

Tax-Free Childcare:

Exploring design
considerations for delivery
of the new scheme

Appendix B: Research
materials

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1. Discussion guides

This appendix includes all of the discussion guides used by Opinion Leader moderators to facilitate the focus groups and depth interviews. Separate discussion guides were designed for parents and childcare providers and childcare agencies. This was because the issues which needed to be discussed with these audiences were different. Within the parents discussion guide there are sections which were only covered by specific audiences for example self-employed or Employer Supported Childcare (ECS) users.

Following the first round of focus groups with self-employed parents it was decided that some additional focus groups should be conducted with these parents which focused on some additional aspects of the Tax-Free Childcare scheme. A separate discussion guide was therefore created for these groups.

In order to inform participants about how the Tax-Free Childcare scheme could work participants were given a series of showcards. Separate sets of showcards were shown to parents and childcare providers to reflect the topics covered. Copies of these are included at in section 2 of this appendix.

Parents' discussion guide



Tax Free Childcare

Parents' Discussion Guide

Questions apply to all groups unless marked in red. All moderator comments are marked in blue. The table below outlines the discussion structure.

| Section | Application |
|---|---|
| 1 Introduction (5mins) | All |
| 2 Household composition and current childcare arrangements (10mins) | All, with Group 9 (London, using ESC) omitted from final questions |
| 3 Initial response to the Tax Free Childcare scheme (10mins) | All |
| 4 Exploring the voucher account (25mins) | All |
| 5 Exploration of eligibility criteria (40mins) | 5.1 Ask all except Threshold groups (group 3 and 4) or User group (group 9) 5.2 Ask all groups except Groups 1&2, Self-Employed who have their own questions in this section to replace the main questions. 5.3 All |
| 6 Exploring the interaction between TC/UC and TFC (15mins) | Groups, 3, 4, only the upper threshold groups |
| 7 Interaction between ESC and TFC (20mins) | Group, 9 only (Employed parents using ESC) |
| | |

1. Introduction

5mins

To introduce the research and the participants.

- Introduce OL
- Moderator to outline aims of research and background to the project - we are conducting some research about people's childcare arrangements and want your views on a new Government policy relating to childcare.
- OL is carrying out this research on behalf of HM Revenue & Customs, the department working on the new childcare plans.
- Any information you share during this session will be used for research purposes only. This will not be linked to your tax records or any benefits you claim and you will not be personally identified in the research report which may include quotes from this session. In addition, we will not provide HMRC with names of anyone who takes part in this research.
- Just to remind you, this session is being viewed and will also be recorded. For that reason, you will not be addressed by, or asked to give, your full name during the discussion. The recording may be viewed by people working on the new childcare scheme and will not be made available to the public.
- There will be aspects of the policy which are fixed and others which are still under consideration and might be changed – the consultation period is still underway.
- We want to speak with you about how the scheme might operate and considerations you would make if you were taking it up.
- Ask them to be open and honest with their feedback.
- The session should last around one hour and a half.
- It's ok if you do not wish to answer some of the questions and you can leave the session at any time if you do not wish to continue.

2. Household composition and current childcare arrangements

10mins

To understand parents' current childcare arrangements.

Please tell me the make up of your household, including the number and ages of your children.

Please can you tell me about your current childcare arrangements?

- Prompt for formal (childminders, nurseries, nannies) vs. informal?
- How did you come to decide on this method of childcare?
- For those who use informal childcare –
 - Can you say a bit more about why you use this type of childcare? What are the advantages?
 - (Probe for non-financial advantages) e.g. If money wasn't an issue, would you still prefer to use this type of childcare? Why?
 - To what extent do you mix / move between childcare providers? Why/when?
- Do you use the same provider for different children (where this applies)? Why/why not?
- How many hours childcare do you use (for each child)?
 - How does this compare with the number of hours you work?

- Do you use childcare when you're not working? Is this type of childcare different to that used while at work (probe type of provider)?

First I'd like to ask you a bit more about how you find the current childcare voucher scheme that you use through your employer

- Why did you decide to start using Employer Supported Childcare?
- What is your view of the current childcare voucher scheme you use – provided by your employer?
 - What works well / less well?
 - What is your view of:
 - > The registration process
 - > The payment process
 - > Account features and interaction with provider
 - > Making payments
 - > Withdrawing funds
 - > Validity of vouchers

3. Initial response to the tax free childcare scheme

10mins

To introduce the scheme and understand reactions.

Participants to be shown (showcards to be on the wall or in the middle of the table for all participants to see and read) **SHOWCARD 1 New Tax Model: Tax Free Childcare** and **SHOWCARD 2 Eligibility** Showcard 3 – customer journey

Moderator: this is an overview of how the scheme will work and who will be eligible for the scheme.

Moderator to probe:

Do you have any questions about this new childcare vouchers scheme?

What does this new scheme mean for you?

What are your initial impressions of this new scheme?

Would anyone be interested in taking part in this scheme?

If yes – what is it about the scheme that appeals to you?

If no – what is it about the scheme that does not appeal to you?

(Moderator –

- *Avoid discussion of eligibility in relation to ages of children, as this is not negotiable.*
- *If parents ask, please note - The scheme will be introduced in autumn 2015 for children up to the age of 5 years old. The scheme will then build up over time to include children under 12.) Do not mention this unless asked directly*

4. Exploring the voucher account

25mins

To explore preferences for the customer journey and examine how parents could best interact with the voucher account.

*Moderator – **SHOWCARD 4 Online account***

To recap, the voucher system will enable households where both parents are working to get vouchers which can only be used to pay for registered childcare. Now we're going to talk a bit about how the voucher account could work in practice.

Making Payments (13 mins)

Moderator: As mentioned earlier, there will be an annual limit on the amount that the Government will pay in to the online childcare voucher accounts of £1200 – which parents will receive if they put in £4800 of their own money. This makes £6000 in total to spend on childcare from the account.

The Government is considering ways to apply the £1200 maximum:

One way is that the Government could limit the amount of money that parents could pay into the account, so parents could pay in a maximum of £4800 per year. This means that if parents' childcare costs were higher than £6000 a year they would have to make extra payments to their childcare provider in a different way (e.g. set up a direct debit with their childcare provider directly or pay the rest in cash).

- What do you think of this idea?
- What would this mean for you? Why?
- Would it be an issue for you if you were not able to pay your total childcare costs through this account, and had to make another separate payment to your childcare provider?
- What are the other advantages / disadvantages of having a limit on the amount you can pay into the account?

Moderator – Can skip the next question if pressed for time

- Another option is that there is no limit on payments that parents can make into the account, but there would still be a limit of £1200 in top ups from the Government.
 - What do you think of this approach?
 - What are the advantages and disadvantages on not having a limit on the amount that you can pay in to the account?
- In terms of managing your money, do you have a preference for having a limit on the amount you can pay into the online childcare voucher account, or no limit? Why?

Moderator – The following is a priority question – do not skip

- Although the Government will pay in up to a total of £1,200 over a year, they may set limits on the amount the Government pays in to spread it evenly across the year (e.g. £100 per month):
 - Would this affect you at all? In what way?
 - > (prompt) What are the advantages / disadvantages of having a monthly limit?
 - > what they think of a quarterly cap of £300 from the government over 3 months?
 - > (prompt) What are the advantages / disadvantages of having a monthly limit?
 - Do you ever pay your childcare costs upfront, or usually on a monthly basis?

Withdrawals and Validity (10 mins)

Moderator: Now we're going to talk about how long vouchers should last for, and about making withdrawals from the voucher account.

- Vouchers may be made valid for a maximum of one year. That would mean that if you hadn't used them within one year of paying in the money to the account, they would expire.
 - How would this affect you?
 - What do you think of this proposition?
- If people build up an unused supply of vouchers, what do you think should happen if they become ineligible for the scheme (e.g. if their employment situation changes or if they move in with a partner who is not in paid work)
 - How long do you think people who have become ineligible should be able to use the vouchers?
 - Why?
- Would you want to be able to withdraw money from your account at any point?
 - (If yes) why would you want to be able to do this?

Moderator – Can skip the 4 questions if pressed for time

- In what circumstances?
- How do you think this should this work?
- What should happen to any money paid in by the Government against the amount withdrawn?

(If no) why would you not need to withdraw money from your account?

For groups 3 and 4 only

- If parents build up an unused supply of vouchers, and then move into Tax Credits, do you think they should still be able to use these saved up vouchers or should the Government claim back the amount they have topped up?
 - Why / why not?
- How quickly should Tax Credits stop being paid once Tax Free Childcare is claimed?

Moderator: Lower priority questions (in blue); these should be skipped if you have run out of time at the end of this section

- What process do you think should be in place for parents to close the scheme and end payments if they wanted to?
 - How should this be made easy for parents?
 - What problems might need to be avoided?

5. Exploration of eligibility criteria

40mins

To investigate reactions to how parents will qualify for the scheme, including definitions of the eligibility criteria: employment levels, quarterly eligibility and the application of these criteria.

