

**MINUTES OF MEETING HELD AT NEW COURT ON 2 JULY 2008**

Present: Chair: Sir Richard Tilt

Members: Mr K Akuffo  
Dr A Erskine  
Mr R Exell  
Ms A Garnham  
Professor E Kempson  
Mr L Naumann  
Professor A Ogus  
Ms P Smail  
Professor J Walker  
Professor R Walker

DWP Officials: Ms Katherine Courtney (item3)  
Mr Ross James “  
Ms Lindsay Fullarton (item 4)  
Ms Sylvia Thompson-Call “  
Ms Nina Young “  
Ms Stella Needham (item 5)  
Mr Rohan Grove “  
Mr Nick Butler (item 5)  
Mr David Wilyman (item 6)  
Ms Maria Kolpa “

HMRC Officials: Mr Simon Manclark (item 7)  
Mr David Skinner “

HMT Officials: Ms Kara Humphreys “  
Ms Kathryn McKerrow “

Secretariat: Ms G Saunders  
Mr M Langdon  
Mrs E Harnett  
Mr J Allen

Observers: Ms Shirley Chavaudra, Ms Lisa Hayes, Ms Denise Mackowiak and Ms Lizzie Irons.

Apologies: Mr Les Allamby, Mr Simon Bartley and Mrs Brigid Campbell

**Members** opened the meeting with congratulations to Mrs Brigid Campbell (in her absence) following the announcement that she has been awarded an OBE in the June 2008 Queen's Birthday Honours.

**1. Minutes of the meeting on 4th – 5th June and matters arising.**

Small changes were made to the minutes of the June meeting at sections 1.5; 1.8; 1.10; 7.11(ii) and 7.14; which were then agreed. The finalised May minutes were also agreed.

The **Secretary** advised that minuting protocols had been revised to ensure greater consistency, emphasising accuracy and presentation.

**2. Chair's Report.**

**2.1** A date has not been found for the first meeting of the MoU working group. The Secretariat is booking HMRC business on an ad hoc basis pending the new MoU. Mike Clasper is the new chair of HMRC, effective as of 1<sup>st</sup> August 2008.

*The MoU working group meeting has been set for 12<sup>th</sup> September*

**2.2** Mark Langdon has accepted a permanent G7 post in the DCSF from mid-August. **Members** thanked him for his work with SSAC. Dr Anna Bee will be returning on a part-time basis in September.

**2.3** A number of responses have been received on winter fuel payments and PA skills. **The Chair** will write to Stephen Timms about the 'Better Off in Work Credit'. Replies from ministers on Community Sentences and Seasonal Work remain outstanding.

**2.4** **The Chair** will write to Sue Garrard about the future of the Committee's public information role.

**2.5** The additional meeting on 3<sup>rd</sup> September 2008 was confirmed. Pressures on the Secretariat make it impractical to visit Northern Ireland in October 2008. The Secretariat will look for dates around April 2009. The June 2009 meeting will be booked for Cumberland Lodge on 10/11 June. **Members** commented that a meeting in Wales is overdue. There were preferences either for a single day meeting or for one which started the night before, ending by 2pm the next day so as to facilitate travel. The **Secretary** advised that there are a number of suitable venues and recommended February 2009.

**2.6** **The Chair** met with John O'Neil on 27<sup>th</sup> June and is pressing for regular attendance of a Northern Ireland representative at the monthly SSAC meetings.

**2.7** The draft lone parent report will go out to members next week.

**2.8 The Chair** asked Members if they wished to respond to the HMRC consultation on a new charter. The closing date for the consultation is 11<sup>th</sup> September 2008. **Members** were keen to comment and asked if the charter was for staff or customers. They noted that the title does not appear to cover tax credits. They were keen that principles to which HMRC would work should be separate from service standards and that clearly stated standards and statements should be enforceable, for example through the adjudicator. The **Secretary** advised that the HMRC Charter team is keen to visit and liaise with the Committee.

