



Northern Ireland
Assembly

Committee for the Office of the First Minister
and deputy First Minister

OFFICIAL REPORT (Hansard)

Childcare Payments Bill — Legislative
Consent Motion: Employers For Childcare

2 July 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Chris Lyttle (Deputy Chairperson)
Mr Leslie Cree
Mr Alex Maskey
Ms Bronwyn McGahan
Mr Stephen Moutray
Mr George Robinson
Mr Jimmy Spratt

Witnesses:

Mr Chris Briggs	Employers For Childcare Charitable Group
Miss Rachel Dennison	Employers For Childcare Charitable Group
Mrs Mairaid McMahon	Employers For Childcare Charitable Group

The Deputy Chairperson: I am glad to be able to welcome to the Committee Mairaid McMahon, director of charity services; Rachel Dennison, research officer; and Chris Briggs, family benefits officer. You are very welcome, folks. It is good to see you. Thank you for being able to attend the Committee at such short notice. I realise that this is an extremely important issue, and I invite you to make some opening remarks. We are under time constraints today, so I suggest that you keep your presentation remarks to about five minutes and we will then take questions from the Committee.

Mrs Mairaid McMahon (Employers For Childcare Charitable Group): Thank you very much, Mr Deputy Chairperson and members, for taking the time. We understand that we are under pressure and so we will try to whisk through this as quickly as possible. As you said, I am director of charity services at Employers For Childcare. My colleague Chris leads on our family benefits advisory service, and Rachel leads on our research and policy services.

At Employers For Childcare, our mission is to make it easier for parents with dependent children to get into or stay in work. We are here today to represent those hard-working parents whose interests, we believe, have not been fully considered in the development of the policy. To be absolutely clear from the outset, we welcome the introduction of the tax-free childcare scheme that supports parents who will be better off using that option to support them with their childcare costs, but we need to be very clear about what the tax-free childcare scheme has to offer. We hear a lot about the potential savings of £2,000 per child per year in the media coverage of the scheme, but what we do not hear is that, according to a recent survey, only 20% of parents will be eligible for anything close to that amount.

We have a number of concerns about the Childcare Payments Bill as currently drafted, which broadly fall under two headings. One relates to the operation of the tax-free childcare scheme and the second relates to the repeal of employer-supported childcare, which Rachel will explain in a moment.

I will look first at the proposed Childcare Payments Bill. We have a number of concerns that we have outlined in detail in the written briefing, and I do not want to go over them all now, but I will pick out a couple of key elements to illustrate the problems that we foresee with the scheme in its current shape.

The tax-free childcare scheme requires both parents to be in work to be eligible for payments and provides support only for the amount of childcare required to cover the hours worked by parents. That completely fails to take account of the realities faced by many families in Northern Ireland, particularly those on lower incomes whose working hours change as they are employed on shift patterns, zero-hours contracts or agency work. What does not change for those families is their childcare costs. So, to tie their eligibility for payments to their working hours seems illogical and completely unfair.

Restricting the scheme to families in which both parents are in work will also have a hugely detrimental impact on households in which one parent becomes unemployed during the three-month eligibility period, meaning that they will no longer be eligible for tax-free childcare and will probably therefore lose their place with the registered childcare provider. They are also unlikely to be entitled to the childcare element of working tax credit to supplement their income in those circumstances. That will have a further knock-on impact on the ability of that parent to get back into work, further disadvantaging that family.

Reducing the age of children for which parents will be eligible for support with childcare costs to just 12 will have a detrimental effect on parents who require the support of breakfast and after-school clubs to help them stay in work while their children attend secondary school. It also undermines OFMDFM's Bright Start strategy, which aims to provide places for children up to the age of 14 in those breakfast and after-school clubs.

The administrative burden of a scheme that requires parents to prove their eligibility every three months will also be considerable and does not appear to have been taken into account in any calculations around the cost of introducing it. That also increases the risk of mistakes being made in such applications, with the threat of massive and simply unaffordable penalties for parents if their mistake is considered to be careless or deliberate by HMRC. The legislation as drafted also enables tax-free childcare account providers, who have yet to be identified, to charge certain fees in the course of providing accounts, and we are fundamentally opposed to the idea that parents should have to pay to access government support in that way. We note that the existing childcare voucher scheme model represents a much better way, being funded as it is through the savings made by employers who pay lower national insurance contributions.

I will pass over to Rachel, who will explain to you the repeal of employer-supported childcare.

Miss Rachel Dennison (Employers For Childcare Charitable Group): Clauses 62 and 63 of the Childcare Payments Bill will close the childcare voucher scheme to new entries from autumn next year. We are strongly opposed to the measure because it will limit choice for parents and the ability for families to avail themselves of whatever type of support is most beneficial to them. We also know that many parents will be worse off as a result of the change.

