent complexities of the scheme.

We also heard last week from Sam Royston from the Children's Society, who summed things up as follows:

"We welcome some of the really helpful tools given for budgeting for households on tax-free child care, particularly payments in advance of having to pay out child care costs. We would like to see households on lower incomes treated in the same way".—[*Official Report, Childcare Payments Public Bill Committee,* 14 October 2014; c. 61, Q124.]

He also said:

"We think there are several things that have been done with the introduction of tax-free child care that will be beneficial to many of the households receiving support, and that is particularly true of using top-up accounts".—[*Official Report, Childcare Payments Public Bill Committee,* 14 October 2014; c. 62, Q127.]

Witnesses raised an issue that lies at the very heart of universal credit: many low-income parents will have to find some way to pay for their various costs, such as child care—often one of the biggest burdens for parents and households—some three to four weeks before they actually receive their universal credit award. Those parents receiving top-up payments, who, one could argue, are in a slightly better-off position in terms of income, will

*[Catherine McKinnell]*

have no such difficulty, because they will receive Government support before they pay for their child care.

What are the Minister's thoughts on those issues? Does she appreciate that child care accounts can be an important budgeting tool for households in receipt of child care support through tax credits or, in due course, universal credit? Given that child care support through universal credit will be paid in arrears, does she accept that child care accounts could provide a far more effective means of providing support that does not potentially leave low-income parents in debt?

The Committee should bear those points in mind when considering the amendments, which suggest a course of action that the Government could take. They do not mandate that that course must be taken now, but leave the door open as universal credit is rolled out. I appreciate that the Minister is not responsible for universal credit, which I am sure she is relieved about. Nevertheless, the amendments would open the door for the Government to make changes in due course to provide a much smoother transition for parents on universal credit as the interaction between the new scheme and universal credit becomes more apparent.

I have made my arguments to the Minister, and hope that the Government can find a way to support the amendments, which would support parents moving from universal credit into the top-up payments scheme.

12 noon

**Priti Patel:** Amendment 9 would require a review of the requirement to hold separate child care accounts for each child where there is more than one eligible child in a family. Under the scheme, support from the Government will be calculated on an individual basis rather than the combined child care costs of the household. That is a key principle of the scheme as it ensures that every child receives the same level of support based on their individual child care costs. If entitlement was calculated on a household basis, some children could receive more just because they have siblings who do not use their full entitlement, which would be unfair. As there is no limit on the number of children a family can claim for, the scheme ensures that all children will benefit equally, regardless of the size of the family.

As the scheme has been designed on the basis of individual entitlement, it follows that the IT and banking system must be able to link payments in and out of accounts to individual children. Having a separate account for each child will make the scheme simple to operate and, importantly, enable parents using the online tool to see clearly how their top-ups have been calculated, how much of the child's entitlement has been used and what child care payments have been made to each child. Such transparency will make it less likely that mistakes, such as prohibited payments, will occur.

We are clear and determined that the scheme will be smooth and straightforward for parents to use, and that the system is designed to make it simple to manage multiple accounts. Reconfirmation dates, as we have touched on before, for all the eligible children in a family will be aligned and parents will be able to access all their accounts online through one simple login and navigate quickly and easily between them. It is a similar experience to online banking, where a single login can show, for example, savings and ISA accounts. Having a separate account for each child delivers clarity and simplicity to the scheme. The design of IT systems and processes will ensure that we keep the scheme as simple as possible and do not create any complicating complex administrative burdens.

**Catherine McKinnell:** I appreciate the Minister's positive outlook regarding complexity for parents, but one concern they will have is falling foul of the scheme and, as she mentioned, prohibited payments. In cases where there are three children and one carer, will there be clear Government guidance to ensure that parents do not feel nervous about possibly falling foul of the scheme and having to pay back some of the top-up?

**Priti Patel:** The shadow Minister makes a valid point. We do not want parents to—I do not like the term—fall foul. It is not about falling foul. The guidance we will provide is about simplicity and showing parents how the scheme works. That is the reason why we are working with parents and stakeholders on the design. That is incredibly important. We do not want parents to feel that they have done something wrong; on the contrary, it is a positive mechanism to provide financial support for child care for their children. We are clear about that, and it is worth concentrating on the terminology and language we use here. It is about being positive and open. Having one login and being able to see the list of children's accounts enables that transparency and clarity, which is important.

I welcome the debate on amendments 10 and 11, and I will set out the context of the basic rules associated with clause 15 that apply to child care accounts and the way they are governed and overseen. Those accounts will provide a simple mechanism for parents to deposit their own funds, receive the top-up payments and make payments to child care providers. Obviously, that is about ensuring that public funds are spent for their intended purposes.