### **3. Customer Insight Team Presentation**

3.1 The **Chair** welcomed Katherine Courtney and Ross James, from the Customer Insight Team.

3.2 **Ms Courtney** explained what Customer Insight means by presenting customer profiles developed from a combination of private sector consumer data and DWP data. These profiles, according to **Ms Courtney**, take account of the holistic lifestyle of our customers, thus helping to develop a deeper understanding of DWP customers.

3.3 **Members** sought clarification of the term 'upwardly mobile' (see slide 5). **Ms Courtney** responded that this term referred to a group of people who had, for example, purchased their council house and tended to go on package holidays. **Ms Courtney** suggested that this definition was a measure of 'where they were' and 'where they are now'. However, **Members** argued that these were not the same concepts. **Ms Courtney** pointed out that these were not detailed profiles but for illustrative purposes to help DWP think about their customers in a new way.

3.4 **Ms Courtney** stated that Customer Insight was an attempt to develop a deep 'truth' about customer behaviour; not just social research or customer satisfaction but drawing on all available information as well as analysing data held by DWP and by other organisations.

3.5 **Ms Courtney** reported that they were seeking to understand what customer satisfaction means at a 'pan-Departmental' level. In order to do this they were developing baseline data and will use this information in the development of a new Customer Charter. As part of this baseline **Ms Courtney** reported that, they have conducted interviews with staff, customers and other stakeholders regarding the key drivers to customer satisfaction. **Ms Courtney** said that slides 9 – 15 provided an overview of the findings from this work.

3.6 The **Chair** asked if the research had taken account of the interaction of customers' expectations and satisfaction levels, arguing that if customers had low expectations then they are more likely to have higher satisfaction levels. **Mr James** accepted that this maybe the case but not an issue which has been examined as part of this research.

3.7 **Members** were unsurprised to find that intermediaries were less satisfied than customers (see slide 12), their role being to intervene on behalf of the customer and this would also explain the high level of importance placed on outcomes for this group. However, **Members** did note their surprise in regard to the large gap between customers and intermediaries in the level of satisfaction in 'treatment'.

3.8 **Members** asked if there were any detectable differences in satisfaction levels between new and repeat customers. **Mr James** reported that this data is not available from this research.

3.9 **Mr James** presented the 21 sub-drivers which made up the 4 key drivers of customer satisfaction (see slide 14) and showed the sub-drivers which they considered offered the most opportunity for improvements.

3.10 **Members** considered that this was important work which should be used in the design of new processes and policies and in resource planning. However, **Members** argued that this work needed to be built into the corporate memory, commenting that the results presented here were identical to the results of similar work undertaken in 1994. **Members** pointed out that this information had made it to the outside world via academic publications but had been forgotten by the Department.

3.11 **Ms Courtney** responded by stating that this information was currently being imbedded in the HR strategy. **Members** felt that there would be a strong case to conduct research to understand how and why this previous knowledge had been lost. **Ms Courtney** agreed to consider these issues.

3.12 **Members** felt that this profiling work should drive the targeting of service provision to meet the needs of the most disadvantaged customer groups. **Ms Courtney** indicated that this has been considered, and subsequent to the meeting reported that feedback from staff reports that the current target structure does not allow services to be tailored for specific individuals or small groups of customers.

3.13 **Mr James** informed the Committee that this was primarily a telephone survey; however, the provision of alternative questionnaire formats (e.g. completing the form by post) were made available. Sampling for this survey was based on the number of customer contacts with the Department rather than the benefits claimed.

3.14 **Members** asked when a published report would be available and felt that Ministers should know about the results of this survey. **Ms Courtney** reported that the publication date is planned for late August

3.15 **Ms Courtney** reported that they did not intend to publish the survey results for staff (a separate piece of work to the customer research). **Members** questioned the rationale for this decision and remarked that this was an important issue which needed to be published as this would be

consistent with the publication of other research involving the views of staff. **Ms Courtney** argued that there were sensitive issues involved but that the team would be working with staff in order to disseminate messages from this survey. Consequently, consideration will be given to publishing the staff findings at a later date. The **Chair** stated that the Committee was giving a clear steer to publish both the customer and staff findings.