Moderator – give out **SHOWCARD 3, Definitions** – rotating the order of showing each definition across the groups. Read through each definition. Check understanding and explore potential impact on participants.

Moderator – This section (5.1) is not to be asked of threshold groups (group 3 and 4) or ESC-user group (group 9) due to time pressure

5.1 Overall Discussion of Definitions (5mins)

Moderator - 5 minutes is probably sufficient. Can spend a bit longer if interesting discussion.

Taking each definition in turn, moderator to probe:

- Do you have any questions about this criteria definition?
- What is your initial impression?
- How clear/unclear is the criteria definition? How could it be made clearer?
- Are there any people missing that you think should be included in the scheme?

5.2 Minimum Level for Employment (15mins)

Ask all groups except Groups 1&2, Self-Employed (London & Newcastle):

Moderator to read out: – Parents must be in paid work in order to claim tax-free childcare. For this reason, the government will set a minimum level on the amount that someone must work or earn for them to be eligible for the scheme. There are two options: people would either have to earn a minimum amount, or work a minimum number of hours to use the scheme.

- What are your thoughts on these two options?
- If the limit was based on having to earn at least a certain amount, what would this mean for you in practice?
 - Would this suit your circumstances, or would it cause you any difficulties? What/why?
 - How easy would it be to predict your future income (probe: over the next month, three months, six months, year)?
 - What are the advantages and disadvantages of setting a minimum income level?
 - What minimum income do you think would be reasonable to set, and over what period should this average minimum be set (probe: per week, per month, 3 months, a year)?
- If the limit was based on working a minimum number of hours over a period of time, what would this mean for you in practice?
 - Would this suit your circumstances, or would it cause you any difficulties?
 - How easy would it be to predict your future hours worked (probe: over the next month, three months, six months, year)?
 - What are the advantages and disadvantages of setting a minimum working hours level?
 - What minimum level do you think would be reasonable to set, and over what period should this average minimum be set (probe: per week, per month, 3 months, a year)?
- Do you think there should be these rules to establish whether someone is in employment in order to use this new childcare scheme? Why/why not? What other rules could be used?

Ask Groups 1&2, Self-Employed (London & Newcastle) only:

- *Moderator to read out: – Parents must be in paid work in order to claim tax-free childcare. For this reason, the government will set a minimum level on the amount that someone must work or earn for them to be eligible for the scheme. There are two options: people would either have to earn a minimum amount, or work a minimum number of hours to use the scheme.*

- What are your thoughts on these two options?
 - If the threshold was based on having to earn at least a certain amount, what would this mean for you in practice?
 - Would this suit your circumstances, or would it cause you any difficulties? What/why?
 - How easy would it be to predict your future income (probe: over the next month, three months, six months, year?)
 - What are the advantages and disadvantages of setting a minimum income level?
 - What minimum income do you think would be reasonable to set, and over what period should this average minimum be set (probe: per week, per month, 3 months, a year?)
 - What should an income calculation be based on (salary, profits, etc.)?
 - If the threshold was based on working a minimum number of hours over a period of time, what would this mean for you in practice?
 - Would this suit your circumstances, or would it cause you any difficulties? What/why?
 - How easy would it be to predict your future hours worked (probe: over the next month, three months, six months, year?)
 - What are the advantages and disadvantages of setting a minimum working hours level?
 - What minimum level do you think would be reasonable to set, and over what period should this average minimum be set (probe: per week, per month, 3 months, a year?)
 - Do you think there should be these rules to establish whether someone is in employment in order to use this new childcare scheme? Why/why not? What other rules could be used?
 - Probe: post-tax profit, pre-tax profit, gross profit but less expenses/allowances, less tax/NICs, less relievable pension contributions, receipts less cost of sales
 - Would this calculation be difficult for particular trades?
- Do you record your income as a matter of course?
 - How accurate would your records be?
 - How appropriate would it be to submit these as part of your Tax Free Childcare claim?
 - How easy would it be to be to predict your future income (probe: over the next month, three months, six months, year?) What about your future hours worked?
- How would you go about claiming Tax Free Childcare in practice - would you do it yourself, use a book-keeper / accountant / other agent?
 - Why would you do it in this way?

5.3 Applying Eligibility Rules (20mins)

Moderator to read out: – I would now like to talk about the ways in which the eligibility rules could be applied. Claimants may face changes to their circumstances from time-to-time that would change their entitlement for the new childcare scheme. Changes of circumstances may include periods of unemployment/no income; a change in who you live with and their employment situation; changing working hours; or a change in income,. I would like to discuss how this could be handled by the Government, in terms of how long people should remain entitled to claim TFC and when they should report changes.

Moderator: don't spend too long here – treat as intro to section on showcard 6 – quarterly eligibility

- When do you think you would report a change to the Government if you were claiming tax free childcare, and it was a change that would mean you were no longer eligible?
- (Prompt): How long after a change occurred would you expect to report it to the Government?

SHOWCARD 6 – Quarterly Eligibility

Moderator to read out: – The Government is considering determining entitlement to the new tax free childcare scheme on a quarterly/three-month basis. Show card then explain:

- *This could be based on fixed quarters from when you join the scheme.*
- *‘So, for example’ – then take participants through the showcard on Quarterly Eligibility*
- *This means that even if something changed during those 3 months that meant you were no longer eligible, for example if you left your job, you would still be entitled to use the scheme until the end of those 3 months.*
- *You would be asked to confirm you were still eligible at the end of each quarter to continue to receive the benefits of the scheme. You would not need to report changes during the quarter.*
- Do you have any questions about this idea of quarterly entitlement?
- What do you think of the quarterly/three-month entitlement periods?
 - What would this mean for you?
 - (prompt) what impact would it have on you / your circumstances?
 - How easy / difficult would this be for you to manage?
 - (prompt) How easy is it for you to predict your income or other circumstances for the next quarter?
 - Do you see any other advantages or disadvantages?
- What do you think of the idea of having to reconfirm that you are still eligible to use the scheme at the beginning of each quarter?
- Do you know what you would need to do if there was a change of circumstances during one of the 3 month periods?

*Moderator – **SHOWCARD A** (scenarios) Give out scenarios one at a time and rotate order across each group.*

For each scenario probe:

- How would you feel if you were in this position?
- If you became ineligible at this time in the quarter, how would this affect you?
 - Prompt: what effect (if any) would this have on your childcare arrangements?

After looking at both scenarios

- Should the rules be the same or different depending on when you become ineligible?
- How much time do you think people should be given to continue using the scheme (making payments in and receiving top-ups) once they’ve become ineligible? Why?

Moderator: Start of high priority questions.

Moderator to summarise the points being made by participants in this section. To check understanding when all the elements are considered.

"So I am hearing....

"So when we consider three month entitlement periods as well as grace periods do you still feel...

"Overall you feel...is that correct

- Is that a fair overview of thought, anything else to now add?

Voucher provider markets

Moderator: Start of low priority questions.

- How would you go about choosing a voucher provider, where your online childcare voucher account would lie?
 - What would you look for in a voucher provider

Moderator: Start of high priority questions.

Take-up (5 mins)

- Can I have a show of hands of those of you that are interested in taking up the scheme?
 - What is it about the scheme that interests/appeals you?
- For those of you who are not interested in the scheme
 - What is it about the scheme that does not interest/appeal to you?
 - What would prevent you from using it?
- For those of you who currently use family or friends for your childcare, or who use childcare providers who are not Ofsted-registered, would you still consider taking up this scheme?
 - If yes – what would this mean for your current childcare arrangements?
 - If no – what would prevent you? (what is it that you prefer about your current childcare set up?)

6. Exploring the interaction between TC/UC and TFC

15mins

To examine how Tax Free Childcare might impact and interact with Tax Credit and Universal Credit claims.

Only to be asked of threshold groups (Group 3 and 4)

Moderator to read out – Parents will not be allowed to claim both Tax Free Childcare and Tax Credits at the same time. If they start to claim tax credits, payments into their childcare account under this new scheme will stop. People on lower incomes may find themselves dipping in and out of tax free childcare and into tax credits throughout the year. As their circumstances change e.g. income or working hours, they might find they change from being better off under one scheme to being better off under the other scheme. If eligible for more than one system, parents will have a choice in which they use.

Parents will therefore need clear rules about moving between these two schemes.

- What should the process be for people changing schemes or re-applying?

- How much support would you expect from the Government about making a decision on which scheme to use if you are eligible for both?
- (sub-question) What information would you need to know if you are better off under one scheme or the other? Why?
 - Do you have any suggestions for how this could work?

7. Interaction between TFC and ESC

20mins

To examine how parents using Employer Supported Childcare might respond to the Tax Free Childcare scheme.

Using ESC only– Group 9 only

Moderator to read out: – Once tax free childcare is introduced, Employer Supported Childcare will no longer be available those already in the scheme will be able to continue using Employer Supported Childcare if they wish to do so. Parents will not be allowed to claim both Employer Supported Childcare and Tax Free Childcare at the same time.

Moderator to read out: – Parents using the current childcare voucher scheme will be able to switch to the new scheme once it is brought in. I'd like to talk with you about how this transition could work.

