



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

OFFICIAL REPORT (Hansard)

**Childcare Payments Bill - Legislative
Consent Motion: OFMDFM Officials**

17 September 2014

NORTHERN IRELAND ASSEMBLY

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Childcare Payments Bill - Legislative Consent Motion: OFMDFM Officials

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Members present for all or part of the proceedings:

Mr Mike Nesbitt (Chairperson)
Mr Chris Lyttle (Deputy Chairperson)
Mr Alex Attwood
Mr Leslie Cree
Ms Megan Fearon
Mrs Brenda Hale
Mr Alex Maskey
Ms Bronwyn McGahan
Mr Stephen Moutray
Mr Jimmy Spratt

Witnesses:

Mr David McGowan	Office of the First Minister and deputy First Minister
Ms Margaret Rose McNaughton	Office of the First Minister and deputy First Minister

The Chairperson: I invite to the table Margaret Rose McNaughton and David McGowan from the Department. David and Margaret Rose, thank you very much for attending. Am I right in understanding that you do not intend to make opening comments?

Ms Margaret Rose McNaughton (Office of the First Minister and deputy First Minister): We do not intend to, because of the briefing that was given on 2 July and the further information that was provided.

The Chairperson: Have you anything to add to the briefing that you gave on 2 July? Has the environment changed in any way, in your view?

Ms McNaughton: I would, perhaps, like to talk about the development of the full Bright Start childcare strategy and the potential in it to take forward any local developments.

The Chairperson: I suppose one development is coming out of London. HMRC is conducting a consultation on draft regulations relating to the new Bill. What can you tell us about that?

Ms McNaughton: I will pass that over to David.

Mr David McGowan (Office of the First Minister and deputy First Minister): Essentially, the Treasury has put those draft regulations out for technical scrutiny. I imagine that the intention is that the regulations will be available while the Bill is going through the various Westminster stages so that people have an opportunity to see the shape of the subordinate legislation which will support the primary legislation. It will fill out more gaps in information. So, it will basically allow Parliament to see the full scope of the scheme through the primary legislation and subsequent subordinate legislation.

The Chairperson: Have you scrutinised it?

Mr McGowan: We are looking at it from purely a technical aspect, particularly where it would impact on any reference to Northern Ireland.

The Chairperson: Is it the intention to cut and paste? In other words, these regulations will apply —

Mr McGowan: No, it will not be cut and paste. These regulations will directly extend to Northern Ireland, so it is not about cutting and pasting.

The Chairperson: OK. You have received the papers and opinions of Employers For Childcare from 2 July. Do you disagree in any way with their arguments or figures?

Ms McNaughton: I do not think that it is a case of disagreeing. We appreciate where Employers For Childcare is coming from. From our point of view, this is a UK Government initiative. We are very keen to make sure that people here in Northern Ireland can avail themselves of the same top-up vouchers or schemes that people in the rest of the UK can. It is not within our gift, at this stage, to remain within the voucher scheme if HMRC has decided that it is going to repeal that scheme. Therefore, we will be keen to avail ourselves of the new scheme in whatever format it takes and, then, as we develop the full childcare strategy, consider all other options that might be available to us locally in addition to the new scheme.

The Chairperson: I suppose the core of Employers For Childcare's argument is the assertion that some families will be worse off under the new scheme. Is that accurate in your estimation?

Ms McNaughton: The new scheme is not going to be perfect, and I think we all recognise that. I think that the coalition Government recognised that there would be some winners and some losers. Any new childcare strategy could look at the potential for further assistance for those who may lose out.

The Chairperson: To be clear, there will be losers under the new scheme.

Mr McGowan: May I frame it in a slightly different format, in terms of winners and losers? All those who are within the current scheme can remain within it after the new scheme is introduced. Therefore, if they are better off in the current scheme, they can remain within it. So, in effect, if they will be better off, they will stay. There should be no losers in that respect. Obviously, the difference comes from those people who enter the new scheme when it is introduced. There will obviously be a difference between those people and the ones who were previously in the scheme.