We have touched on delivering simplicity, which is important. Registration will be as straightforward as possible. Again, the process is being designed with parents in mind, and we are working on that with stakeholders.

Amendment 10 would allow regulations to be brought forward to permit parents who receive support from other schemes, such as universal credit or tax credits, to receive payments through a child care account. I should remind the Committee that the new scheme is fundamentally different from schemes such as universal credit and tax credits, where support is paid into accounts for different purposes and in different ways to meet different circumstances from those being addressed by tax-free child care.

Let me take universal credit as an example. It is paid by the Government as a monthly lump sum and includes support with child care costs. That support is in the form of cash, and its use is not restricted solely to meeting child care costs. The monthly payment under universal credit is not ring-fenced, and it is intended, as we have discussed, to support households in focusing on budgeting on a monthly income. The objective is to

ease the transition into starting, or going back to, paid work, which is why universal credit is paid in a similar way to a monthly salary. Moving instead to a system based on child care accounts that separates support for child care costs from other support would do what we are trying to avoid: complicating the system for those on universal credit. We have spoken about simplicity in the implementation of tax-free child care, and the last thing we would want to do is bring in any complications.

In addition, paying support for child care through a child care account, while making other support available in the form of direct payments into a bank account, would add further complexity to the universal credit system and potentially increase the administrative costs of running the two systems in parallel.

What is more, there are other ways the Government are ensuring that parents claiming universal credit get the child care support they need. The flexible support fund can be used for a wide range of activities, including child care, to enable a claimant to start work. In addition, budgeting advances will be made available to families under universal credit. Those are designed to help claimants meet intermittent household expenses, and they can help towards meeting the costs of obtaining or retaining employment, including child care costs.

More generally, amendment 10 would not work. It would not allow parents in receipt of support from other schemes to receive payments through a child care account. Clause 15 does not specify who may hold child care accounts. Therefore, widening its scope, as this amendment seeks to, would require more fundamental changes to the eligibility conditions in the Bill. I therefore remain unconvinced by the amendment, and I would also like to resist amendment 11, which deals with the parliamentary procedure for any regulations brought in under amendment 10. I therefore ask Members not to press the amendments.

**Catherine McKinnell:** I appreciate that the Minister has taken on board the reasons why we tabled the amendment. I am disappointed that the Government are not willing to consider leaving the door open to bringing those on universal credit into line with those who move out of universal credit, who can benefit from the top-up payment system.

I fear that we may have to revisit the issue once universal credit is rolled out, because, although the Minister outlined the various kinds of Government support that should be available for the parents affected, there is still huge concern that it will be difficult for some of our most vulnerable parents to make the transition into work and to take on responsibility for child care costs in their entirety. That will present difficulties for some of the lowest paid working parents, but I appreciate that the Government are not willing at this stage to leave the door open, so I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Clause 15 ordered to stand part of the Bill.*

## Clause 16

ACCOUNT PROVIDERS

**Catherine McKinnell:** I beg to move amendment 12, in clause 16, page 10, line 19, at end insert—

'(5) The section shall not come into force except as specified in paragraph (a) below.

(a) The Chancellor of the Exchequer shall bring the section into force by order within three months of the passing of this Act.

(b) a statutory instrument containing an order under paragraph (a) shall be accompanied by a report from the Director and laid before the House of Commons by the Chancellor of the Exchequer which details—

(i) a timetable for delivering the new childcare account system;

(ii) progress to date in developing and preparing for the new system;

(iii) what provisions are in place to ensure the system is delivered on time and to budget;

(iv) what provisions are in place to assist persons without access to the internet;

(v) what provisions are in place to ensure financial support can still be provided in the event of system failures or setbacks; and

(vi) a package of measures to ensure the account provider, associated parties and their operations, are effectively monitored.'

Clause 16 sets out the rules for who may offer child care accounts for the providing of top-up payments to qualifying parents. As members of the Committee will be aware, the Government have chosen NS&I to administer child care accounts. Given the lack of information from the Government on NS&I's role in providing child care accounts, and therefore the top-up payments to parents, we have tabled amendment 12 to extract some answers to the myriad questions we know stakeholders, parents and members of the Committee have.

We had a useful evidence session last week with the chief executive of NS&I, and I put on record our thanks to her. She deferred on a number of questions to Her Majesty's Revenue and Customs, and I do not think they were fully answered in Thursday's evidence session, so I will probe the Minister on some of them today.

Amendment 12 seeks information and updates on

"a timetable for delivering the new childcare account system…progress to date in developing and preparing for the new system…what provisions are in place to ensure the system is delivered on time and to budget…what provisions are in place to ensure financial support can still be provided in the event of system failures or setbacks; and…a package of measures to ensure the account provider, associated parties and their operations, are effectively monitored."