3.16 **Members** asked if survey results could be presented by customer profile groups. **Mr James** reported that this would be done as part of the next wave of analysis. **Members** questioned if this was possible given the sample size (3,200); **Mr James** maintained that it was. **Members** suggested that the survey results should be presented by benefit group and consider the impacts of satisfaction levels of complications in benefit claims. **Mr James** responded positively to this suggestion.

3.17 The **Chair** asked when the Customer Charter was expected to be completed and if it will be aligned with the HMRC Customer Charter. **Ms Courtney** reported that they were working with HMRC but to different timetables. It was suggested that these two charters would be consistent but not necessarily the same. **Ms Courtney** reported that they expected to have the DWP Customer Charter ready by the end of this operational year.

#### **4. The Social Security (Miscellaneous Amendments) (No. 2??) Regulations 2008 – draft report.**

The **Committee** discussed the draft report's conclusions and recommendations with officials. **Members** agreed that subject to some final amendments and drafting points, the report should be signed off and sent to the Secretary of State.

#### **5. The Social Security (Incapacity Benefit Work-focussed Interviews) Regulations 2008 – Paper 25/08**

5.1 **Rohan Grove** and **Nick Butler**, both from the DWP Welfare to Work Directorate and **Stella Needham**, Jobcentre Plus Products and Services, presented the item.

5.2 **Mr Grove** said that that the proposed regulations sought to align as far as is possible the conditionality and sanctioning regime for Employment and Support Allowance (ESA) and Incapacity Benefit (IB) customers, from October 2008.

5.3 Having sent apologies, a Member had submitted a number of questions on the proposals. The response from Officials had been circulated to Members, prior to the meeting. The questions and the response are reproduced here – paragraph references relate to the Explanatory Memorandum.

**Question - Paras 7 – 8**

*What is the difference for a linking rule claimant (i.e. a welfare to work beneficiary who has undergone training or some form of work for up to 104 weeks) who goes back onto ICB in what he or she had to go through under the old regulations and the new ESA WFI arrangements?*

**Answer:**

*These alignment regulations change certain things about how conditionality is organised for Incapacity Benefit (IB) customers. For IB linking-rule claimants the differences between the old regime, and the new Employment and Support Allowance (ESA), would be:*

- On returning to benefit the linking rule claimant would be required to participate in six work-focused interviews (WFIs) – the same as a new claimant – irrespective of what they did during the time they were not claiming benefit.*
- More flexibility for the Personal Adviser to arrange the timing of work-focused interviews to when they would most help the customer back into work.*
- If they were a PCA exempt customer, they would no longer be required to engage in conditionality under any circumstances (though could take up the support voluntarily).*
- A non-PCA exempt customer's requirement to engage in a work-focused interview can be waived if they were about to move into a job. Interviews would be deferred if they met the deferral test.*
- If they failed to attend a WFI, and the notification of this failure was sent by post, the 5-day period in which to show good-cause for their failure would begin 2 days after the notification was posted, rather than on the date that they failed to attend the interview.*
- If they were sanctioned because of their failure to attend an interview without good cause, the sanction would be equivalent to 50% of the ESA Work-Related Activity Group (£12 per week) for the first 4 weeks a sanction is imposed, after which a maximum sanction of £24 per week is applied. This is less than the current regime, where a single sanction is £12.10 and a maximum sanction can be £60.50.*

**Question: Para 21**

*What are the grounds for waiving a WFI for existing ICB claimants that will go and be replaced by deferral only? Does it affect those with caring responsibilities looking after someone getting DLA (care component) or Attendance Allowance for example?*

**Answer:**

*The Government's intention is that everybody who is not in the PCA Exempt Group should undertake 6 Pathways to Work work-focused interviews. However there is a strong recognition that for some customers this will be over a much longer period of time than for others.*

*Under the new approach, interviews are waived if a customer is about to move into a job. Deferrals of interviews will be used to cover all other circumstances if a WFI is inappropriate at that point in time.*