The Chairperson: "Winners and losers" is not my characterisation. I am trying to be clear about this: when the new scheme comes in, potentially in autumn 2015, new people will present who will be worse off under the new scheme than they would have been under the current scheme.

Mr McGowan: That is correct.

The Chairperson: Therefore, the question is this: what will you do to ensure that they are not disadvantaged?

Mr McGowan: It will be a level playing field for all people who are joining a completely new scheme. It is a new scheme that is different from the existing scheme. The new scheme will be broader in its scope, so more people will be entitled to receive assistance than was the case under the old scheme. Certainly, it will be a lot more targeted in how it provides support to families. It will acknowledge children in the household, so support will be related to actual childcare costs.

The Chairperson: I do not think that anybody around this table is denying the fact that the new scheme has positive aspects and that people will be better off under the new scheme, but you have admitted that there is another group of people who will be worse off under the new arrangements than they would have been under the current voucher scheme. The question is this: what are you doing to ensure that that disadvantage is addressed?

Ms McNaughton: As I said, that is where our new strategy will come in. We need to look at those people who potentially could have applied for the voucher scheme. We also need to consider that, at the moment, that the voucher scheme is only available to people if the employer signs up to it as well. There will be people who may not feel as well off under the new scheme as they potentially could have been. It is like any transition when you go from one scheme to another. There are always going to be people that we need to consider if there are any transitions that need to be considered at that time.

Moving forward with the new scheme, if we have the top-up tax credit scheme in place, we have our grant scheme under the first 15 key actions and we are developing our full strategy, that is the opportunity to look at what the gaps are, what is missing and who is being disadvantaged.

The Chairperson: I want to come back to that, but the Deputy Chair wants to say something.

Mr Lyttle: It is just a brief supplementary, Chair, to follow your questions. Has the Department done any work to try to identify the type of family that is going to be worse off or is not going to benefit under the new scheme as it would under the childcare voucher scheme? I do not know that we have been provided with that type of information.

Ms McNaughton: No, we have not done any detailed work on that at all at this stage.

Mr Lyttle: Do you not think that would have helped us to support your proposal if we had been able to see what the impact of it would be on different types of family?

Mr McGowan: The amount of support that people receive will be dependent on their individual circumstances, such as the household, the number of children in the family, the number of children who are actually using the registered childcare provision and the actual cost of that provision. There are a lot of variables in any of the calculations. At the end of the day, the amount of benefit that an individual receives will be related to the individual circumstances. The support is effectively 20% of their childcare costs for each child.

Mr Lyttle: That is grand. Thanks.

The Chairperson: You have been very candid in admitting that there will be losers with the new scheme coming in next year. I just want to try to tease out a bit more what the plan to address them is and whether you have a plan even to scope the numbers that will be in that category of yours, Margaret Rose — the losers.

Ms McNaughton: Again, I go back to the full strategy. One of the issues that we want to look at when we are developing the new strategy is the childcare market and how we can encourage more innovation, more providers and a mixed economy in that market. As part of that process we can start to look at people who will not be able to avail themselves of the voucher scheme and will potentially be worse off. At this stage it is difficult for us because we do not know the numbers. I am not even sure of the number of people who avail themselves of the voucher scheme at this stage.

The Chairperson: You are not?

Ms McNaughton: No, I am not sure of the exact numbers of people who avail themselves of that.

The Chairperson: That is surprising, is it not? You do not know the numbers.

Ms McNaughton: We have tried to —

Mr McGowan: UK-wide there are around 500,000 people in receipt of the vouchers.

The Chairperson: But in Northern Ireland?

Mr McGowan: I do not have a figure for Northern Ireland, but, as I said, UK-wide there are 500,000 vouchers.

The Chairperson: You have obviously seen the figures from Employers for Childcare. It reckons that you could put in a fix for the losers — to use your expression — which would cost a little over £1 million a year.

Ms McNaughton: We would be very happy to work with Employers for Childcare on any proposals that it may have as part of the wider strategy, but we certainly could not commit to or speculate on additional funding, because Ministers and MLAs will have to take decisions on priorities and the funding positions overall.