- What would prompt you to switch to Tax Free Childcare from your employer scheme?
 - Do you think you would switch to the new scheme? Why/why not?
- What would a smooth transition look like?
 - Would you expect to stay with your current provider? Why/why not?
 - What features would you look for in a different voucher provider?
 - What problems / complications can you envisage?
 - How could these be managed / avoided?
- What information would you expect from the Government to work out if you are better off under your current childcare voucher scheme, or the new one?
 - Do you have any suggestions of how this information could be provided?

Moderator – Applicable to all groups - please check with HMRC observers if there are any questions or anything else to be covered.

Any final comments / questions?

Thank and close

Self-employed parents' discussion guide



Tax Free Childcare: new childcare support scheme

Self-Employed Parents' Discussion Guide (following initial focus groups with Self Employed parents)

Questions apply to all groups unless marked in red. All moderator comments are marked in blue. The table below outlines the discussion structure.

This will need to be amended

| Section | |
|---------|---|
| 1 | Introduction (5mins) |
| 2 | Household composition and current childcare arrangements (5 mins) |
| 3 | Working as Self-employed (10mins) |
| 4 | Initial response to the tax free-childcare scheme (5 mins) |
| 5 | Exploration of eligibility criteria (50 mins) |
| 6 | Exploring the voucher account (15 mins) |
| 7 | Take up (5 mins) |

1. Introduction

5mins

To introduce the research and the participants.

- Introduce OL
- Moderator to outline aims of research and background to the project - we are conducting some research about people's childcare arrangements and want your views on a new Government policy relating to childcare.
- OL is carrying out this research on behalf of HM Revenue & Customs, the department working on the new childcare plans.
- Any information you share during this session will be used for research purposes only. This will not be linked to your tax records or any benefits you claim and you will not be personally identified in the research report which may include quotes from this session.
- Just to remind you, this session is being viewed and will also be recorded. For that reason, you will not be addressed by, or asked to give, your full name during the discussion. The recording may be viewed by people working on the new childcare scheme and will not be made available to the public.
- There will be aspects of the policy which are fixed and others which are still under consideration and might be changed – the consultation period is still underway.
- We want to speak with you about how the scheme might operate and considerations you would make if you were taking it up.
- Ask them to be open and honest with their feedback.
- The session should last around one hour and a half.
- It's ok if you do not wish to answer some of the questions and you can leave the session at any time if you do not wish to continue.

2. Household composition and current childcare arrangements

5mins

To understand parents' current childcare arrangements.

Can you start by telling me a bit about yourselves – how many children do you have and what are their ages?

Can you tell me about your current childcare arrangements?

- What type of formal childcare do you use?
Prompt: Nursery, childminder
- Do you use any informal childcare as well?
 - Prompt – family, friends
- Do you use the same provider for all your children? – why/why not?

How did you come to decide on this method of childcare?

- Prompt – costs, no access to informal options, recommended by friends, location, hrs of work etc

When do you use childcare?

- Prompt – when you are working only, when not in work as well,? Does it vary – why is that?
- How much do you use per week (compared to the hours you work?)

What about costs of formal childcare? How affordable is it for you?

- Prompt – Too high/low, Is it a stretch to pay or is it comfortable?

Have costs had an impact on how you use your childcare?

- Prompt – hours, location, type of childcare, use of informal alternatives

3. Working as Self-employed

10mins

Now, can we talk a bit about your experience of being self-employed....

Note to Moderator – not necessary to go round and ask each person individually. Just get a general feel from the group for the next 2 questions (if they are sole self-employed parents, self-employed with employed partner; balance of income in household etc)

I take it you are all self-employed, but do you also have a partner that is self employed?

In your household, would you say there's a main breadwinner or is there a fairly even split in earnings?

Working pattern

Could you tell me a bit about your working hours?

- Are they fixed or do they vary?
- How do they vary ?
 - Prompt - Variation – seasonal, school holidays, vary weekly, multiple employment, type of work (i.e. depends on contract I have or customer demand)

How easy/difficult is it for you to predict the hours you will be working over the next few months? Why?

How does this affect your childcare arrangements?

- Do you use a fixed pattern of childcare or does it change?
 - Prompt Each week, each month, season or yearly? e

Income

Moderator - *We've already talked about your hours, but I'd like to ask about how regular your income is.*

When working, do you get paid regularly (e.g. within a month), or do you sometimes have to wait for payment?

- Prompts – paid weekly/monthly; paid on completion of work/contracts.
- How long do you have to wait to be paid?

We already talked about how easy it is to predict the hours you'll be working over the coming months. But what about income - how easy/difficult is it to estimate your income over the next few months? (seasonal, contracts, clients etc)

If you needed to record what you had earned over certain periods in-year, how would you do this?

Record keeping

What records do you keep in-year to monitor your self-employed earnings?

- Prompt – receipts, contracts, bank transactions
- How up-to-date are these records?

Even though you don't need to submit SA returns until the end of the year, would your records be good enough to calculate or estimate what you have earned during the year at any one point?

- Do you ever do this? What do you use to do it?

Do you ever estimate what your income or profits will be for the next, say, week, month, quarter, year?

- If yes, how?
- If no, would you be able to do this? How / why not?

Do you use an accountant or agent?

- What do you mainly use your accountant or agent for?
 - Prompt – for your record keeping; calculation of income; expenses and profits; completion of SA return; everything

4. Initial response to the tax free childcare scheme

5mins

To introduce the scheme and understand reactions.

Moderator: There is currently a scheme whereby employees can utilise salary sacrifice arrangements to get support towards the costs of their childcare via voucher schemes run by their employers. At the moment the self-employed cannot benefit from such arrangements.

- Are you aware of the current employees' scheme – Employer Supported Childcare?
- Does your household (via employed partner) use ESC?

Participants to be shown (showcards to be on the wall or in the middle of the table for all participants to see and read) SHOWCARD 1 New Tax Model: Tax Free Childcare and SHOWCARD 2 Eligibility Showcard 3 – customer journey

Moderator – We're now going to talk about a new Government childcare voucher scheme, called Tax-Free Childcare, for households where all parents are in work. This scheme will use childcare vouchers to assist parents with paying for childcare, and it is different from the current scheme in that it no longer operates through employers. This means that self-employed people will be eligible.

This scheme will operate through secure online voucher accounts. Parents need to register with a voucher provider to set up, and then manage, this account. Parents are then responsible for paying in their own

contributions to this account, which Government will then top-up. For every 80p parents pay in, Government will add 20p, up to a max of £1200 Government support for each child per year (if/when parents have contributed £4800)

Once fully rolled out, parents with children up to the age of 12 will be eligible.

Parents will be able to use the total amount of vouchers at an Ofsted registered childcare provider of their choice (e.g. their nursery, childminder or nanny). Parents would pay the provider in this way by transferring the voucher payment into the childcare providers' bank account.

Moderator to probe:

Do you have any questions about this new childcare vouchers scheme?

What does this new scheme mean for you?

What are your initial impressions of this new scheme?

Would anyone be interested in taking part in this scheme?

If yes – what is it about the scheme that appeals to you?

If no – what is it about the scheme that does not appeal to you?

(Moderator –

- Avoid discussion of eligibility in relation to ages of children, as this cannot change.*
- If parents ask, please note - The scheme will be introduced in autumn 2015 for children up to the age of 5 years old. The scheme will then build up over time to include children under 12.) Do not mention this unless asked directly*

5. Exploration of eligibility criteria

50mins

To investigate reactions to how parents will qualify for the scheme, including definition of 'meaningful employment'; quarterly eligibility and the application of these criteria.

5.1 Minimum Level for Employment (25 mins)

Moderator to read out: – All parents in a household must be in paid work in order to claim tax-free childcare. The scheme is aimed at families in which all parents work, therefore HMRC will need to verify that parents who say they are self-employed, really are in work.

- What do you think classifies someone as self-employed?
 - Prompt – hours / income
 - if income, what about businesses that make a loss?
- How do you think HMRC can best verify whether someone is self employed?
 - What evidence could you give HMRC to prove you are self-employed?
 - What about – proof of registration with HMRC as self-employed? Why, why not?
 - What other proof do you think you could provide? Why/ why not?
- How difficult would it be to provide these types of evidence?

- If you needed to be registered with HMRC as self-employed in order to qualify for tax free childcare, would this change anything about what point you would decide to register with HMRC as self-employed?
 - Prompt – earlier registration, would have to register when hadn't plan to..., having to submit self assessment; wouldn't register any earlier just to claim TFC.
- How would it affect your interest in this scheme if you had to:
 - Register as self-employed with HMRC? - Why do you say that?
 - Provide other types of evidence? - Why do you say that?

Moderator to read out - To prevent fraud by ensuring that only genuinely self-employed parents can use the scheme, the Government is also considering setting a minimum level on the amount that someone must work or earn for them to be eligible for the scheme. There are two options:

- *work a minimum number of hours to use the scheme, or*
- *people would either have to earn a minimum amount*
- What are your thoughts on these options?