*Regulations allow for the personal adviser to defer a work focused interview if he considers that at that time it would not be of assistance to that person, or appropriate in the circumstances. This can cover additional medical conditions, and fluctuations of a client's long term health condition (for example for clients experiencing a severe episode of a mental health problem such as depression). It can also covers non-medical issues such as transport difficulties, caring responsibilities and bereavements.*

*As Ministers committed to Parliament, carers will have their caring responsibilities taken into account by Personal Advisers when they are arranging interviews. They will be able to defer interviews if the deferral test is satisfied. Customers engaged in caring responsibilities will have their WFI deferred, possibly up to 3 years or longer before we consider whether an interview is appropriate at that point.*

**Question: Para 27**

*What is the difference between the grounds for good cause for ICB claimants now and the new ESA aligned arrangements?*

**Answer:**

*Under the new approach, we have added an additional ground for good cause, as is the case for ESA:*

*The additional ground is:*

*(k) any other matter which the officer considers appropriate.*

**Question:**

*How does the five-day notification to show good cause compare with current administrative requirements?*

**Answer:**

*Under the new arrangements (which are already often used in practice), the customer will have an additional 2 days in which to show good cause if the notification is by post, rather than in person (to allow for the post to arrive with the customer). The changes ensure this fair practice is required by regulations.*

**Question:**

*Does the statement in Para 38 about no individual customer being adversely affected stand up?*

**Answer:**

*Yes. Those who may have been subject to a waiver under the old arrangements (PCA Exempt) will be clearly exempt in legislation from conditionality, and deferrals will be used when a WFI is inappropriate to ensure customers are not required to attend at an unsuitable time.*

*Additionally the maximum sanction that can be imposed on those subject to WFI conditionality is substantially less under the new arrangements in line with our ESA policy that there should be a clearly identified amount of benefit to which sanctions are linked.*

*We don't believe the other changes to regulations relating to notification, timing of WFIs, and good cause have any adverse effect on customers and instead represent learning points from our experience in Pathways to Work.*

**Question:**

*I can see the administrative sense in aligning ICB and ESA, However, does it make it easier for existing ICB claimants if existing arrangements are changed?*

**Answer:**

*Yes, customers in the middle of their series of interviews when the regulations come into force will continue in that regime until the end of the series – and so the regulations will not affect their conditionality at that point.*

*Customers beginning their initial 6 WFIs after the regulations have come into force, or who attend a trigger or backstop WFI, will experience the same arrangements as ESA customers from A-day. The changes will make the conditionality experience simpler and more flexible for those customers.*

*We believe it would be a disadvantage to existing customers if they were treated differently (under the old regulations) to ESA claimants when undertaking the same programme of WFIs.*

5.3 **Mr Grove** invited further questions or comments.

5.4 A **Member** asked if the letter inviting a customer to 'show good cause' would be sent by first class post. **Mr Grove** replied that it would.

5.5 A **Member** commented that while ESA customers will attend a Work Capability Assessment, IB customers will not have done so and that this would result in differing background histories being recorded. The **Member** said the WFI makes specific reference to the customer's work-related ability and asked if in practice this would cause problems, as the two groups cannot perfectly align. **Mr Grove** said that the Work Capability Assessment is a discussion with a health professional about the customer's health condition, and did not deal with the customer's work Capability. The **Member** hoped that whoever was carrying out the interview would be sensitive to the differing backgrounds of the customers for whom the process is to be aligned. **Mr Grove** said that recent research had shown that Personal Advisers were very sensitive in dealing with customers with differing histories and backgrounds.