The Chairperson: Childcare, and the cost of childcare, is a huge inhibitor to people trying to get into gainful employment. So, it is, and should be, a very big issue for this Committee.

Mr Lyttle: It is encouraging to hear that the Department is willing to work with Employers For Childcare in trying to identify ways to mitigate this. It is pretty concerning that there is a lack of knowledge of the current system. How quickly can you commit to trying to work with Employers For Childcare to work up proposals? I must admit that we feel like we have limited information to consent to this approach.

Ms McNaughton: Any discussions with Employers For Childcare will be part of the development of the wider strategy. We have already started a co-design process on the new strategy, and I know that some departmental officials have met representatives of Employers For Childcare as part of that process. We have a workshop with a number of stakeholders, including Employers For Childcare, scheduled for 3 October. Again, that is to go through the key themes that we want to see developed in the new strategy. That engagement will begin and continue as part of that process.

Mr Lyttle: OK. I think that there is consensus that the new proposals are going to be of benefit to a significant amount of people. It will include the self-employed, who were not included previously. However, there is significant concern about the lack of work that has been done on the type of person and family to whom it is not going to be of such benefit. That may well be the type of family that needs the assistance the most. There is a concerning lack of information there.

Mr Spratt: To pick up on your "winners and losers" comment, Chair —

The Chairperson: It was not mine but Margaret Rose's.

Mr Spratt: — I will talk about the winners. Can you clarify for me that self-employed people, who, under HMRC rules, were basically barred from the voucher scheme originally, will be brought into that category now? In the last number of years in Northern Ireland, a substantial number of additional people have become self-employed because of the economic downturn. It is probably the same right across the United Kingdom. They are winners now, and I am glad to hear that Chris will be a winner as well. I do not know whether or not grandas are going to be winners; that would probably be stretching it a bit far. *[Laughter.]* Surely there have to be more winners than losers now.

Ms McNaughton: I think —

Mr Spratt: Another point, Margaret Rose — what you have told us so far has been helpful — is on the money that has been spent on the voucher scheme. It is an HMRC scheme that is not devolved. That money is coming directly out of the Treasury as opposed to being part of the Northern Ireland block grant. Any changes made locally would have to be done through the block grant. Am I correct in thinking that?

Ms McNaughton: That is right; yes.

Mr Maskey: Margaret Rose and David, thank you for your presentation and for dealing with these questions. You are hearing people's sentiments here, and, broadly, we think that agreeing the new scheme is a good thing overall. However, we are concerned about the fact that there are some people who are eligible now who will not be eligible or will not benefit to the same extent. I am not

sure whether there is a quantum of winners and losers, but there certainly seems to be a category of people who will not qualify under the new scheme. That would seem a bit of a retrograde step, even though it is against the backdrop of more people benefiting. We all appear to agree with that.

The Irish Congress of Trade Unions (ICTU) is opposed to this policy change. It says that the new scheme will apply only to children up to 12 years of age as opposed to up to 16, as is the case under the current scheme. That appears to be a big change. That is over and above the argument about the quantum of people who benefit or are eligible currently but will not benefit under the new system. It appears to be a big issue that I do not think we have actually dealt with yet.

You have already had your workshops and your engagement with Employers For Childcare. It has very clear, focused views on this and has produced figures and options. As I understand it, it is very willing to consider a whole range of other options that may not even be on the table as yet. Can we have absolute assurances from your end? I know that you cannot speak for Ministers, of course. Nevertheless, can we get assurances, from the Department's point of view, that engagements will continue to try to co-design and fill gaps that might appear if we introduce this new scheme? Could you address the difference, which the ICTU has raised, of it applying only up to 12 years of age as opposed to 16?

Mr McGowan: That is clearly a differential in the development of the new scheme. However, we are moving from one scheme to a new scheme. The new scheme obviously has different parameters, and one of those is age.