Minimum hours

- If the minimum level was based on working a minimum number of hours over a period of time, how would this affect you? – Why?
 - Would it suit your circumstances or would it cause you any difficulties? What/why?
 - What are the advantages/disadvantages of basing entitlement to the scheme on minimum hours worked?
- What do you think would be a reasonable minimum number of hours to set, to show that someone really is in work?
 - If for example – there was a requirement for a minimum of 8 hours or 1 day per week, how would this affect you? Why do you say that?
 - How easy/difficult do you think it would be to work out if you would exceed this minimum number of hours spread over a longer period of time, e.g. 4 days per month, or 12 days over a quarterly period?
 - Prompt – what would be the effect in terms of income fluctuations?
 - What timeframe would you prefer? Why / why not the other option?

Minimum income

- If instead the minimum level was based on having to earn at least a certain amount, how would this affect you? – Why?
 - Would it suit your circumstances or would it cause you any difficulties? What/why?
 - What are the advantages/disadvantages of using a minimum income level?
 - What do you think would be a reasonable minimum income to set, and over what period?
 - If for example there was a minimum of £200/month, how would this affect you? Why?

- In terms of period, should average income be measured over a week, month, 3 months, annually?
- Why do you prefer that option over the other options?

Moderator: Lets talk a bit more in detail about how checks to minimum income would be undertaken in this scheme. Under this scheme an employee's salary would be used to check whether someone earns above a certain amount to entitle them to use the scheme. But HMRC does not receive information about the amount a self employed person has earned until a tax return is submitted, so they would require the self employed to predict their earnings.

- So how do you think this should be done for self-employed people?
- What would be the best indication of how much a self-employed individual is working in terms of income, e.g. turnover/profits etc?
 - Why do you say that?
 - Why would you not pick the other option(s)?
 - How easy is it for you to calculate and predict turnover or profits in-year? Why is that?
- If for example, the minimum income was based on having to earn a minimum of, say, £200 per month:
 - How easy/difficult do you think it would be to work out if you would meet or exceed this monthly income?
 - Or could you predict whether you would exceed a minimum of £600 over 3 months?
 - Would that be more/less difficult to predict than £200 for over one month?
 - Prompt – what would be the effect in terms of income fluctuations?
- How certain do you think you could be about your predicted income being your actual income? Does it tend to vary or is it quite regular?

Thinking about accountants or agents...

- If you took up Tax Free Childcare, would you use an accountant or agent at all? Why? Why not?
 - At what stage in the process – why?

5.2 Applying Eligibility Rules (25mins)

Moderator to read out: – I would now like to talk about the ways in which the eligibility rules could be applied. Households may face changes to their circumstances from time-to-time that would change their entitlement for the new childcare scheme. Changes of circumstances may include periods of unemployment/no income or a change in who you live with and their employment situation. It would also include a change in working hours or income that means you no longer meet the minimum requirement for working hours or income that we just talked about.

I would like to discuss how this could be handled by the Government, in terms of how long people could remain entitled to claim tax free childcare and when they should report changes to HMRC.

What are your thoughts about how long someone should reasonably continue to receive support through tax free childcare after they have one of these changes in their circumstances that means they would become ineligible to use the scheme? Why?

Let's think about how the timing around reporting any changes would affect you.

- What if you had to report a change that made you become ineligible as soon as it happens? What would this mean for you? Can you think of any issues with this?
 - Prompts – admin; cost (e.g. if through agent/accountant)

Another option is that you would report once at the end of the year any periods of ineligibility you'd had in the previous year. In this case the Government may claim back any of the top-ups you had been paid at times when you were not eligible.

- What do you think of this option? How might this affect you?

SHOWCARD 6 – Quarterly Eligibility

Moderator to read out: – Instead of these options, the Government is currently considering setting entitlement to the new tax free childcare scheme on a quarterly/three-monthly basis. Show card 6, then explain:

- *This could be based on fixed quarters from when you join the scheme.*
- *'So, for example' – then take participants through the showcard on Quarterly Eligibility*
- *This means that even if something changed during those 3 months that meant you were no longer eligible, for example if you left your job, you would still be entitled to receive top-up support on any contributions you made into your account until the end of those 3 months.*
- *You would not be required to report any changes in your situation during those three months.*
- *Just before the end of each quarter, parents would be asked to log onto their online account and reconfirm that they were still eligible, so that they could continue to receive the benefits of the scheme..*
- Do you have any questions about this idea of quarterly entitlement?
- What do you think of the quarterly/three-month entitlement periods?
 - What would this mean for you?
 - (prompt) what impact would it have on you / your circumstances?
 - Do you see any other advantages or disadvantages?

I mentioned you would need to log on to your account to confirm if you are eligible or not for the next quarter. The Government intends this to be a straightforward process.

- What do you think in general of the idea of reconfirming your eligibility via the online account every 3 months?
- Is there any other way you would prefer to confirm your eligibility? Why?
- In the case of self-employed people, their income eligibility would then be checked against the details of their Self Assessment tax returns, when submitted. The Government might then carry out further checks on cases where the information parents have given appears not to meet the minimum income requirements..

- How would you feel about the idea of these quarterly checks and then potentially being contacted about any discrepancies?
 - Prompt – effect of admin burden / mode of contact?
- What difference do you think is a reasonable amount to allow between an estimate you had given of, say, your income over the coming quarter, and then what your income turned out to be in reality over that quarter?
 - Why do you say this?
 - How would you be able to back this up, to show HMRC that the estimate you had made was a reasonable one?
 - How easy/difficult would it be to provide this evidence?
 - How would this affect you?
 - How would this affect your feelings about claiming tax free childcare?
- Do you think you would be able to respond accurately if HMRC contacted you at the end of your tax year if you haven't reached the minimum amount of income required? Why/why not?

*Moderator – **SHOWCARD A** (scenarios) Give out scenarios one at a time and rotate order across each group.*

For each scenario probe:

- How would you feel if you were in this position?
- If you became ineligible at this time in the quarter, how would this affect you?
 - Prompt: what effect (if any) would this have on your childcare arrangements?

After looking at both scenarios

- Should the rules be the same or different depending on when you become ineligible?
- How much time do you think people should be given to continue using the scheme (making payments in and receiving top-ups) once they've become ineligible? Why?

6. Exploring the voucher account

15mins

To explore preferences for the customer journey and examine how parents could best interact with the voucher account.

*Moderator – **SHOWCARD 4 Online account***

To recap, the voucher system will enable households where both parents are working to receive top up support which can only be used to pay for registered childcare. Now we're going to talk a bit about how the voucher account could work in practice.

Making Payments (10 mins)

Moderator: As mentioned earlier, there will be a limit on the amount that the Government will pay in to the online childcare voucher accounts of £1200 for each child per year – which parents will receive if they put in £4800 of their own money over the same period. This makes £6000 in total to spend on childcare from the account.

The Government wants to know whether parents would prefer to use their online account for all their childcare costs, or whether they would prefer to keep this account separate from other money they use to pay for childcare above the £6000.

- If, for example your total childcare costs were £8000 a year for one of your children, would it be an issue for you if you were not able to pay the extra £2000 childcare costs through your online voucher account and so you had to make a separate payment to your childcare provider? Why/why not?
- What are the other advantages / disadvantages of having a limit on the amount you can pay into the account?

Although the Government will pay in up to a total of £1,200 over a year, they may set limits on the amount the Government pays in to spread it evenly across the year (e.g. £100 per month or £300 per quarter):

- What do you think of this idea?
- What would this mean for you? Why?
 - What are the advantages / disadvantages of having a monthly limit?
 - What effect would this have on your childcare payments?
 - Prompts – do you pay in advance / pay monthly or do you have other arrangements- what are these?

Moderator note- only cover the next section if there is time

To explore:

- If parents want immediate withdrawal rights from their account
- If they mind an expiry date of say one year on vouchers (where Gov top up would go back to Gov, and parents would get their money back)

Withdrawals and Validity (10 mins)

Moderator: Now we're going to talk about how long vouchers should last for, and about making withdrawals from the voucher account.

- Vouchers may be made valid for a maximum of one year. That would mean that if you hadn't used them within one year of paying in the money to the account, they would expire.
 - How would this affect you?
 - What do you think of this proposition?
- If people build up an unused supply of vouchers, what do you think should happen if they become ineligible for the scheme (e.g. if their employment situation changes or if they move in with a partner who is not in paid work)
 - How long do you think people who have become ineligible should be able to use the vouchers?
 - Why?
- Would you want to be able to withdraw money from your account at any point?
 - (If yes) why would you want to be able to do this?

Moderator – Can skip the 4 questions if pressed for time

- In what circumstances?
- How do you think this should work?
- What should happen to any money paid in by the Government against the amount withdrawn?

(If no) why would you not need to withdraw money from your account?

Moderator: Start of high priority questions.

Take-up (5 mins)

- Can I have a show of hands of those of you that are interested in taking up the scheme?
 - What is it about the scheme that interests/appeals you?
- For those of you who are not interested in the scheme
 - What is it about the scheme that does not interest/appeal to you?
 - What would prevent you from using it?