We touched on a number of those issues in last week's evidence sessions, but many questions remain unanswered. For example, we still do not have a clear timetable for the next 12 months on developing, delivering and rolling out child care accounts. We still do not know what the system will look like for parents or what the user experience will be. Crucially, we do not know what provisions or agreements there might be between HMRC and NS&I—or, pending resolution of the legal action, some other party—to ensure that performance is adequately monitored.

The reasons why we hold those concerns are probably obvious to many. The services that NS&I and its partners have provided to the Government have been the subject of some concern. In particular, NS&I and its delivery partner, Atos, will be delivering child care accounts to up to 2 million families.

*[Catherine McKinnell]*

I appreciate the history of NS&I, which was known as the Post Office Savings Bank until 1969. In 1996, it became an Executive agency of the Chancellor of the Exchequer. NS&I's primary role is to raise cost-effective financing for the Government. It currently has about 25 million customers. In 2011, it began a formal retender on the contract for the day-to-day running of national savings. In February 2012, it shortlisted three suppliers: Atos, Capita and Hewlett-Packard. Atos was awarded the contract and will undertake that work, subject to contract, until 2021, as announced in May 2013.

Many Members will be aware from their postbags that Atos has been contracted to run a number of services for the Department for Work and Pensions, particularly the work capability assessments and employment and support allowance. More recently, it has taken on the personal independence payment. Those are a few of the number of contracts outsourced by the DWP, but they are perhaps the most high profile. *[Interruption.]* Does the hon. Member for Dover wish me to give way? No. Indeed, Atos is considered to be one of four major Government suppliers of outsourced services, along with Serco, Capita and G4S. Collectively, they were the subject of a Public Accounts Committee report in March 2014, the headline conclusion of which was that such companies have continually failed to live up to the standards expected and agreed to in negotiations, while there are clearly significant weaknesses in the Government's ability to negotiate and manage such contracts, as illustrated in the high-profile cases involving all four companies.

12.15 pm

In 2010, Atos began the £500 million, five-year contract for assessing, for the purposes of employment and support allowance claims, how a claimant's illness or disability affects their ability to work. However, as has been widely reported, since then more than a third of Atos's decisions have been overturned on appeal, and there is evidence that people with terminal cancer or other serious illnesses have been denied benefits as a result of its assessments.

**Charlie Elphicke** (Dover) (Con): I share many of the hon. Lady's concerns. Does she recognise that we did not give Atos that contract, but we ended it, and that I pressed National Savings & Investments in the evidence sessions on its decision-making process, because of audits that the House has seen in other areas?

**Catherine McKinnell:** Indeed, I recognise what the hon. Gentleman is saying, and I am pleased that we agree on the caution that must be exercised in ensuring that the same fate does not await the top-up payments child care scheme. Ultimately, the amendment and the issues that we raise are intended to ensure that the Government do not end up in the same situation.

**Nic Dakin** (Scunthorpe) (Lab): My hon. Friend is right to highlight this area of concern, because it relates to people having confidence in a system. To be fair to NS&I, it recognised in its evidence that it has a strong brand that will eclipse that of Atos. My hon. Friend is right to tease out the details on this issue.

**Catherine McKinnell:** I am pleased that there is collective appreciation of the concerns. It is not about the Government's reputation; it is about the importance of a scheme that is being rolled out to millions of parents and about ensuring confidence in it being delivered correctly and efficiently.

As has been pointed out, Atos announced in March that it had decided to end its contract for work capability assessments early—it was due to finish in August 2015—which was a decision that the then Minister with responsibility for disabled people, the hon. Member for Hemel Hempstead (Mike Penning), admitted was based on the fact that he had "lost faith" in the firm. That followed the Department for Work and Pensions identifying in summer 2013 "significant quality failures" in the written reports that Atos produced after tests and an improvement plan being put in place. In February, however, the DWP said that standards had declined unacceptably.

On the other hand, there is also the personal independence payment. In early 2013, Atos was also awarded the contract to carry out tests for PIP, the replacement for disability living allowance, which was rolled out nationally this year following pilot programmes last year. PIP includes a face-to-face assessment and regular reviews to ensure, in the Government's words, that support goes to those who need it most. It forms part of their plan to cut the costs of DLA by 20% by 2015-16. Atos conducts PIP assessments in Scotland, the north of England, London and the south of England, and Capita conducts PIP tests in central England, Wales and Northern Ireland.

However, the latest figures for the programme suggest that only 40% of cases registered for PIP have been cleared in 16 months. PIP was the subject of a separate Public Accounts Committee report in June 2014, when its implementation was described as "rushed", "shocking" and a "fiasco". The report stated:

> "The Department of Work and Pensions has let down some of the most vulnerable people in our society, many of whom have had to wait more than 6 months for their claims to be decided."

