



Ein cyf/ Our Ref: MA - L/HID/0442/18

Finance Committee
National Assembly for Wales
Ty Hywel
Cardiff
CF99 1NA

SeneddFinance@assembly.wales

17 September 2018

Dear Members,

Childcare Funding (Wales) Bill

Thank you for the committee's consideration of the financial implications of the Childcare Funding (Wales) Bill during Stage 1 and for the report, which was published on 16 July 2018.

Annex A provides a more detailed response to the recommendations and conclusions in the report. I am pleased the committee support our preferred option of using the expertise of HMRC and building on an existing system, while recognising the potential in the Bill to develop a bespoke Welsh solution in the future.

I very much value the committee's words of caution about escalating costs and am keen to emphasise my continued commitment to monitoring costs very carefully and to updating the committee in light of any new information.

I would like to take this opportunity to draw your attention to a forthcoming change to the delivery arrangements for the second year of early implementation.

In the first year, each local authority undertook the full process themselves, including the assessment of applications and processing of payments to childcare providers. For the remaining period of early implementation, until the national roll out in 2020, we will be asking local authorities to work in partnership – with one authority accepting and processing applications on behalf of others and making relevant payments. This is intended to minimise the sunk costs (costs incurred and non recoverable) in an approach we are not taking forward in perpetuity and to maximise efficiencies for taxpayers.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Huw.Irranca-Davies@llyw.cymru
Correspondence.Huw.Irranca-Davies@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

This approach will be added to the Bill's Regulatory Impact Assessment as a fifth option during Stage 2. The data will be shared as soon as it becomes available, although it is not expected to make a significant difference to the balance of costs between our preferred option of using HMRC and the other options.

I have also noted the committee's points about digital exclusion and the committee may wish to refer to my response to recommendation 15 of the Children, Young People and Education Committee's report, which addresses this issue.

I look forward to the general principles debate and continuing to work with the Finance Committee as the Bill progresses.

I am copying this letter to the chairs of the Children, Young People and Education and Constitutional and Legislative Affairs committees for information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Huw', with a horizontal line underneath it.

Huw Irranca-Davies AC/AM

Y Gweinidog Plant, Pobl Hŷn a Gofal Cymdeithasol
Minister for Children, Older People and Social Care

Recommendation 1

The Committee recommends that the Welsh Government provides an update on the HMRC costs for developing and delivering the Welsh Childcare Offer within its existing platform as the proposal moves forward.

I **accept** this recommendation.

I am committed to updating the Bill's Regulatory Impact Assessment as HMRC provide more refined estimates on costs.

HMRC provided a high-level cost estimate to deliver the Welsh childcare offer in November 2017. We will continue to work with HMRC to ensure the costs reflect our full requirements and to enable it to engage suppliers in more detailed work to support the provision of costs. I will keep the Finance Committee and the Children, Young People and Education committees updated about HMRC costs over the course of the programme.

The committee may also be interested in my response to recommendation 29 of the Children, Young People and Education committee report which relates to the potential impact of a change in eligibility criteria on HMRC costs.

Conclusion 1

The Committee urges the Welsh Government, as part of its negotiations with HMRC, to require the Welsh service to operate in Wales, securing Welsh jobs and supporting Welsh language standards.

I agree with this conclusion. I will be encouraging HMRC to operate the non-digital aspects of, and back office support for, the Welsh language element of the 30-hours application and eligibility checking service from one of their offices in Wales.

One of the options HMRC is considering for delivering the bilingual service is to use their existing contact centre in Porthmadog.

The Porthmadog contact centre delivers a range of Welsh language services for HMRC customers who wish to communicate in Welsh, including Welsh-language telephone and correspondence services and is staffed by a team of 23 highly-trained full-time customer services agents.

In relation to the Welsh Language Standards, HMRC is committed to providing a fully-bilingual service in respect of the offer. Officials have met HMRC on several occasions and detailed discussions regarding our expectations and the Welsh Language Standards

requirements are ongoing. Officials have also met the Welsh Language Commissioner's office to discuss this and a number of other matters relating to the offer.

We are working alongside HMRC and its delivery partner National Savings and Investments, to develop the bilingual service. This will include the digital aspects of the application process and the provision of Welsh-speaking telephone operators to support the elements of the offer delivered by HMRC.

Conclusion 2

The Committee encourages the Welsh Government to involve the Welsh Revenue Authority in an advisory and oversight capacity, building expertise and experience in the Welsh context, in case there is a need to develop a bespoke Welsh system in the future.

I agree it makes sense for there to be close working between officials and the Welsh Revenue Authority (WRA). These arrangements are already in place.

WRA is represented on the official level Project Board established to oversee the development of the digital and non-digital application arrangements for the administration of the childcare offer. This Board, along with other relevant projects, such as implementation work for Welsh rates of income tax, are overseen by the Welsh Tax Devolution Programme Board which comprises Welsh Government and HMRC officials. The Programme Board was established to ensure a consistent approach to the operational work HMRC delivers for the Welsh Government, including lessons learned and joined up thinking.

The preferred option for delivery of the application and eligibility checking system for the childcare offer has been tested with WRA colleagues and officials have discussed the lessons and experiences from the establishment of the WRA and the working arrangements which were in place with HMRC at that time.

While we have concluded that developing a bespoke Welsh system would not be the best way forward at this point, this remains a potential option for the future and we are committed to maintaining an open dialogue with the WRA on this matter. The WRA maintains robust digital expertise and capabilities but new legislation would be required to enable the WRA to administer Wales' childcare offer.