Thank and close

Childcare providers discussion guide



Tax Free Childcare

Childcare Providers Discussion Guide

| Section | | Application |
|---------|---|-------------|
| 1 | Introduction (5mins) | All |
| 2 | Background and current childcare market (5mins) | All |
| 3 | Current childcare payment arrangements (10mins) | All |
| 4 | Exploring attitudes towards Employer Supported Childcare (10mins) | All |
| 5 | Initial response to the tax free childcare scheme (10mins) | All |
| 6 | Exploring the voucher account (40mins) | All |
| 7 | Raising awareness of the Tax Free Childcare scheme (10mins) | All |

1. Introduction

5 mins

To introduce the research and the participants.

Introduce OL

Moderator to outline aims of research and background to the project - we are conducting some research about a new Government policy relating to childcare.

OL is carrying out this research on behalf of HM Revenue & Customs, the department working on the new childcare plans.

Any information you share during this session will be used for research purposes only. This will not be linked to your tax records or any benefits you claim and you will not be personally identified in the research report which may include quotes from this session. In addition, we will not provide HMRC with names of anyone who takes part in this research.

Just to remind you, this session is being viewed and will also be recorded. For that reason, you will not be addressed by, or asked to give, your full name during the discussion. The recording may be viewed by people working on the new childcare scheme and will not be made available to the public.

There will be aspects of the policy which are fixed and others which are still under consideration and might be changed – the consultation period is still underway.

We want to speak with you about how the scheme might operate to make sure the system can work efficiently and minimise the burden of all involved

Ask them to be open and honest with their feedback.

The session should last around one hour and a half.

It's ok if you do not wish to answer some of the questions and you can leave the session at any time if you do not wish to continue.

2. Background and current child care market

5mins

To understand childcare providers views on the current childcare market.

Please tell me about your role and the childcare services you provide.

- how many children are in your care?
- What's the age range of the children?
- How often you see each child? Are children with you full time or part time?
- Do the hours for each child vary over the year?
 - Do you see any change throughout the year (during school holidays etc)
 - How varied is it?

What's the demand on your childcare services like – do you have a waiting list or is it a struggle to fill all your places?

3. Current childcare payment arrangements

10 mins

To understand childcare providers views on the current payment arrangements.

Child-minders/nannies only

How do you establish the price that you charge parents?

- Do you negotiate with parents the prices/salary?

Ask all

What are the different ways in which you accept payment for childcare services?

- Payment type: cash, direct debit, bank transfer etc.
- What is your preferred method of payments? Why?
- Are there any payment methods you don't accept? Why?

- What is the payment frequency: weekly, monthly, ad hoc – why is this?
- In advance / arrears? Why?
- Do you ask parents for a deposit?

How easy/difficult is it to manage mixed payment methods, i.e. if someone pays you part via bank transfer, and part in cash?

Moderator note: If not already covered explore these areas a bit further –

How would you prefer to receive payments for childcare?

- What happens if you provide childcare for siblings? Do you charge separately for each child, or give parents one bill?

4. Exploring attitudes towards Employer Supported Childcare

10 mins

Have you heard of the current government childcare voucher scheme, known as Employer Supported Childcare?

- **If yes** - Do you accept childcare vouchers?
 - *If yes (yes, accepts childcare vouchers):*
 - Why did you decide to accept childcare vouchers?
 - What would you say works well for you about the scheme?
 - What would you say works less well for you?
 - Any extra admin/costs involved?
 - How many different voucher providers do you receive vouchers from?
 - Why is this?

If not covered:

Do you register with any voucher provider parents are using OR do you offer a set number of voucher providers? Why is that?
 - Are there any parents who pay for more than one child using vouchers? If so, do you bill them separately for each child or just add together what they owe you?
 - *If not covered earlier:* Do any parents pay you partly with childcare vouchers and partly with a different method e.g. cash or bank transfer?
 - How do you find this?
 - What are the advantages/disadvantages?
 - Have you ever had to make changes to the information Voucher Providers hold? (e.g. your bank account details, name, contact information)
 - What information? How easy was this?
 - How easy/difficult was it to register with the voucher providers
 - Why do you say that?
 - Does it differ depending on the provider?
 - What did you have to provide at registration?
 - Were there any difficulties providing this?
 - Once you've registered – how easy/difficult is it to use the schemes?

- Why do you say that?
- Can you give any examples of voucher scheme features that work particularly well?
- Are you also a provider of childcare vouchers? Why / why not?
- Did you consider being a provider of childcare vouchers? Why / why not?

If no (does not accept childcare vouchers)

- Why/why not?

5. Initial response to the tax free childcare scheme

10 mins

To introduce the scheme and understand initial reactions.

Participants to be shown SHOWCARD 1, 2 and 3, New Tax Model: Tax Free Childcare

Moderator – England : *We're now going to talk about a new Government childcare voucher scheme, called Tax-Free Childcare. This scheme will operate through secure online voucher accounts. Parents need to register with a voucher provider to set up this account with them. Once an account has been set up, parents and the Government will make payments into this account. For every £1 worth of vouchers, the parent puts in 80p and the Government puts in 20p, up to a maximum of £6,000 per year. Parents will be able to use the total amount of vouchers at an Ofsted registered (or equivalent in devolved administrations) childcare provider of their choice (e.g. their nursery, childminder or nanny). Parents would pay the provider in this way by transferring the voucher payment into the childcare providers' bank account. To receive the payment you would need to have provided the voucher provider with various information, e.g. your contact details and your bank account details, similar to what you would do under the current Employer Supported Voucher scheme. The amount of vouchers may not cover all childcare costs, and in this case parents would have to pay you using other methods.*

This scheme is different from the current Employer Supported Childcare voucher scheme in that the scheme is not connected to employers in any way. Parents may therefore naturally ask childcare providers for advice or support with joining the scheme, where in the past they may have asked their employer. Tax free childcare is available to those who are in paid work, so this includes the self employed. Overall, the new scheme will reach more people, up to 2.5 million, compared to the current scheme that is used by around 500,000 parents.

Parents who already use the current employer supported childcare vouchers can continue on that scheme if they choose, or they may prefer to switch to the new scheme. But the old childcare voucher scheme will not be open for new people to join.

Moderator – Scotland *We're now going to talk about a new Government childcare voucher scheme, called Tax-Free Childcare. This scheme will operate through secure online voucher accounts. Parents need to register with a voucher provider to set up this account with them. Once an account has been set up, parents and the Government will make payments into this account. For every £1 worth of vouchers, the parent puts in 80p and the Government puts in 20p, up to a maximum of £6,000 per year. Parents will be able to use the total amount of vouchers at a Social Care and Social Work Improvement Scotland registered childcare provider of their choice (e.g. their nursery, childminder or nanny). Parents would pay the provider in this way by transferring the voucher payment into the childcare providers' bank account. To receive the payment you would need to have provided the voucher provider with various information, e.g. your contact details and your bank account details, similar to what you would do under the current Employer Supported Voucher scheme. The amount of vouchers may not cover all childcare costs, and in this case parents would have to pay you using other methods.*

This scheme is different from the current Employer Supported Childcare voucher scheme in that the scheme is not connected to employers in any way. Parents may therefore naturally ask childcare providers for advice or support with joining the scheme, where in the past they may have asked their employer. Tax free childcare is available to those who are in paid work, so this includes the self employed. Overall, the new scheme will reach more people, up to 2.5 million, compared to the current scheme that is used by around 500,000 parents.

Moderator to probe:

Was that clear or do you have any questions about this new childcare vouchers scheme?

What are your initial impressions of this new scheme?

What might this new scheme mean for you? What are the positives/negatives for you?

Are there any reasons why you might not accept these new childcare vouchers?

Ofsted – England only (5 mins)

England

Moderator – explain that all childcare providers have to be Ofsted registered to receive TFC vouchers. Those not required to be Ofsted registered, under DfE's rule, who wish to receive TFC vouchers from customers, will have the option of voluntary registration.

- How do you feel about this rule?
- What does it mean for you?
 - Prompt – for anyone who is not registered with Ofsted/ Social Work Improvement Scotland, would it make you consider registering voluntarily with Ofsted / Social Work Improvement Scotland?
 - Prompt – for anyone who is not registered, do you mind telling me a bit more about why you're not currently registered?
 - Prompt – is there anything that might put you off registering with Ofsted /Social Work Improvement Scotland?

6. Exploring the voucher account

40mins

To examine childcare providers considerations/preferences around interactions with the voucher account. (show showcard 4)

Moderator: So to recap – the family will set up an online childcare voucher account with their chosen provider for each child they have. They will pay in the money and the Government will contribute with its top up. You will need to provide information such as your bank account details to the voucher provider, who will then make the payment directly to you, as a transfer from the voucher account into your bank account for each child separately. Parents who use your services may not all have an account with the same voucher provider.

We're going to talk a bit more about how you would set up for this scheme, and how receiving payment in this way would affect you.