It also suggested that Atos had misled the DWP during the tendering process on the number of facilities it had lined up to conduct assessments. That followed a National Audit Office report earlier this year, which found that PIP will cost almost three and a half times more to administer, therefore not achieving the savings expected, and take double the amount of time to process. That was largely due to an inadequate testing phase in the north of England that failed to assess the feasibility of carrying out large volumes of tests within the expected time frames and budgets. The report found that claimants were waiting an average of 107 days, and terminally ill patients an average of 28 days, for a decision on their cases, rather than the predicted processing times of 74 days and 10 days respectively.

That is the context for the clause. By way of NS&I's contract, which is still in doubt, the clause effectively allows for Atos to become part of another major Government support scheme. Bearing in mind the relevant problems with other big public contracts, the amendment would put in place the proper processes to ensure that such a fiasco does not happen with top-up payments.

I would like to hear some reassurance from the Minister—as I am sure, would other Committee members and those following our proceedings—because the fact

is that previous problems have often centred on the ability of contractors to deliver on the commitments or promises that have they made during the tendering process, as the Public Accounts Committee found. Does the Minister recognise Atos's track record and the fact that there are a number of concerns and reservations about its ability to provide millions of child care accounts for more than a million families? Indeed, if more parents incur qualifying child care costs, that number could jump to just under 2 million families, resulting in the need to provide a great deal more child care accounts.

What oversight provisions will the Minister's Department put in place to ensure that NS&I and its associated parties deliver the scheme on time and to budget? What oversight measures will be in place to monitor the ongoing performance of child care accounts and top-up payments, which will be in the hands of NS&I and, by extension, Atos? What provisions does the Minister intend to put in place to ensure that we do not see a backlog of requests from parents for top-up payments, similar to those we have seen for the likes of PIP?

As I mentioned earlier, we have still not seen a timetable for the development and delivery of child care accounts. From the evidence given by Jane Platt last week, I understand that a timetable is difficult to provide, given the ongoing legal case. Notwithstanding that, Committee members and eligible parents will want to be reassured that a plan is in place and that we will see a smooth development and roll-out. It would be hugely reassuring if the Minister gave some idea of what the process will look like, so can she provide any details on the timetable for the next 12 months? If she can, the Opposition will be very grateful and there will be no need to press the amendment to a vote.

**Sir Bob Russell** (Colchester) (LD): I thank the hon. Lady for raising those concerns. It is all on the record: the Minister's response will be on the record, and her officials and those who carry out the contract will know that it is all on the record. Everyone will know that those concerns have been raised. I echo much of what the hon. Lady said, particularly about Atos, which would perhaps be described more accurately for the record as "Don't care Atos".

Atos has to deliver where previously, on another contract, it failed. Every Member of Parliament is aware of its past failings, so we are looking to the Minister not only to give assurances but to ensure that everyone involved delivers. I want to repeat the point I made in an earlier sitting: should anyone have a child payment stopped, they must be notified immediately, unlike other benefit schemes where they do not find out until the money is not in their account. They must be notified at the very moment the payment is stopped so that they can make alternative arrangements or lodge an appeal or challenge.

**Priti Patel:** Clause 16 is the second clause in the Bill to deal with child care accounts; it sets out who can provide them. The scheme will be administered by HMRC, which will be responsible for managing the scheme, including confirming that a parent is eligible, ensuring compliance and dealing with interactions with parents—an area that the hon. Member for Colchester has just highlighted. It is a clear and transparent system, so parents will know the status of their account.

Amendment 12 would mean that clause 16 could not come into force unless a report was laid before Parliament within three months of the Bill receiving Royal Assent. The report would need to include the timetable for delivering child care accounts, the progress to date, the provisions in place to deliver accounts to time and budget, the assistance for those without internet access, and the provisions for dealing with systems failure and monitoring the account provider. The amendment is unnecessary, because the Government recognise that the design of the scheme should be simple and as responsive as possible. That was why, when designing the scheme, we rejected a model that used multiple account providers, as many suggested that parents and child care providers would find such a model complex and burdensome.

I recognise that the simplicity of the scheme is not the only consideration here. Delivering it successfully is critical. A smooth and simple implementation will help and encourage as many parents as possible to access the benefits of the scheme. Requiring a report, as the amendment proposes, is unnecessary as I and HMRC officials have already made it clear that we are going to be engaging with stakeholders throughout the development and implementation to ensure that the scheme is a success.