We agree that there is need to reform the childcare voucher scheme in its current status, and we recommend, for example, changes such as increasing the voucher amount, making it available to parents who are self-employed and also introducing a statutory right to request a childcare voucher scheme in your workplace in a similar way that you have the right to request flexible working. Those measures would help to increase uptake of the scheme. However, to remove the scheme completely will impact on local parents, many of whom will be financially worse off because they will no longer be able to save £1,800 a month, as they currently can through the scheme. Others will be forced to reduce their hours of work because they are spending on childcare and need to reduce that spending, and an unknown number will have their capacity to return to work hampered because of the loss of a childcare place if they become unemployed during an eligibility period.

We also know that there will be an impact on local employers if the childcare voucher scheme is closed. They will lose out on not only the national insurance contribution savings that they currently make but a critical tool that supports employees with the cost of childcare and encourages parents to return to work after parental leave. I will give one quick example of the increased financial costs for employers. Last year, the Northern Ireland Civil Service saved £32,000 by offering the childcare

voucher scheme to staff. That is an annual saving of £348,000 for just one single employer. We know that around 1,000 local companies use the scheme, and we are concerned that businesses and their staff will lose out and that they will not understand the increased costs if the childcare voucher scheme closes.

Given the massive complexities of tax-free childcare, we are concerned about the potential impact on childcare providers as well. They will face increased administration costs, as they must account for each child's care in each family separately.

Given all the Executive's efforts to drive economic growth, we are concerned about the impact on the economy, as the measure could reduce the capacity for families to return to work and stay in work.

As the current childcare voucher scheme will be grandfathered after the tax-free childcare scheme is introduced, with recipients being allowed to continue to avail themselves of the support for many years to come, we believe that further consideration should be given to allowing the scheme to remain open for new entrants who would be better off using vouchers than tax-free childcare. If parents are only entitled to claim one form of support, it would seem to us that this option will have limited financial implications, if any, and we believe that it should, therefore, be considered in more detail before any final decisions are made.

Mrs McMahon: So, to conclude, whilst we welcome the introduction of tax-free childcare for those parents who will benefit from it, we believe that the scheme needs to be amended to reflect the realities facing parents who are seeking to balance their work with their childcare requirements, and we oppose the closure of employer-supported childcare schemes.

We believe that this is an opportunity for the Northern Ireland Assembly to learn from the mistakes that are about to be made elsewhere and to adapt that approach before it extending here. We are particularly concerned that we have not had sight of any economic impact assessment of the measure locally, nor any equality impact assessment, which would undoubtedly identify differential impacts across a range of section 75 groupings.

Furthermore, we are concerned about the assumptions made in the draft legislative consent memo that there is no scope to introduce regional variations, which not only undermines the principle of devolution but appears to attempt to limit the powers of the Assembly to deviate without clear justification. Given that no detailed costings have been provided, outlining how many families and employers will be better or worse off and to what extent as a result of this legislative change, it is simply not possible to determine whether or not such deviation would be desirable.

There are countless examples of Ministers in the Northern Ireland Assembly using their powers to adapt and modify Westminster policies to suit Northern Ireland circumstances. As recently as this week, the Minister for Social Development announced that, unlike his counterparts elsewhere, he would be waiving the introduction of a £20 application charge for child maintenance services. If deviation from the Westminster proposals would incur additional costs for Northern Ireland, we would need to examine those closely and balance them against the £13 million in annual savings that will be lost to parents and employers with the closure of the voucher scheme.

The tax-free childcare scheme risks undermining efforts to reduce economic inactivity by reducing support for some parents to secure and sustain employment and takes no account of the need to encourage people who are not in employment to avail themselves of opportunities for training or education.

Most worryingly of all for us, we know that very few families will be able to avail themselves of the much-heralded savings of £2,000 a year and that many will end up worse off as a result of switching to a superficially attractive scheme that actually delivers lower savings in the long term.

Thank you very much for your time. We are happy to take any questions.

The Deputy Chairperson: Thank you very much indeed for your presentations. What level of consultation was there with organisations in Northern Ireland on the proposals?

Mrs McMahon: Locally, we are not clear exactly what consultation was undertaken by OFMDFM. Obviously, we responded to the consultation at Westminster when it was published, but we envisaged

that we would have an opportunity to shape this for Northern Ireland at some point. That is what we are trying to do here today, but we have not really had much say other than this.

The Deputy Chairperson: OK. How significant a change do you think that this will be? Will you give us some key core messages about the significance of what is being proposed?