Ms McNaughton: The 12 to 16 age group will be the school age childcare section. While we are doing some things on the first 15 key actions, we have all acknowledged that that is the one area in which there is a particular lack of provision. So, yes, of course we will be looking to see what additional things we need to put in place to make sure that we cover the 12 to 16 age group. There is a longer school day for some of those children, so their childcare costs are perhaps not as much, and their parents may use other methods of childcare as well.

Mr Maskey: Is there any prospect of getting a quantum of that? What does that actually mean? What is the scale of it? On the face of it, it could mean that a lot more people can benefit. But, with respect, from the age of 12, everybody is a loser — that is if you are talking about winners and losers, which is not a term that we used. More people gain up to the age of 12, but then everybody loses from 12 on.

Mr McGowan: A very simple way of finding out is identifying the number of children aged 12 and over who are in registered childcare. There might be some ways of identifying that. Effectively, what you are saying is that this system is payable only where people use registered childcare. Therefore, I would imagine that it is possible to identify the number of children aged over 12 who are currently in childcare places.

Mr Maskey: With all due respect, would it not have been appropriate for that to have been identified for us? It is an issue and a question. In other words, could it be done —

Mr McGowan: This is about the extension of a scheme to here. It is the extension of the scheme as described. Some of the issues that people are raising here are around areas that they would prefer that scheme to go into. This is not about us taking the scheme and changing it. We must accept —

The Chairperson: Sorry; with respect, David —

Mr Maskey: Is it not appropriate that we get the pros and the cons? I know that you are not the ones who are changing the policy, but you are advocating it. We are entitled to have a checklist that says, "Here are the people who benefit, and here are the people who lose". It is no good saying to me, "Well, it is a scheme that is essentially being brought into being, and some people are going to benefit" — that is a very good thing — if you then say, "All those aged from 12 to 16 will be out". What does that mean? How many people is it? Is it one person? Is it 100 people? I do not know. We should have those figures.

The Chairperson: David, with respect, the notion that this is an initiative from London that just comes across here was tried with welfare reform, and these institutions are pretty close to crisis over it. Politically, we do not accept the argument that, "London says so, so we —

Ms McNaughton: I do not think that was it.

Mr McGowan: All that I am suggesting is that we are debating a legislative consent motion. I made the point purely within the parameters of a legislative consent motion.

The Chairperson: I am 100% with you on that.

Mr McGowan: I am not saying that other things should not be done, but this is within the confines of a legislative consent motion.

The Chairperson: I think the point that Alex is making is that we do not have the numbers here. We now know that, under the current scheme, 16-year-olds qualify and that will go down to 12-year-olds, but we do not know whether there are any parents in the 12-year-olds to 16-year-olds category who are availing themselves of childcare. The number might be zero, and it is probably not going to be huge, but then again it goes back to my point: if you have people who will be winners and losers, it is important to quantify the number of losers. We do not want to have any losers; we want the number to be zero. Therefore, you need a scheme in mitigation for those in that category.

Mr Maskey: It would be useful to have that information at some point. Having read the ICTU correspondence, I do not necessarily accept all it is saying. Nevertheless, would ICTU be involved in that engagement? Would it be invited to a workshop if it wanted to engage?

Ms McNaughton: I do not think it has been formally invited to the workshops yet but I do not see any reason why we would not engage with the trade unions.

Mr Maskey: The Department could go back to ICTU saying that it was aware that the union had written to the Committee on 12 September and ask it to respond. The union is making some assertions that may well be right. I do not think that some of them are right, but it is probably better that the Department engages with ICTU anyway in case the union is right on some of these arguments.

Ms McGahan: Thank you for your presentation. Jimmy mentioned self-employed people who will benefit. We can see that the number of self-employed people has increased. I want to ask about temporary workers, because there has been a significant increase in their numbers. Where will they fit into this scheme?

Mr McGowan: Temporary workers — in what respect?

Ms McGahan: I have figures here. The number of temporary workers increased significantly between April and June 2011; there were 34,000 people. There was a small increase during the same period in 2013 and that figure has now increased by 11,000 for 2014.