If there is anyone in the group who is not currently registered with Ofsted or the Care Inspectorate, please just think about what considerations you would make about this voucher scheme if you were able to receive vouchers.

6.1 Set-up and Payment (20 mins)

- In terms of registering to receive these online voucher payments, can you think of any issues there may be for you?
 - Prompts - Administration, costs etc.
- Can you think of any issues there may be for you in receiving these childcare voucher payments, compared to other ways?
 - Thinking about when parents set up their online voucher account, how quickly would you expect to receive payment from the voucher provider on this occasion?
 - What information would you need voucher providers to give you, along with the payment? (e.g. child's name etc)
- If a parent wanted to pay you partly from their online childcare voucher account, and partly using a different method, e.g. cash or bank transfer, is this something you would accept? If no, why not?
 - How would this affect you?
 - What are the advantages? (moderator – probe for further explanation)
 - What are the disadvantages? (moderator – probe for further explanation)
 - What would this mean to you in terms of checking each person has paid the amount they owe you?
 - Under the current scheme, how do you think the mixed payment method works (If not already covered)
- As mentioned before, parents using the current Employer Supported Childcare voucher scheme may choose to continue using that scheme. If you end up receiving the older vouchers and the vouchers from the new scheme, would this cause you any problems? Why/why not?

In the new scheme, if parents have more than one child, they would still have a separate childcare voucher account for each child and would have to make separate payments for each child.

- What would be the impact on you and your business of receiving these vouchers for multiple children? (Admin, billing etc)
- Is there anything in terms of the way you receive payments that can be improved from the current childcare voucher scheme?
- Once you are set up to receive payments from a voucher provider, how often do you think you would need to contact them?
 - Why might you need to contact them?
 - How would you want to be able to contact your Voucher Provider?
- Where would you want support from if you had trouble with your Voucher Provider?

Moderator – For the Tax Free Childcare scheme employers will not be involved in this, rather parents will set up an online account with a voucher provider

- If you needed to set up an online account to provide your details to voucher providers, would this be an issue for you?

6.2 Voucher provider market (10 mins)

Moderator – Once the scheme is fully introduced, the Government expects that up to around 2.5 million families will be eligible. This is a sizeable number of people and it may mean that a number of firms would want to become providers of childcare vouchers and encourage parents to register with them.

There are a number of approaches that could be taken in terms of the firms that can become voucher providers. At one end, we could have a situation where any firm would be allowed to become a voucher provider with no regulation from the Government. In this case there may be a mixture of household names offering vouchers, but also companies you don't recognize. At the other end, the Government could choose one company only to provide vouchers. Or we could have something between these two scenarios, where there would be a number of voucher providers regulated by Government.

Introduce Showcard A

- What type of system would you prefer? Why?
- What are your general views on any particular advantages/disadvantages of any of the systems?
- If the Government introduced a system where more than one organisation could provide vouchers, would you be willing for parents to choose their own preferred voucher provider (who you would then need to register with to receive payments), or would you expect them to choose from one(s) that you had registered with?
 - Why?
 - What would registering with a number of voucher providers chosen by parents mean for you?
 - How would you feel about registering to receive vouchers from a provider that is not a household name and you have not heard of before?
 - *(for those that say they would choose which providers they register with):* how would you go about choosing a provider? What would you look for in a provider?
- If there were a number of Voucher Providers available to use, would you recommend a Voucher Provider to parents? Why/why not?
 - If there was a situation where voucher providers offered you some kind of monetary incentive to use them, would you encourage parents to use them? Why/why not *(Moderator – if asked, you can explain this would be, for example, a few pence extra going to childcare providers for every £1 they receive)*
- Would you be interested in becoming a voucher provider yourself?
 - Why/why not?
 - What could government need to do to make this attractive?
 - What are the pros and cons for childcare providers of being a voucher provider themselves, and not needing a 3rd party voucher provider?

6.3 Summary of Accounts and Scheme (10 mins)

- How likely/unlikely would you be to accept the new vouchers? Why/why not?
 - *(if not covered)* Is there anything that would make receiving vouchers more appealing?
 - What effect if any do you think the new system will have on your business?
- What do you think this scheme would mean for parents?
 - For example in terms of their childcare use
 - > How / in what ways? Prompt:
 - Increase / decrease in childcare hours
 - Change in use of formal vs. informal childcare

7. Raising awareness of the Tax Free Childcare scheme

10 mins

How do you think parents will hear about this scheme?

Who if anyone do you think will promote the scheme to parents?

- Probe: HMRC, Childcare providers, voucher providers, others

Who would you say has the main role in promoting the scheme to parents?

- *If they answer 'childcare providers', probe:*
 - why do you think they will have the main role in this?
 - What do you think childcare providers will do to promote the scheme?
- *If they answer HMRC/others, probe:*
 - why do you think they will have a main role in this?
 - What do you think HMRC/others should do to promote the scheme?

For those of you who currently accept childcare vouchers, to what extent do you make parents aware of this/promote this to parents?

- Can you say a bit more about how you tell parents about the scheme?
- What reactions do you have from parents when you mention this to them?

What support if any would you want from the government in order to tell parents about the scheme

- what information would you need?
- what form would you want this information in?

Is there anything else that could be done to encourage childcare providers to make parents aware of the new scheme?

How would you explain the scheme to parents?

How likely/unlikely would you be to support parents work out if they would be better off when considering moving between Tax Free Childcare and Tax Credits/Universal Credit/Employers Supported Childcare?

Would you be able to play a role in checking that parents are using the scheme correctly, e.g. checking the birth certificates of their children as this scheme is not available for young people over 12 years old?

- How would you feel about doing this?

Any final comments / questions?

Thank and close

Childcare agencies discussion guide



Tax Free Childcare

Childcare Agencies Discussion Guide

| Section | Application |
|---|-------------|
| 1 Introduction (3 mins) | All |
| 2 Background and current childcare market (2 mins) | All |
| 3 Current childcare payment arrangements (5 mins) | All |
| 4 Exploring attitudes towards Employer Supported Childcare (5 mins) | All |
| 5 Initial response to the tax free childcare scheme (5 mins) | All |
| 6 Exploring the voucher account (20mins) | All |
| 7 Raising awareness of the Tax Free Childcare scheme (5mins) | All |

1. Introduction

3 mins

To introduce the research and the participants.

Introduce OL

Moderator to outline aims of research and background to the project - we are conducting some research about a new Government policy relating to childcare.

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Any information you share during this session will be used for research purposes only. This will not be linked to your tax records or any benefits you claim and you will not be personally identified in the

research report which may include quotes from this session. In addition, we will not provide HMRC with names of anyone who takes part in this research.

Just to remind you, this session is being video recorded. For that reason, you will not be addressed by, or asked to give, your full name during the discussion. The recording may be reviewed by people working on the new childcare scheme and will not be made available to the public.

There will be aspects of the policy which are fixed and others which are still under consideration and might be changed – the consultation period is still underway.

We want to speak with you about how the scheme might operate to make sure the system can work efficiently and minimise the burden of all involved

Ask them to be open and honest with their feedback.

The session should last around 45 mins

It's ok if you do not wish to answer some of the questions and you can leave the session at any time if you do not wish to continue.

2. Background and current child care market

2 mins

To understand childcare agencies views on the current childcare market.

Please tell me about your role and the services you provide.

- Probe – how many nannies/childminders do you work with? (numbers on your books, numbers operating through you at the moment)
- Probe – how do you recruit nannies/childminders? Where do you advertise?
- Probe – where do you place nannies/childminders? (with families? Or also with childcare providers like nurseries etc?)

What are your nannies/childminders working patterns?

- Do they work to more than one family? Probe – average number of families, ratio of children to childminder/nanny
- Do they work in families' homes or other premises?
- Are your nannies/childminders mostly self-employed or employed? Probe – if employed, by who? Parents?

What is the agencies' role in finding placements?

What is the agencies' role in payment for childcare?

- Do payments go through the agency (parents pay agency; agency pays staff), or do parents pay nannies/childminders directly?
- Do you help with registering nannies/childminders with Ofsted/[for Scotland] the Social Care and Social Work Improvement Scotland? Are they automatically registered by joining your agency?

What's the demand for childcare staff in your area? (waiting lists / hard to find work?)

3. Current childcare payment arrangements

5 mins

To understand childcare agencies views on the current payment arrangements.

Ask all

What are the different ways in which you accept payment for placing childcare staff from childcare providers/parents?

- Payment type: cash, direct debit, bank transfer, childcare vouchers
- What is your preferred method of payments? Why?
- Are there any payment methods you don't like or don't accept? Why?
- Do you accept payments from people other than the parent? E.g. grandparents
- When do parents pay nannies/childminders directly?
- For those agencies where childminders/nannies are employed (either by the parent or the agency), who pays the tax and National Insurance payments to HMRC?
- What happens when childcare booked is no longer needed – e.g. holiday or illness? Are parents refunded?
- What records of payments to you keep? How long do you keep these?
- What do you do if a parent is late paying?