Mrs McMahon: Essentially, the legislation will close the childcare voucher scheme to new entrants from autumn 2015. Currently, about 11,000 parents in Northern Ireland are using that scheme. They are saving an average of £1,866 a year. The average cost of a childcare place in Northern Ireland is about £8,200. So, on childcare vouchers, they are saving £1,866, and the maximum that they would save under tax-free childcare is £1,640. That is £226 out of that working family's pocket, and that is just an average amount. There are people who are paying more. There are people who are paying less. Those people will receive even less through the tax-free childcare scheme because it is so closely correlated with the actual amount that is being paid for the hours worked by the parent, not necessarily the amount that those parents are paying, perhaps to secure a full-time place, even though they are only working part-time hours because that is all that they can get.

The Deputy Chairperson: So, you are laying down a direct challenge that this is a better policy than what is in place at the moment.

Mrs McMahon: In some circumstances, it is. In other circumstances — do not get us wrong — tax-free childcare is better for some families. We are saying that we need both options. Rather than restricting choice in this way, we need to make sure that we have considered this carefully and that we try to protect both options, if that is at all possible.

The Deputy Chairperson: How public and well communicated was the UK consultation on the issue here in Northern Ireland?

Mrs McMahon: Again, I am not 100% sure how well publicised it was. Obviously, we knew about it because it is an issue that we care about, so we made a point of keeping ourselves aware of it. The proposals have changed and continue to change. There is a further consultation that just closed last week on another element of this scheme, so it is very difficult to get to grips with exactly how it will roll out. There is a lot of confusion, and I doubt that many parents in Northern Ireland are even aware that this is happening.

The Deputy Chairperson: I agree with you. That is one of my biggest concerns. When the announcements were being made, I remember parents asking how this would affect us here in Northern Ireland. I remember asking OFMDFM how it would impact here in Northern Ireland, and I do not think that we have had a huge amount of response. Hopefully, we will get some better updates today from officials. I have a major concern that a significant policy change is being proposed and is in train and that quite a significant number of people are probably unaware that that is the case.

Mr Maskey: Thank you, Mairaid and Rachel, for your presentation. I have a couple of points. You said that this policy would conflict with the Department's Bright Start programme. Will you elaborate on that? Given that you said that you welcome some aspects of the policy but not all, at the end of the day, if the policy were introduced, would more people or fewer people benefit from the new scheme? Somewhere down the line, people might have to make a judgement that that is better than that because more people will benefit. Do you have a sense of that? You may not, but what is your opinion on that?

Mrs McMahon: I do not want to speak for the officials, who are sitting behind me, on Bright Start. They know more about it than me. Part of the Bright Start strategy is to provide breakfast and after-school club provision for children up to the age of 14. Tax-free childcare will only be available for children up to the age of 12, so there is a clear mismatch there with what the Department is trying to provide and what parents will be able to afford if they cannot get any assistance once the child reaches 12 years of age.

I totally understand that this might sound like we like some bits and do not like others. The part of the legislation that we really do not like are clauses 62 and 63 of the Westminster Bill, and they are the parts that repeal the employer-supported childcare scheme. If there were some way in which we could not extend that here, so that we could introduce the tax-free childcare scheme and leave the employer-supported childcare scheme as it stands and figure out a way of making sure that nobody

can benefit twice and that everybody has the opportunity to consider in their own circumstances who would be better off, that, to be honest, would be our ideal position. Perhaps, Chris will explain a bit about the work that he does in advising parents at the moment.

Mr Chris Briggs (Employers For Childcare Charitable Group): We talk to approximately 4,500 parents a year, and, of the ones who we do a benefits calculation for, we look at whether they are better off on childcare vouchers or better off on tax credits, as it is at the moment. Approximately 56% of people are better off on the childcare voucher scheme than on the childcare element of working tax credits. A comparison will have to be done for all parents to find out under which one they are better off, as there is a comparison being done at the moment. There will always be two forms of childcare that they will be able to choose. Which one they are better off on will depend on their circumstances, their income and what their childcare costs are.

Mr Maskey: Are you saying that, if the policy were to come in, fewer people would benefit than currently, under the voucher scheme? Numerically, I mean. It may be hard to make a judgement on that.

Mr Briggs: It is hard to make a judgement on it, because it is based on everybody's personal circumstances. At the moment, about 11,000 people are using the childcare voucher scheme, and they are the ones who definitely are better off on childcare vouchers. We do not know whether they would be better off on tax-free childcare compared with childcare vouchers. We do not have those figures.

Mr Spratt: Thanks for the presentation. I get the impression that you want the best of both worlds. Have you costed it out?