Regarding the timetable, we are focused on delivering the scheme as soon as possible. That was what I said when I gave evidence last week, and there is a lot of work taking place through HMRC and NS&I. The hon. Member for Newcastle upon Tyne North specifically mentioned the legal challenge. I cannot comment on that, but there are obviously implications of it. We have no idea what will happen with the court process and the timing of it, but I assure her that it is not preventing vital work from taking place now.

The advantages of having NS&I were touched on last week, and the hon. Lady mentioned them. It is a sister agency of the Exchequer and a recognised brand, and it has an incredible track record of securely holding millions of pounds of customers' money. Seeing all its other accounts, systems and processing capabilities has given great confidence to parents, and it is, of course, a proper banking arm, with the technology and infrastructure that comes with that. There are therefore many advantages to parents of our using NS&I.

Amendment 12 makes a point about delivery on time and on budget. To help us with that, and to give the Committee complete assurance, we are working with the Cabinet Office and the major projects portfolio team. We are using their expertise in delivery mechanisms across Whitehall and in the private sector to ensure that we are asking the right questions and doing the right things so that the scheme is on track and will be delivered on time.

The hon. Lady also mentioned service standards—we heard a number of witnesses raise that issue last week, too. It is fair to say that NS&I is a responsive consumer brand, and we, as Government, understand that we have to be responsive to parents' needs. She also mentioned other examples of schemes outside the Treasury, specifically in the Department for Work and Pensions. All schemes that involve benefits or welfare payments, whatever their guise, have to have that responsive element. Parents will want to know that they can rely on their payments,

*[Priti Patel]*

including the top-ups, being made to providers clearly and accurately. That is why the scheme is being designed in that responsive way.

**Nic Dakin:** The Minister is going through this issue in intricate detail, which is helpful. Does she recognise that in the other contracts that have been referred to, there were standards there that the contractor clearly failed to deliver? That is at the heart of people's concerns in relation to this contract too. It is all very well having standards, but if they are not delivered, that does not help the consumer of the scheme.

12.30 pm

**Priti Patel:** The hon. Gentleman has pre-empted what I was about to say regarding the company that has been named repeatedly both last week and in today's discussions. The chief executive of NS&I said clearly last week—I have discussed it with her as well—that the services of Atos were procured through a very competitive process, as are other Government contracts. More importantly—I hope that this will reassure the Committee—NS&I will set key performance indicators and is absolutely on top of the delivery timetable, which comes with financial penalties, and the key clauses on delivery and performance. I think we all agree that we want the scheme to be successful. This is not about the failure of the scheme; this is about having a positive and welcoming scheme. It is about putting in place the right mechanisms to ensure that we hold to account those responsible for delivering various aspects of the service.

**Alex Cunningham:** The Minister mentioned the failure of contracts, but they often fail after successful bidders have undercut the competition, because the company then cuts staff, lowers morale among staff and does not actually deliver the required services. It then finds out that it cannot actually do the job, so it reneges on its contract, and the Government or Department are left to pick up the pieces. How can the Minister reassure us that, on this occasion, the provisions will be so robust that the providers will not have the wriggle room to fail and will have to provide the comprehensive service that is required?

**Priti Patel:** I would like to share an interesting observation on that. The chief executive of NS&I was clear when she said last week that there was an open and transparent procurement process. All the other companies that were involved in the process—I think there were two of them—said how positive it was. The process was not about driving down costs; the issue is standards and delivery, which is effectively what we have focused on throughout the design of the scheme and the process. I want to reassure the Committee that the scheme is not about the lowest common denominator—far from it; it is about quality, assurance and setting the right level of service standards. That is right and proper for this scheme—it is right for others, as well, but we are here to discuss the tax-free child care payments scheme.

I want to touch on two other points arising from the amendment, the first being assistance for households without internet access. Much of the discussion thus far has focused on the online and digital channels. When I gave evidence last week, I touched on the fact that I had gone through the walkthrough process myself. It is a key priority for us to work with stakeholders—we are working with them constantly—to explore how best we can assist groups that do not have access to the internet. We are looking at how we can register them easily, support them and operate their accounts. That is another part of the ongoing dialogue.

Members have discussed information about the scheme. We will provide information on the scheme in Braille and large print, and we will look at a range of options, including telephone engagement and opportunities for learning, so that we can support other users—potentially families and households—to access online services and give them a bit more independence through access to services. We need to ensure that the service provider of tax-free child care not only has a good approach to online software approach but is accessible to wider audiences as well. We are incredibly focused on that. Of course, that will come through more dialogue and work with stakeholders, as well as through guidance.

**Catherine McKinnell:** It is interesting that the Minister has raised that issue, because I was going to ask about it during our discussion of the next clause. However, that requirement would be dispensed with if she could reassure the Committee now that those without access to any digital device, which is a requirement because of how the scheme will be set up, will not be excluded and will be fully supported. Also, will the Minister comment on whether some form of app is being developed to ensure that those who do have access to electronic devices will have the easiest possible access to the scheme?