Mr McGowan: The new scheme is based on a series of eligibility criteria, and part of it is that the parents are in work. If they are in work when they make the claim, the claims will be assessed and paid for per quarter. Therefore, if they lose work during the quarter they will remain entitled to the benefit for that period. At the end of the quarter, there will be a further application. Clearly, temporary workers can come in and out of the scheme depending on their circumstances when they apply. However, because of the quarterly period, any change of circumstances during the quarter will not affect entitlement for that quarter.

The Chairperson: OK, members. We are coming towards the end of this little session.

Mr Attwood: I apologise; I was delayed but I explained to the Chairperson that I had to be down the road about something else. I apologise for not hearing the Q and A and your presentation, so I do not intend to rehearse all that. I will try to make the best of what I heard and so on and so forth.

It reminds me of what is going on in Scotland at the moment. The people of Scotland have been made all these promises by London politicians and leaders, and papers have been produced at the last minute —

Mr Spratt: And Salmond.

Mr Attwood: — and there have been ads in the newspapers and the vow in the 'Daily Record' or whatever it was, but people are still not sure whether they can rely on all that. I cannot rely on something unless I see it in writing, hear it at a political level, and have something hard and fast on what the safety net voucher scheme would look like for those who are not going to benefit from the arrangements for new entrants. Unless I can see what that looks like and have it in writing, interrogate it, know that it is feasible, workable and fundable, and hear that at political level, I cannot consent to an LCM.

Whilst there may be conversations with Employers for Childcare, the Northern Ireland Committee of the Irish Congress of Trade Unions (NIC-ICTU) and various other people, those conversations are coming very late on in a process that has been going on for quite a long time. In the absence of sight, and hearing all that, I certainly cannot agree to an LCM. We will be, a bit like some people in Scotland, taking a bit of a gamble that words will translate into some hard outcomes.

Ms McNaughton: The tax-free childcare scheme is going ahead for England, Scotland and Wales in any case. HMRC has taken the decision, as I understand it, that the voucher scheme will be phased out regardless of whether we are part of the new scheme.

Mr Attwood: To new entrants from October next year.

Ms McNaughton: Yes: to new entrants from October next year.

Mr Attwood: It is not getting phased out; everybody is in it, and they want to stay in it.

The Chairperson: Effectively, the current scheme will last potentially for 16 years.

Mr McGowan: There will be a gradual transition. How long that will be —

The Chairperson: Somebody who comes in a week before the new scheme comes in will not be thrown out, so it will last for 16 years.

Mr McGowan: There is that potential.

Ms McNaughton: Providing that the employer still —

The Chairperson: That is 2031.

Ms McNaughton: — intends to run the scheme as well. It all depends on the employer still running the scheme. From our point of view, we are saying that, if the scheme is going to end for new entrants in any case, can we be part of the new scheme that will provide support to a wider number of people, including the self-employed? Also, as part of our wider childcare strategy — the full childcare strategy — we should consider what additional things we can put in place here, and we should look at the funding available and the priorities. It should be recognised that childcare is central to most of the things we are trying to do.

Mr Attwood: But answer me this: if there has been knowledge about the proposal from London for a period of time, and given all the work that has been ongoing in respect of the childcare strategy, and given the announcement in respect of Bright Start, why is there not more definition today from you about what other support might go to people who, on the face of it, will be disadvantaged because of the ending of the childcare voucher scheme for those 1,000 families or whatever in Northern Ireland? Given all the attention that has been paid to a childcare strategy and all the evolution of the legislation from London, why do we not have something more concrete today to say to us, "Actually, we think we can fill this gap"?

Ms McNaughton: We are going through a co-design process with the new strategy. We have focused the first 15 key actions on those in the most disadvantaged areas and on school-age childcare. We need to have those discussions with the wide range of stakeholders about how best they want to see childcare being developed for Northern Ireland. I am not sure whether we could pre-empt any of those discussions. We do not know the numbers of people who would be ready to apply by next October or next autumn and would therefore have to go into the new scheme. We will need to

consider all those issues as we take forward the new strategy. That is the place for it. The first 15 key actions concentrate on very specific areas.

Mr Attwood: Given the process that you have outlined, how long do you think that will be?