Moderator note: If not already covered explore these areas a bit further –

- What is the payment frequency: weekly, monthly, ad hoc – why is this?
- In advance / arrears? Why?
- Do you ask parents for a deposit?

How easy/difficult is it to manage mixed payment methods, i.e. if someone pays you part via bank transfer, and part in cash?

4. Exploring attitudes towards Employer Supported Childcare

5 mins

Have you heard of the current government childcare voucher scheme, known as Employer Supported Childcare?

- **If yes** - Do you accept childcare vouchers?
 - *If yes (yes, accepts childcare vouchers):*
 - Why did you decide to accept childcare vouchers?
 - What would you say works well for you about the scheme?
 - What would you say works less well for you?
 - Any extra admin/costs involved?
 - How many different voucher providers do you receive vouchers from?
 - Why is this?
- *If not covered:*
 - Do you register with any voucher provider that parents are using, or do you offer a set number of voucher providers? Why is that?
- Are there any parents who pay for more than one child using vouchers? If so, do you bill them separately for each child or just add together what they owe you?
- *If not covered earlier:* Do any parents pay you partly with childcare vouchers and partly with a different method e.g. cash or bank transfer?
 - How do you find this?

- What are the advantages/disadvantages?
- Have you ever had to make changes to the information Voucher Providers hold? (e.g. your bank account details, name, contact information)
 - What information? How easy was this?
- How easy/difficult was it to register with the voucher providers
 - Why do you say that?
 - Does it differ depending on the provider?
 - What did you have to provide at registration?
 - Were there any difficulties providing this?
- Once you've registered – how easy/difficult is it to use the schemes?
 - Why do you say that?
- Can you give any examples of voucher scheme features that work particularly well?
- And are there any examples of voucher scheme features that work less well?
- How do you contact voucher providers? How often do you need to contact voucher providers?
- How do you reconcile the payments received from a voucher provider – i.e. if you receive £1000 – how do they determine which children that relates to? Do they have unique ID for each child?
- Have parents changed between voucher providers? How easy is this transition?
- Has an expected payment from a voucher provider not arrived? What was the cause? How was it solved?
- Has the amount from paid by the voucher provider ever been incorrect? What was the cause? How was it solved?
- Have you ever had a complaint against a voucher provider?
- Are you also a provider of childcare vouchers? Why / why not?
- Did you consider being a provider of childcare vouchers? Why / why not?

If no (does not accept childcare vouchers)

- Why/why not?
- Have you ever had any requests from parents to accept childcare vouchers?

5. Initial response to the tax free childcare scheme

5 mins

To introduce the scheme and understand initial reactions.

To introduce the scheme and understand initial reactions.

Participants to be shown SHOWCARD 1, 2 and 3, New Tax Model: Tax Free Childcare

Moderator – England : *We're now going to talk about a new Government childcare voucher scheme, called Tax-Free Childcare. This scheme will operate through secure online voucher accounts. Parents need to register with a voucher provider to set up this account with them. Once an account has been set up, parents and the Government will make payments into this account. For every £1 worth of vouchers, the parent puts*

in 80p and the Government puts in 20p, up to a maximum of £6,000 per year. Parents will be able to use the total amount of vouchers at an Ofsted registered (or equivalent in devolved administrations) childcare provider of their choice (e.g. their nursery, childminder or nanny). Parents would pay the provider in this way by transferring the voucher payment into the childcare providers' bank account. To receive the payment you would need to have provided the voucher provider with various information, e.g. your contact details and your bank account details, similar to what you would do under the current Employer Supported Voucher scheme. The amount of vouchers may not cover all childcare costs, and in this case parents would have to pay you using other methods.

This scheme is different from the current Employer Supported Childcare voucher scheme in that the scheme is not connected to employers in any way. Parents may therefore naturally ask childcare providers for advice or support with joining the scheme, where in the past they may have asked their employer. Tax free childcare is available to those who are in paid work, so this includes the self employed. Overall, the new scheme will reach more people, up to 2.5 million, compared to the current scheme that is used by around 500,000 parents.

Parents who already use the current employer supported childcare vouchers can continue on that scheme if they choose, or they may prefer to switch to the new scheme. But the old childcare voucher scheme will not be open for new people to join.

Moderator – Scotland *We're now going to talk about a new Government childcare voucher scheme, called Tax-Free Childcare. This scheme will operate through secure online voucher accounts. Parents need to register with a voucher provider to set up this account with them. Once an account has been set up, parents and the Government will make payments into this account. For every £1 worth of vouchers, the parent puts in 80p and the Government puts in 20p, up to a maximum of £6,000 per year. Parents will be able to use the total amount of vouchers at a Social Care and Social Work Improvement Scotland registered childcare provider of their choice (e.g. their nursery, childminder or nanny). Parents would pay the provider in this way by transferring the voucher payment into the childcare providers' bank account. To receive the payment you would need to have provided the voucher provider with various information, e.g. your contact details and your bank account details, similar to what you would do under the current Employer Supported Voucher scheme. The amount of vouchers may not cover all childcare costs, and in this case parents would have to pay you using other methods.*

This scheme is different from the current Employer Supported Childcare voucher scheme in that the scheme is not connected to employers in any way. Parents may therefore naturally ask childcare providers for advice or support with joining the scheme, where in the past they may have asked their employer. Tax free childcare is available to those who are in paid work, so this includes the self employed. Overall, the new scheme will reach more people, up to 2.5 million, compared to the current scheme that is used by around 500,000 parents.

Moderator to probe:

Do you have any questions about this new childcare vouchers scheme?

What are your initial impressions of this new scheme?

What might this new scheme mean for you? What are the positives/negatives for you?

Are there any reasons why you might not accept these new childcare vouchers?

England

Moderator – explain that all childcare providers have to be Ofsted registered to receive TFC vouchers. Those not required to be Ofsted registered, under DfE's rule, who wish to receive TFC vouchers from customers, will have the option of voluntary registration.

- How do you feel about this rule?
- What does it mean for you and the nannies/childminders you work with?
- What proportion of nannies/childminders operate through you are Ofsted registered vs non-Ofsted registered
- How do you feel about non-registered nannies/childminders needing to register with Ofsted
 - Would this affect whether or not you would be able to use and register for Tax Free Childcare?
- How likely/unlikely do you think the nannies/childminders you place would be to register with Ofsted to be able to accept TFC vouchers?
- What does being registered with Ofsted involve for those who you place – what burdens involved? Would you help nannies/childminders become Ofsted-registered? Would you help nannies/childminders with any training they need to do to register with Ofsted?
- Nannies and childminders services can be paid for using the childcare vouchers, but au-pairs cannot, as their work and hours would not involve childcare only. Do you see any issues in trying to define ‘a nanny’ versus ‘an au-pair’ in the scheme?

6. Exploring the voucher account

20 mins

To examine childcare providers considerations/preferences around interactions with the voucher account. (show showcard 4)

Moderator: So to recap – the family will set up an online childcare voucher account with their chosen provider. They will pay in the money and the Government will contribute with its top up. You will need to provide information such as your bank account details to the voucher provider, who will then make the payment directly to you, as a transfer from the voucher account into your bank account. Parents who use your services may not all have an account with the same voucher provider.

We’re going to talk a bit more about how you would set up for this scheme, and how receiving payment in this way would affect you.

6.1 Set-up and Payment (10 mins)

- In terms of registering to receive these online voucher payments, can you think of any issues there may be for you?
 - Prompts - Administration, costs etc.
- Can you think of any issues there may be for you in receiving these childcare voucher payments, compared to other ways?
 - Thinking about when parents first set up their online voucher account, how quickly would you expect to receive payment from the voucher provider on this occasion?
 - What information would you need voucher providers to give you, along with the payment? (e.g. child’s name etc)
- If a parent wanted to pay you partly from their online childcare voucher account, and partly using a different method, e.g. cash or bank transfer, is this something you would accept? If no, why not?
 - How would this affect you?
 - What are the advantages? (moderator – probe for further explanation)
 - What are the disadvantages? (moderator – probe for further explanation)

- What would this mean to you in terms of checking each person has paid the amount they owe you?
- *(if not already covered)* Is this something that parents already do with the current voucher scheme? How does this work for you?
- As mentioned before, parents using the current Employer Supported Childcare voucher scheme may choose to continue using that scheme. If you end up receiving the current ESC vouchers and the vouchers from the new scheme, would this cause you any problems? Why/why not?

In the new scheme, if parents have more than one child, they would still have a separate childcare voucher account for each child and would have to make separate payments for each child.

- What would be the impact on you and your business of receiving these vouchers for multiple children?
- Is there anything in terms of the way you receive payments that can be improved from the current childcare voucher scheme?
- Once you are set up to receive payments from a voucher provider, how often do you think you would need to contact them?
 - Why might you need to contact them?
 - How would you want to be able to contact your Voucher Provider?
- Where would you want support from if you had trouble with your Voucher Provider?

Moderator – For the Tax Free Childcare scheme employers will not be involved in this, rather parents will set up an online account with a voucher provider

- For childminders/nannies who are employed, would you expect the vouchers to cover the employers' (the parent or agency) tax, National Insurance, and pension payments?
 - What would it mean if the vouchers didn't cover these payments?