**Priti Patel:** That is a valid point, and I welcome the hon. Lady's intervention. We will engage extensively with all stakeholders on how we best support those who will not have direct online access. That is paramount. It is about using stakeholders' insight to develop the right kind of approach and working with them to look at the necessary points of intervention and at how we access information.

I cannot comment specifically on the app yet, because we are still in the early stages of developing the infrastructure itself—the walkthrough, the registration and things of that nature. That does not mean that it will not come. Technology is changing every minute of the day. We all have to be alive to the challenge of the positive changes in technology, which is not simply for those who are literate and able in social media. It is also about how we can use technology and apps for those who are not necessarily familiar with them.

**Nic Dakin:** In the evaluation that has been done so far through stakeholder groups, how large a percentage of the potential customer group do not have access to the internet at the moment?

**Priti Patel:** I cannot be specific, because I do not have the numbers and data to hand. I will happily share those later, because I am sure we can provide such data. The point is that the dialogue is ongoing. I would not say that we are unusual, but we are keen to work with stakeholders and we see that as part of the evolution of

the scheme. On that note, I ask the hon. Member for Newcastle upon Tyne North to withdraw the amendment.

**Catherine McKinnell:** I thank the Minister for her reply and appreciate her thorough response, which was heartening. Inevitably, some concerns will remain. She is aware of that and they are on the record, although we would take no pleasure in saying, "We told you so." That is not the approach that the Government are seeking to take with what I agree is a positive scheme, which we all want to see rolled out as widely and as efficiently as possible. We will continue to monitor the situation over the next 12 months, and we look forward to continuous updates on the roll-out of the scheme to ensure that it goes to timetable as promised. Having received some reassurances from the Minister, however, I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Clause 16 ordered to stand part of the Bill.*

*Clause 17 ordered to stand part of the Bill.*

## Clause 18

CASES WHERE THERE IS MORE THAN ONE ELIGIBLE PERSON

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

**Catherine McKinnell:** Unfortunately, the Minister's response on clause 16 did not dispense with the queries that I have about clause 18, because they refer to sensitive matters. Eligible parents may find that they cannot decide between themselves who should operate the child care account for a given child, and both may have applied to HMRC to open an account, so that there is a dispute. Clause 4 specifies that only one person may be an account holder, and it follows that parents need to decide between themselves who will hold and operate the account.

In an ideal situation, amicable arrangements should always be reachable, but that is not the reality for a number of households. I therefore wish to probe the Minister on how HMRC intends to deal with a dispute. I understand that HMRC will be put in the position of having to decide who should be allowed to open the child care account. What provisions will be in place for appeals against such a decision?

Clause 24, which we will come to, allows HMRC to place restrictions on a child care account when another parent has applied to open an account for the same child while HMRC makes a decision on who should have that account. That speaks to the concerns expressed on clause 16 about who will be delivering the accounts, because although with the best will in the world the Government wish the scheme to be a haven of simplicity, complexities will arise.

Will the Minister clarify how HMRC will make such decisions? Will there be set criteria that HMRC officials will have regard to in such cases? Has she made any assessment of the number of cases of separated parents in dispute that HMRC could be dealing with? Her predecessor, the hon. Member for South West Hertfordshire (Mr Gauke), informed me in answer to a written parliamentary question that some 30,000 separated parents were expected to apply for child care accounts. Does the Minister know how many of those separated parents might fall into the category described in clause 18? So far, there does not seem to be a huge amount of information. I appreciate that she will be unwilling to focus on such a negative aspect of the scheme, but parents who will be affected would welcome some clarity.

**Priti Patel:** As the hon. Lady says, clause 18 deals with cases where two or more people have applied to HMRC to open a child care account for the same child. We touched on the design of the scheme under clause 15, which allows for one person to hold an active child care account for a child. However, that highlights the fact that unlike in the vast majority of cases, in which members of a couple meet the eligibility criteria, there are situations and scenarios in some households and relationships where there are disputes and disagreements. That brings complexity with family arrangements and child care provision.

When members of a couple or anyone else who shares responsibility for a child are unable to reach agreement on who should hold the child care account, HMRC will decide, and be involved in how to decide, the eligible party who will be responsible for the child care account. That decision will be based on information available at the time, and facts that can be considered will include who has responsibility for child care payments and who needs to use child care to enable them to work. That meets the whole objective of the scheme.

HMRC will publish guidance setting out the criteria that it will use to solve disputed claims. Naturally, we hope that those claims will be a small minority, but it is difficult to predict the numbers involved. In an ideal world, we would like parents to be able to reach agreements amicably, but the guidance, once it is published, will enable HMRC to liaise with parents.