5.6 A **Member** commented that having a fluctuating condition was a very good reason for having a deferred WFI and asked if there was a possible read-across to adjusting the level of support or conditionality a customer

would experience based on this medical information. **Mr Grove** responded that a fluctuating condition did raise the question about other help that might be needed, and whether it might be appropriate to make a referral to a Disability Employment Adviser (DEA) or Access to Work for example. The **Chair** asked how the Work Capability Assessment would cope with a fluctuating condition. **Mr. Grove** responded that the Work Capability Assessment does take into account fluctuating conditions and recognises that customers may be limited to lesser or greater extents during different weeks, days, and even hours. The Assessment is not meant to be just a snapshot of how a customer feels at the time of the assessment but an assessment of their likely typical limitations day to day. The **Member** questioned whether the change to a maximum sanction of £24, down from £60, is an indication that the Department has recognised that punitive sanctions do not work. **Mr Grove** said the effects of the levels of sanctions would be reviewed. The **Member** commented that moving the timing of WFIs and conditionality into guidance removes the requirement for revised legislation, and therefore Committee scrutiny and asked why this was. **Mr Grove** said that the timing of ESA WFIs was not in regulations but in guidance and that, the change would align the process for ESA and IB customers, and would make the administrative processes simpler. He assured members that this change would allow more flexibility for ministers to adjust the timing of the WFIs to ensure that they are set at times that most support the customer in returning to work, that it is better to have this flexibility rather than have rigid timings prescribed in regulations.

5.7 A **Member** asked if there was a particular reason that the proposals referred only to England and Wales. **Mr Grove** said that he would write to the Committee to clarify this point.

5.8 A **Member** asked whether the removal of the option to waive rather than defer a WFI would have an adverse impact on some customers and be potentially discriminatory. **Mr Grove** said that currently PAs had a set of circumstances in which WFIs were waived. The **Secretary** commented that the EM contains an unequivocal statement about impacts on customers and suggested that Officials might wish either to write to the Committee on this point, or to amend the EM.

5.9 The **Chair** thanked officials and the Committee decided that it did not require the proposed regulations to be formally referred, subject to the receipt of an amended EM and clarification on the England and Wales point.

*Since the meeting a revised EM has been received from Officials, who also confirmed that the proposals would also be applicable in Scotland, and that the omission on the draft regulations would be corrected.*

**6. The Social Security (Child Maintenance Amendments) Regulations 2008 – Paper 26/08**

6.1 **David Wilyman** and **Maria Kolpa** from DWP Products and Services presented the item.

6.2 **Mr Wilyman** explained that the main changes proposed included the introduction of a comprehensive approach to the attribution of child maintenance income and would increase the disregard on child maintenance income to £20 per household.

6.3 A **Member** said that the statement in the EM regarding adverse impacts was particularly strong and suggested that it might be moderated. **Mr Wilyman** said that the project team had felt that with the increased flexibility the changes brought it was likely to be more beneficial than otherwise. A **Member** said that using a statement concerning the lack of impact, as contained in the EM, could risk 'Howker' type challenges. **Mr Wilyman** said that he would adjust the language used in the statement.

6.4 A **Member** asked if the use of the term 'customers' included households and children. **Mr Wilyman** said that in this case it did include claimants, households and children.

6.5 A **Member** asked for an explanation of Paras 4.2 and 6.5. **Mr Wilyman** said that Para 4.2 explains that currently two sets of regulations exist that do similar jobs - the Child Support Regulations and the Liable Relatives Regulations. The proposals will remove the use of the Child Support Regulations, and only the Liable Relatives Regulations will be used in the future. Para 6.5 concerned the calculation of the weekly amount of income to be taken into account in cases where the customer declares receipt of a lump sum payment that cannot be attributed to a specific period. The policy intention in these cases has not changed but the regulation has been amended to give the customer the benefit of the £20 disregard when calculating the attribution period.

6.6 A **Member** commented that the use of the term 'disregard' was far better than the use of the term 'premium'. The **Member** asked how staff would deal with the fact that child maintenance is often paid irregularly. **Mr Wilyman** said that the aim would be to average maintenance income in a way that was fair to the customer, although the disregard could only be allowed for weeks in respect of which maintenance was actually, paid.

6.7 **The Member** also said that many parents get lump sums in arrears and asked why such payments could not be treated as capital. **Ms Kolpa** replied that it was not felt appropriate to do so as this would give a financial disadvantage to those parents who received regular lump sum payments.