Mrs McMahon: Of course we want the best of both worlds for parents —

Mr Spratt: Have you costed it? That was the question.

Mrs McMahon: — because these are working parents, and we are trying to keep them in work.

Mr Spratt: I understand that, but have you costed it?

Mrs McMahon: No, we have not. We do not have all of that data at our fingertips. We could not really cost out what the two schemes would run in parallel. We can tell you that the Northern Ireland economy is currently receiving £13 million in savings through the childcare voucher scheme. That is money that is coming from Westminster into the Northern Ireland economy directly as a result of the childcare voucher scheme. If that scheme were to close, we would lose those savings. So, we would need to know that any deviation is going to cost more than that figure of £13 million, otherwise it will be a net loss.

Mr Spratt: Have you asked that question to anybody or any of the Departments?

Mrs McMahon: We would like to know whether the Department has those figures. Certainly, we can ask it.

Mr Spratt: Have you asked?

Mrs McMahon: We have not at this stage, no.

Mr Spratt: As a matter of interest, who funds you, the Employers For Childcare Charitable Group?

Mrs McMahon: We are a 100% self-financing charitable group. There are three elements to the group.

Mr Spratt: So, you raise your money through charitable events.

Mrs McMahon: Through our social enterprises. We run two social enterprises, and they fund the charity.

Mr Spratt: Where are they based?

Mrs McMahon: In Lisburn.

Mr Spratt: I am just interested, because I have not heard of your organisation before. I am interested, given what you have said to us. You do not rule out the change, but you would want to know how many people it is going to affect, and I think that the Committee will want to know that as well.

The Deputy Chairperson: I agree, Jimmy. Mairaid, I think that you were alluding to the fact that this will affect businesses through the savings that they currently make via national insurance contributions. Can you say a bit more about that?

Mrs McMahon: Absolutely. At the moment, employers save the 13.8% employers' national insurance contributions on any amount that is sacrificed by their employees through the childcare voucher scheme. That adds up to something in the region of £4 million a year in Northern Ireland. Those costs will go directly back into those businesses, which will have to pay that difference.

The Deputy Chairperson: Have you received much representation from businesses? Are they aware of this?

Mrs McMahon: Again, I would be very surprised if they are aware of it or if they are aware that they understand that this is what is going to happen.

Mr Spratt: What you are asking for is funded by Westminster, and what you might like might have to have additional funding. There is no control here over national insurance contributions, taxation and HMRC. We do not have the luxury of that control. If there were additional costs, say a number of millions of pounds, where would you suggest that it comes from, given that there is a Budget now that all Departments — all Departments — are struggling with?

Mrs McMahon: Of course, they are. The model that we are most familiar with is the childcare voucher model. The way in which childcare vouchers work is that they are subsidised by the savings that are made by employers. So, employers are contributing to these schemes to enable parents to stay in work. That is where that funding comes from, so that is why it is not costing us anything at the moment.

Mr Spratt: Are you suggesting to me that there should be some sort of a levy on employers?

Mrs McMahon: That is how the current scheme works, and it works for everybody because, whilst they pay lower national insurance contributions, they pay an element of that towards the childcare voucher company, which can then provide the childcare vouchers for the parents and, yet, they still save. So, it is a net benefit for everybody. It is a win-win situation for everyone. It works. It is a model that works for 11,000 parents and over 1,000 organisations in Northern Ireland. So, we are keen to see that continue.

The Deputy Chairperson: I suppose that it puts into stark contrast the fact that the Office of the First Minister and deputy First Minister has, to date, approximately £9 million unspent of a £12 million childcare budget from 2011 to 2015. It shows how that has been used or how it could be used in relation to some of these issues. We will find this out and develop this, but what is the scope for making any adjustments at Westminster level at this stage as opposed to having to go down the road that Mr Spratt rightly outlined of local, devolved funding for an alternative approach?

Mrs McMahon: Honestly, we do not know what the scope is. We are working very hard with various MPs to try to make them aware of this change, because we are not even sure that they all understand how this will impact on parents.

The Deputy Chairperson: Have you met Northern Ireland MPs?

Mrs McMahon: We have met some, and we are hoping to hear back from others soon.

The Deputy Chairperson: OK. It is obviously a fairly urgent issue. We appreciate the detailed written briefing that you have given us today and the oral evidence that you have provided. I will be

glad to stay in touch with you over the summer. The Committee will have a decision to make in early September at our first meeting. It would be good to hear in a bit more detail how those meetings with MPs and the like go as well to make sure that we get the best result for people in Northern Ireland. If you have any other information or findings over the summer, feel free to forward those to the Committee. Thank you very much indeed for presenting to us today.

Mrs McMahon: Thank you very much for your time.