**Catherine McKinnell:** I appreciate that this is rather a tricky area that will need some consideration, but another potential complexity that occurred to me while the Minister was speaking was a situation where a parent is within the current voucher scheme and another parent seeks to apply for the new scheme instead. How will HMRC make the decision in those circumstances? I wanted to put that on the record to ensure that the Government iron out all those potential complexities before they arise.

**Priti Patel:** That is a very good point. I thank the hon. Lady for that. These are not new scenarios; they are continuous, pre-existing issues. For example, HMRC effectively deals with the same issue in the case of child benefit. It is important to reassure the Committee that we will learn lessons from previous schemes to ensure that we get it right, and the guidance and advice from HMRC setting out the criteria on how it will resolve disputed claims are vital. I hope that that gives the hon. Lady assurance.

*Question put and agreed to.*

*Clause 18 accordingly ordered to stand part of the Bill.*

*Clause 19 ordered to stand part of the Bill.*

**Clause 20**

PAYMENTS THAT MAY BE MADE FROM CHILDCARE ACCOUNTS

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

12.45 pm

**Catherine McKinnell:** Clause 20 deals with payments made from child care accounts. Subsection (1) states that the only payments authorised from the accounts will be

"payments in respect of qualifying childcare for the relevant child"

for whom the account is held, and

"withdrawals made by the account-holder."

As we have said, if parents do not need all the money in a child care account to pay for child care, they can withdraw some of it. Such payments are defined in subsection (3) as "permitted payments." The clause allows a permitted payment to be made for an entire entitlement period, even if the account holder becomes ineligible at some point in that period. That allows parents who have, for whatever reason, become ineligible to spend or withdraw that accrued fund if they wish.

I have just one query about that provision, which is about the definition of "prohibited" as oppose to "permitted", which is the language used. "Prohibited" means forbidden or banned and would therefore imply that such payments are not allowed under clause 20. However, the explanatory notes imply that in a scenario where, for example, a parent had two children and chose to pay for both children's child care in a single payment out of one child care account, such payments would be permitted for the part relating to the child for whom the account was held. I appreciate that that is a bit complicated, as are the scenarios that might arise, but will the Minister clarify whether, in certain circumstances, parents will be able to pay for child care for two children with a single payment from one child care account, as the explanatory notes seem to imply? If so, will she clarify that such payments will not be prohibited, as the Bill seems to suggest, and that they will simply not attract the top-up payment?

It is important to clarify what is a permitted and a prohibited payment, and what will attract the top-up payment as opposed to transactions that are allowed and not allowed to be made out of the account. I therefore suggest that "qualifying" and "not qualifying" would be better terms to describe payments. "Permitted" and "not permitted" could cause confusion for child care account users. The Minister may not have an answer right away, but will she give some consideration to how we could clarify the legislation for parents and account users?

**Priti Patel:** Clause 20 sets out the rules that apply to payments made out of child care accounts. Those rules are designed to ensure that the Government top-up is spent for its intended purposes of helping families with their child care costs. There are two types of payment that account holders can make: payments for qualifying child care for the child for whom the account is held, and withdrawals of funds deposited in the account. Payments for qualifying child care do not really need any further elaboration. When a person withdraws their money from their child care account, the amount that represents the Government top-up payments will be returned to HMRC. I will come on to that in more detail when we come to clause 22.

The ability to withdraw funds has been included in response to comments made by parents during the consultation. They said that circumstances could arise in which they need access to their money and need to take funds out of their child care account. Payments to the child care provider and withdrawals are referred to in the Bill as "permitted payments". A payment for any other purpose is referred to as a "prohibited payment", as the hon. Lady has highlighted. A prohibited payment could be a payment for child care for a different child or to an unregistered child care provider. Provisions exist elsewhere in the Bill for HMRC to recover the top-up element of any prohibited payment—and we will return to that point when we come to clause 39. The rules are there to ensure that the support provided by the Government under the scheme is spent properly on qualifying child care, as intended and highlighted throughout the Bill.

The hon. Lady has highlighted the fact that it is important to get the language we use right. As we discuss later clauses, we can consider that.

*Question put and agreed to.*

*Clause 20 accordingly ordered to stand part of the Bill.*

*Clause 21 ordered to stand part of the Bill.*

**Clause 22**

WITHDRAWALS

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

**Catherine McKinnell:** As the Minister alluded to in her remarks on clause 20, there are complexities connected to clause 22 and withdrawals by an account holder who chooses to withdraw their money from a child care account, as allowed under clause 20. Clause 22 ensures that when an account holder makes a withdrawal, the account provider will pay the corresponding top-up payment back to HMRC. Subsection (2) provides a formula for calculating the top-up amount that must be repaid. To ensure that the top-up can be returned, subsection (3) requires that the maximum withdrawal from a child care account be equal to 80% of the funds left in an account. The other 20% can then be returned to HMRC.