6.8 A **Member** asked if a payment from a grandparent to a child through a parent would be disregarded. **Ms Kolpa** said that any payment made by a

person other than the absent parent, e.g. grandparent or other relative, would be treated as a voluntary payment and disregarded.

6.9 A **Member** said that the proposals were designed to take into account payments actually made but that the definition of a payment in the draft regulations did not support this. **Mr Wilyman** thanked the Member and said he would advise the drafting lawyer.

6.10 The Committee decided that it did not require the proposed regulations to be formally referred, subject to the amended EM and the changes to the definition of payment in the regulations.

*A revised EM has now been received and officials have confirmed that the wording regarding the definition of a payment had been addressed.*

## **7. Tax Credits: improving delivery and choice.**

7.1 **Kara Humphreys** and **Kathryn McKerrow** of HM Treasury introduced the May 2008 discussion paper. The presentation is at Annex 1. **David Skinner** and **Simon Manclark** of HMRC supported and answered questions.

7.2 **Ms Humphreys** described the background and asked for Members' views on the paper by 5th September 2008. In response to **Members'** concerns about the need to balance reforms of the system against change, **Ms Humphreys** advised that HMT are keen that there should be an effective dialogue. The Tax Credit system has made a contribution towards achieving child poverty objectives, and further improvements will help.

7.3 **Members** liked the greater flexibility in dealing with underpayments and overpayments of Tax Credits, as shown in the fifth and sixth slides. In particular, the option, from 2008/9 to deal with some adjustments within the current year. **Ms Humphreys** advised that the trial of recovery through PAYE from April 2009 would be voluntary. It was considered appropriate for small overpayments, £500 or less. It may help those in stable or steady employment if they no longer have a tax credit claim. There was some demand for the option to repay debt as a lump sum.

7.4. **Members** asked about administrative costs. They were concerned that the discussion document was too abstract and did not show numbers. A proposal might be desirable, but too expensive to implement. **Mr Manclark** replied that they need to determine the appetite and need for changes before looking at detailed costs, in particular for IT.

7.5 **Members** asked about the language used in tax credits and were concerned that there should be sensitivity on overpayments. For example reconciling was seen as appropriate. Some said they struggled with the hybrid nature where both benefit and tax language and delivery are used, questioning the nature of the Tax Credits system and whether customers really want more choice. From the viewpoint of customers, it is not seen as

part of the tax system. **Ms Humphreys** advised that the Tax Credits system is about final income in the year. Ministers see it as part of the tax system but need it to be tied to the benefit system so that there should be a seamless system of support providing transitions for those moving into and out of work.

7.6 **Members** asked if there was any research on giving customers choice, in particular from Australia; how the most basic, but high-need customers cope with the complexity of the Australian system and whether there is any detail broken down by income bands. **Mr Manclark** said that the Australian system appears to be popular and works well with their different tax system. Customers seem to like holding back a bit for the end of the year. For the UK, ministers are keen to build on the existing system.

7.7 **Ms Humphreys** asked about the use of run-ons (slide 8). The **Secretary** advised that HMT should speak with DWP who have extensive experience. They are expensive but prevent bridging and administrative confusion where more than one benefit is in payment. **Mr Skinner** advised that HMRC has some experience of run-ons for Working Tax Credit. **Members** advised that by smoothing benefits, for instance helping to maintain the same childcare arrangement, run-ons help customers to join and stay in the labour market. **Ms Humphreys** confirmed that HMT are speaking with DWP and asked that SSAC send ideas to HMT about when run-ons are likely to be needed.

7.8 **Members** discussed income bands (slide 9). **Ms Humphreys** advised that Tax Credits could be paid using income bands with any balancing entitlement being paid once income for that year is finalised. **Members** raised concerns about the size of the bands; the need to ensure that any balancing lump sum was taken into account when calculation benefits entitlements and the effect on those at the bottom end of bands. The **Chair** asked HMT to consider work done by the Joseph Rowntree Trust on minimum incomes.