Ms McNaughton: We have a workshop set for 3 October. We have started the initial discussions with stakeholders, including Employers for Childcare. The intention is that a childcare strategy will be published by the end of March 2015. So, it is between now and the end of March 2015.

Mr Attwood: Do you accept that the average benefit of the new scheme is going to work out at about £600 per child, as opposed to £2,000, which was widely circulated heretofore?

Ms McNaughton: I think that £2,000 was the maximum that would be payable for any child.

Mr Attwood: Do you accept that, on average, it will be £600?

Ms McNaughton: There are different scenarios. David, you can explain some of them.

Mr McGowan: The figure of £600 has certainly been put into the public domain. That figure was mentioned at Second Reading. It will be £600 to people who received nothing previously, so a lot of the people who will benefit under the new tax-free childcare scheme will not have been in any scheme before. Therefore, the benefit to them will be the difference between nothing and what they actually receive. The £600 is an average that has been used, but, clearly, in individual circumstances, what a person receives will be dictated by the amount of childcare they are paying and the percentage contribution that will go towards that.

Mr Attwood: It is a good point that there will be winners, but, as the Chair said, our approach should be to make sure that there are zero losers. On the basis of what you have said today, there will be losers under the new arrangements. We will not know until March of next year at the earliest whether those losers might not lose out, because that is when your childcare strategy might be published and so on and so forth. That is not enough certainty, I think, when I do not think that there is a time imperative for the LCM to be tabled at this immediate moment.

Mr McGowan: The imperative is a gap that is quickly shortening. I imagine that we need to secure an LCM vote before the Westminster Bill goes to Report. If we do not have an LCM by that stage, effectively, there will be no LCM and there will be no extension. The timescale for any decision on taking a vote on this to approve is shortening. At the moment, the ball is in the Committee's court to provide a draft report to the Assembly.

Mr Attwood: When is the Report stage in London?

Mr McGowan: A date is not set on that. It has had its Second Reading. I understand that the Committee Stage could be in October, and it can very quickly get to Report shortly thereafter. I think that there is a recess around Halloween, so the Assembly needs to agree the motion or not by a date that, as I said, is closing. If the Committee does not provide a report, that will clearly impact on whether a motion will be tabled, scheduled and debated. If it is not debated or it is not secured, the opportunity will be lost.

Mr Attwood: To conclude, in London timing, that looks like November at the earliest. Today is 15 September, is it?

The Chairperson: It is 17 September.

Mr Attwood: That time should be used wisely to drill down into what is being discussed here today and see whether the bones of some resolution can be found.

Mr Spratt: I want to express not criticism but some surprise that you did not know numbers for Northern Ireland. Is it the case, because the matter is not devolved to any of the devolved institutions throughout the United Kingdom but is a HMRC matter with the tax powers lying solely at Westminster, that probably none of the devolved institutions know the numbers in their own areas? I think that we would be judged very harshly by the people who will be winners. As Bronwyn said, we know that, as

far as winners are concerned, there are more and more self-employed people than ever before. This is simply because they have had to go self-employed, for instance in the construction industry, because of the economic downturn. We need to bear that very much in our mind when we are making a decision.

The Chairperson: I am not sure, Jimmy, that anybody is against the scheme coming in.

Mr Spratt: I understand that, but I am just making the point. I am entitled to make it.

The Chairperson: We have exhausted our statutory time frame. David, you can say that the ball is in our court because we have not brought forward a report. We are about to discuss that. Equally, the Department can go ahead. Do you have any plans to bring forward the LCM?

Mr McGowan: We are giving the Committee the opportunity to publish its report.

Ms McNaughton: We would very much welcome the support of the Committee in taking forward the LCM without the Department going ahead.

The Chairperson: So, there are no plans to go ahead until you see —

Ms McNaughton: Not at this stage.

Mr McGowan: In any debate on the Floor of the Assembly, a report from the Committee will dictate the tone, so, at this stage, we have not decided to proceed with the LCM without the Committee's report.

The Chairperson: OK. Thank you both very much.