Will the Minister clarify that my understanding is not correct and that the following scenario would not arise? As we discussed earlier, clause 19 allows for payments into accounts over and above the £2,000 a quarter that can receive the top-up. Someone could therefore have money in the account that is not eligible for the top-up. There could be a scenario in which a parent has, for example, £4,000 in their account, but only £500 of that is a Government top-up, because only the first £2,000 receives the top-up. In such cases the 80:20 ratio would not be valid, as only 12.5% of the money in the account would be the top-up payment; the remaining 87.5% would have come from elsewhere and not from the Government. On my understanding, the clause would

prevent an account holder from taking out more than £3,200 of the £4,000, rather than the £3,500 they have put in themselves. Will she confirm that that is not the case and clarify how, in such circumstances, parents will withdraw the remaining funds that they have paid in over and above the top-up amount?

The Government have suggested that they want employers to be involved in the new top-up scheme. The consultation response in March suggested that their intention was to facilitate employers being able to pay directly into child care accounts if they wished to do so, describing it as a payment role for employers. Clause 22 does not make provision for parents withdrawing money that was paid in for the purpose of child care by somebody else—an employer or otherwise—but that they have not spent on child care. Will the Minister confirm whether parents will be free to withdraw money paid in by an employer or other source? If so, what safeguards will there be to ensure that parents cannot simply withdraw from employers money that is intended to support employee child care? Are the Government even concerned about that issue?

Finally, the consultation response suggested that the Government would limit the number of withdrawals an account holder could make from a child care account. The clause does not make any provision for that, so there seems to be an anomaly with the consultation response. Will the Minister clarify whether the Government still intend to pursue that point?

**Priti Patel:** The clause sets out the rules that apply when amounts are withdrawn from a child care account for purposes other than to pay for qualifying child care. As we have discussed and explained before, account holders will be permitted to withdraw some or all of their funds from a child care account. However, when a parent makes such a withdrawal, steps must be taken to ensure that the corresponding Government top-up payment is returned to HMRC. To ensure that that happens, the clause imposes a requirement on the account provider to pay back to HMRC the element of a withdrawal that represents the Government top-up payment, meaning that parents will only be able to withdraw from their child care account funds that they deposited themselves. They will not be permitted to withdraw top-up payments. Instead, the top-up payment will be returned to HMRC.

That is why we have kept the rules simple. Without such a rule, someone could pay into their child care account, claim the top-up payment from Government and then withdraw their own money back out. The result would be that funds in the account would consist entirely of top-up payments. In effect, the parent could receive 100% support from Government with their child care costs, which is of course not the intention of the Bill, and the clause prevents that from happening.

In practice, if an account holder has deposited £80 into their child care account and received a Government top-up of £20, producing a balance of £100, and they subsequently withdraw their original £80 from the account, the account provider will be required to return the remaining £20 top-up payment to HMRC, leaving a zero balance. The rule is essential to ensure that child care accounts operate correctly. It guarantees that funds in any child care account will always comprise 80% money from parents and 20% Government top-up payments. At the same time, it gives parents the flexibility to withdraw their own money from their accounts, while ensuring that no one can receive Government support with their child care costs when they have not made the full 80% contribution themselves.

In some circumstances, HMRC may impose restrictions on accounts to prevent qualifying payments from being made. Parents' behaviour will also be looked at. If a pattern of withdrawals appears too frequent, the motivation will be queried. We are conscious of that, which is why we have been clear with the rule.

**Catherine McKinnell:** Will the Minister acknowledge that referring to the 80:20 ratio is potentially confusing for parents when they pay over and above the amount that is eligible for a top-up? The 80:20 ratio would not or should not apply in such circumstances. It would be good to make it clear that parents who have paid in extra money can take that money out and leave in the money that is applicable to the 80:20 ratio and the top-up payment, although that does not relate to payments from third parties. I appreciate that it is quite complicated, but I want to put it on the record that it could cause confusion for parents who are nervous about depositing money into the account over and above the amount that attracts the top-up. They may fear that they will not be able to withdraw those funds because of an arbitrary 80:20 ratio that does not necessarily apply.

**Priti Patel:** The child care account will always have that 80:20 ratio, which is to keep it simple. However, guidance about the scheme, which is vital, will obviously be given to parents.

*Question put and agreed to.*

*Clause 22 accordingly ordered to stand part of the Bill.*

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

12.59 pm

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