7.9 **Members** and the **Secretary** asked about the rationale for setting the £25,000 income disregard so high and whether it is vulnerable as a source of future savings. In particular, is a trade-off in one part of the system needed in order to make changes in another part? **Mr Manclark** advised that the cost of the disregard is not as high as one might think and is an important part of the tax credits system. It allows for run-ons in entitlement and only cuts off for extreme changes in income, over £25,000.

7.10 **Members** moved on to deferred payments (slide 10). A **Member** explained their research which indicated that certainty is more important than the level of income. They suspect that customers might be willing to sacrifice a small amount of income and so mitigate the risk of an overpayment at the end of the year. They noted that serious difficulties are caused by uncertain events. Other **Members** emphasised research which showed that recurrent poverty is a bigger problem than constant poverty. One **Member** reminded the Committee about the need to be responsive to fluctuating childcare costs, perhaps within income bands. Overall **Members** emphasised the importance of certainty because it allows budgeting and planning.

7.11 **Members** discussed deferred payments and **Ms Humphreys** asked if customers would anticipate 'stacked up' cash and what would happen if it was not received? For example, an overpayment might be incurred which was greater than the anticipated lump sum. **Members** raised concerns that where a system was complicated, customers would need good advice before submitting claims but that there are no tax accountants to advise them on Tax Credits. Customers might know how to calculate and monitor their Tax Credit entitlement and any possible year end top-up. However, such information might not lead to a sense of control over income. Customers might be aware that deferred payments are not certain as a future top-up. Examples were given of research in the USA which showed that a lump sum 'on the mantelpiece' is seen to be controlled and so more valuable than the same sum in a bank. **The Secretary** gave the example of the low take-up of Sure Start vouchers and Child Trust Funds amongst lower income groups because they are invisible.

7.12 The second part of the presentation was about Childcare. (Chapter 7 and slide 11). **Ms McKerrow** emphasised the need to balance various options to find the best way forward within the current system. Basing entitlement on average costs (slide 12) was seen to be a cause of error. This could be addressed by a system which used actual costs. However, this would require more frequent customer contacts. The market in childcare is seen to be very variable. Officials are engaging with different types of providers and groups and asked members about the impact of arrears on customers and providers. A **Member** replied that stories about voluntary sector child care providers going under because parents were not handing over the money are a major urban myth. **Members** noted that there are many reasons why loss-making child care providers do become insolvent. It was also noted that the maintained sector has buildings provided. The real issue here is one of evidence. The issue of free childcare was raised.

7.13 **Ms McKerrow** introduced income bands. These would not be the same as income bands for tax credits overall, nor standard payments but would be a fixed percentage of childcare costs. Would banding be acceptable? What about the size of the bands? **Members** said that they would need more information about the impact and issues over movement between bands. They saw a read-across to the way that Local Housing Allowance is operated and how some of the general principles could be adapted for Tax Credits. The credit could be paid directly to the carer whilst claimants would be responsible for their own share of the childcare costs. Direct payments would only be used where necessary. **Members** considered it to be important for market impact and for regulation that parents or carers should make some payment, a comparison being made between the control of registered childcare and the controls on houses in multiple occupation.

7.14 **Ms McKerrow** spoke about giving greater certainty (slide 13). Suggestions included basing entitlement for the school year on finalised income for the previous tax year. There would be a need to model ideas for different people and see what the impact would be for them. **Members**

pointed out that the Scottish school year starts in August which is too close to the end of the tax finalisation window on 31st July. The East Midlands has a different school year and other variations exist (4 or 5 term years). It was noted that childcare during holidays is one of the most volatile costs.

7.15 **Members** raised the long-standing issue of the resentment felt by both parents and carers because some costs cannot be attributed to voluntary or family childcare rather than paid for child care. **Ms McKerrow** said that that active debate lies with DCSF and a conscious decision has been made that Tax Credit support is only available for formal childcare.

7.16 In discussing methods of payment (slide 14); **Officials** noted the trade-off around what customers want and the potential stigma with vouchers. They are talking with providers and lobbies and asked members to think of potential issues and replied where possible.

7.17 **Members** raised concerns about responsibility for overpayments, especially where the customer is not actively involved in the claim; where the care provider might not be aware of the customer's fluctuating income; and where the use of multiple providers take a customer over the limit. Officials thought that a recipient could only be held responsible where culpable and such issues would have to be addressed. A Member suggested paying ninety five percent of the money to the care provider. If parents were responsible for the balancing five percent, they would monitor the payments. However, a system would be needed for those with debt or money problems. **Ms McKerrow** raised the administrative burden for providers and the impact on their wider affairs with HMRC.

7.18 **Mr Manclark** advised that the direct payments package sits well with payments by 'actuals' rather than estimates. If half a million families in receipt of the childcare element notified monthly, that would be a lot of administrative burden over the year. If the obligation on reporting childcare costs fell to providers then this might be done electronically. Any administrative system to pay part to care providers and part to parents could be costly.

7.19 **The Chair** thanked officials for a very helpful presentation and discussion. The Committee would respond to the consultation document in due course.

## 8. Action Points

AP & Para	Action Point
8.1 (2.1)	<b>Chair</b> to pursue meeting of MoU working group. <i>Booked for PM. 12<sup>th</sup> September.</i>
8.2 (2.2)	<b>Secretary</b> to look for resources for a paper on Rights and Responsibilities as a centrepiece for discussion at the November Stakeholder event.  <i>The Secretary will provide an update at the August meeting</i>
8.3 (2.3)	<b>Chair</b> to write to Stephen Timms about 'Better Off'  <i>A letter is being prepared.</i>
8.4 (2.4)	<b>Chair</b> to write to Sue Garrard about the future of the Public Information role.  <i>A letter has been despatched and a response is awaited.</i>
8.5 (2.5)	<b>Secretariat</b> to consider booking meetings in Wales (Feb 09); Northern Ireland (April 09) and Cumberland Lodge (10/11 June 09). <i>Cumberland Lodge is not available. Alternative arrangements to be discussed at the August meeting.</i>
8.6 (2.7)	<b>Secretariat</b> to send draft lone parent report to members. <i>Sent July 2008.</i>
8.7 (2.8)	<b>Members</b> to send comments on the HMRC charter to the Secretariat in time for the <b>Secretariat</b> to co-ordinate a reply to HMRC by 12 <sup>th</sup> September 2008. <i>HMRC charter team attended SSAC for an introduction on 24<sup>th</sup> July.</i>
8.8 (4)	<b>Chair</b> to sign off report on The Social Security (Miscellaneous Amendments) (No. 2??) Regulations 2008 and send it to the Secretary of State, once final amendments and drafting points have been completed.  <i>The report was completed and despatched on 11 July.</i>
8.9 (5.8)	<b>Secretariat</b> to write to the officials and confirm that the Committee does not require the Social Security (Incapacity Benefit Work-focussed Interviews) Regulations 2008 to be formally referred, subject to the receipt of an amended EM and clarification on the England and Wales point. <i>Completed 24/7/2008.</i>

<b>AP &amp; Para</b>	<b>Action Point</b>
8.10 (6.9)	<b>Secretariat</b> to note that the Committee decided that it did not require the Social Security (Child Maintenance Amendments) Regulations 2008 to be formally referred, subject to the amended EM and the changes to the definition of payment in the regulations. <i>Completed 22/7/2008.</i>
8.11 (7.2)	<b>Secretariat</b> to submit a formal response from <b>Members</b> to HMT & HMRC on improving delivery and choice by 5/9/08.
8.12 (7.7)	<b>Members</b> to send ideas through the secretariat to HMT about when run-ons are likely to be needed.  <i>Nothing received to date.</i>
8.13 (7.13)	<b>Secretariat</b> to provide research to HMT on how Local Housing Allowance can be compared with childcare support.  <i>Action is in hand.</i>

**Annexes:**

“Tax Credits: improving delivery and choice – a discussion paper.” 15 slides, 8 pages, summarising HMT Paper no 12.