6.2 Voucher provider market (5 mins)

Moderator – Once the scheme is fully introduced, the Government expects that up to around 2.5 million families will be eligible. This is a sizeable number of people and it may mean that a number of firms would want to become providers of childcare vouchers and encourage parents to register with them.

There are a number of approaches that could be taken in terms of the firms that can become voucher providers. At one end, we could have a situation where any firm would be allowed to become a voucher provider with no regulation from the Government. In this case there may be a mixture of household names offering vouchers, but also companies you don't recognize. At the other end, the Government could choose one company only to provide vouchers. Or we could have something between these two scenarios, where there would be a number of voucher providers regulated by Government.

Introduce Showcard A

- What type of system would you prefer? Why?
- Can you think of any other advantages/disadvantages of any of the systems?

- If the Government introduced a system where more than one organisation could provide vouchers, would you be willing for parents to choose their own preferred voucher provider (who you would then need to register with to receive payments), or would you expect them to choose from one(s) that you had registered with?
 - Why?
 - What would registering with a number of voucher providers chosen by parents mean for you?
 - > Prompt: How would you feel about registering to receive vouchers from a provider that is not a household name and you have not heard of before?
 - *(for those that say they would choose which providers they register with):* how would you go about choosing a provider? What would you look for in a provider?
- If there were a number of Voucher Providers available to use, would you recommend a Voucher Provider to parents?
 - Could you see any issues with recommending certain Voucher Providers (where parents would then be putting their money)
 - If there was a situation where voucher providers offered you some kind of monetary incentive to use them, would you encourage parents to use them? Why/why not *(Moderator – if asked, you can explain this would be, for example, a few pence extra going to childcare providers for every £1 they receive)*
- Would you be interested in becoming a voucher provider yourself?
 - Why/why not?
 - What would government need to do to make this attractive?
 - What are the pros and cons for childcare providers of being a voucher provider themselves, and not needing a 3rd party voucher provider?

6.3 Summary of Accounts and Scheme (5 mins)

- How likely/unlikely would you be to accept the new vouchers? Why/why not?
 - *(if not covered):* Is there anything that would make receiving vouchers more appealing?
 - What effect if any do you think the new system will have on your business?
- What do you think this scheme would mean for parents?
 - Prompt – for example in terms of their childcare use?
 - > How / in what ways? Prompt:
 - Increase / decrease in childcare hours
 - Change in use of formal vs. informal childcare

7. Raising awareness of the Tax Free Childcare scheme

10 mins

How do you think parents will hear about this scheme?

Who, if anyone, do you think will promote the scheme to parents?

- Probe: HMRC, Childcare providers / childcare provider agencies, voucher providers, others

Who would you say has the main role in promoting the scheme to parents?

- *If they answer 'childcare providers/agencies', probe:*
 - why do you think they will have the main role in this?
 - What do you think childcare providers will do to promote the scheme?
- *If they answer HMRC/others, probe:*
 - why do you think they will have a main role in this?
 - What do you think HMRC/others should do to promote the scheme?

For those of you who currently accept childcare vouchers, to what extent do you make parents aware of this/promote this to parents?

- Can you say a bit more about how you tell parents about the scheme?
- What reactions do you have from parents when you mention this to them?

What support if any would you want from the government in order to tell parents about the scheme

- what information would you need?
- what form would you want this information in?

Is there anything else that could be done to encourage childcare providers to make parents aware of the new scheme?

How would you explain the scheme to parents?

How likely/unlikely would you be to support parents work out if they would be better off when considering moving between Tax Free Childcare and Tax Credits/Universal Credit/Employers Supported Childcare?

Would you be able to play a role in checking that parents are using the scheme correctly, e.g. checking the birth certificates of their children as this scheme is not available for young people over 12 years old?

- How would you feel about doing this?

Low priority exercise below

Participants to identify the barriers and triggers to promoting the scheme. Once all of the triggers and barriers have been identified the group will discuss the top 3 barriers and triggers

For each trigger probe: how would you promote this to childcare providers/parents?

For each barrier probe: what could HMRC/childcare providers do to reduce/remove this barrier

Any final comments / questions?

Thank and close

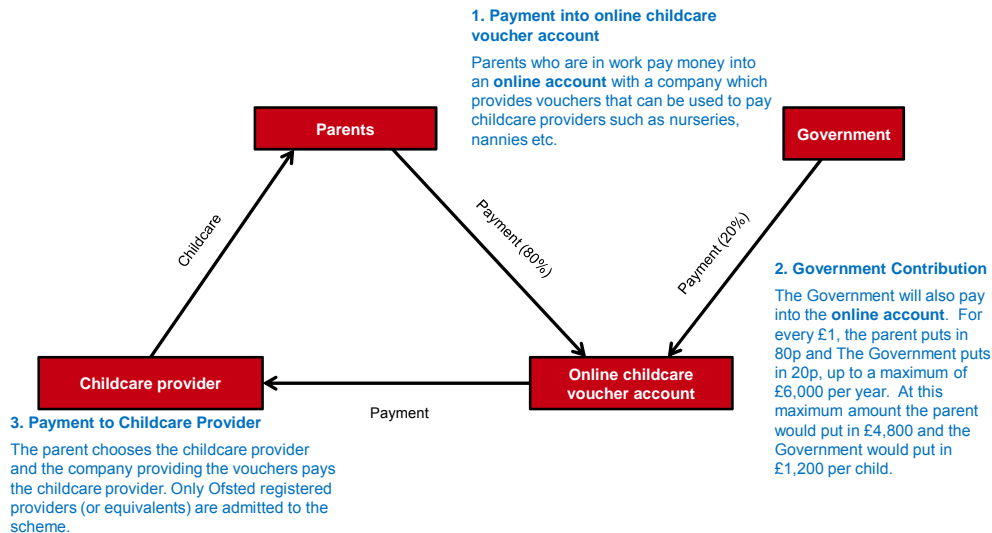
Any final comments / questions?

Thank and close

2. Showcards

Parents

Showcard 1 New model: Tax-free Childcare



Showcard 2, Eligibility

Who is eligible? To be eligible for the Tax-Free Childcare scheme, all parents in the household must:

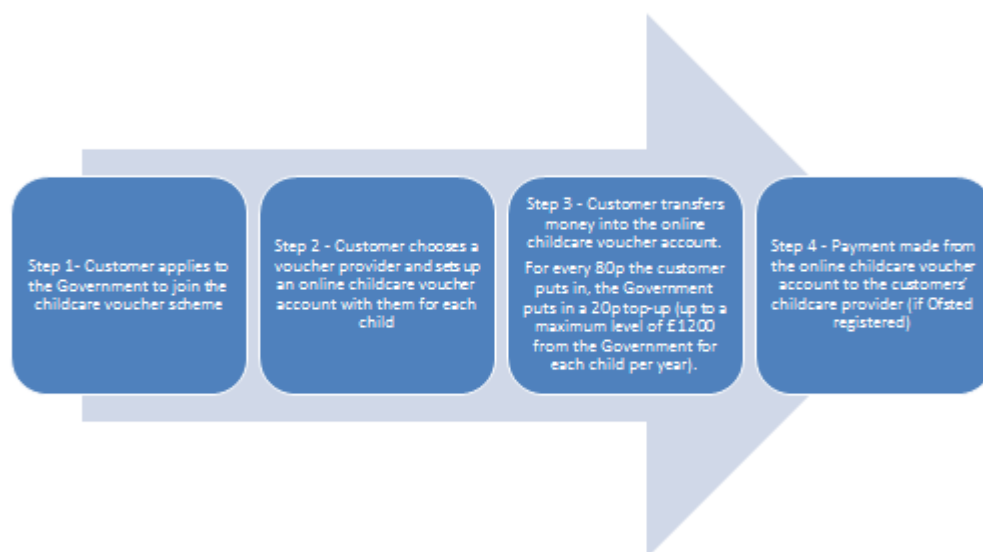
- be in paid work,
- not be additional rate taxpayers (i.e. have an income of more than £150,000 per year),
- not be in receipt of tax credits or Universal Credit or the current Employer Supported Childcare scheme.

What age children does it cover? 0-12 and disabled children aged under 17

What is the maximum amount the Government will pay towards childcare - £1,200 per child per year

How is the childcare paid for? The voucher provider pays the childcare provider chosen by the parents

Showcard 3 – customer journey



Showcard 4 Online account

What is it? It is a bit like an online bank account which holds the contribution from parents (80p per £1) and the Government (20p per £1)

Why do we need one? It ensures that the money is used to buy childcare rather than other items

How do I use the online account to pay for childcare? Once the online childcare voucher account has been set up via the voucher provider, parents will need to make payments in to receive the Government top-ups. Parents can then use these online vouchers to make payments to any childcare provider that accepts these vouchers.

Childcare Voucher Statement

Account holder: Sarah Smith
Child: Adam Smith

Balance: £450

Scheme Start Date: 01/02/2012

Between: 01/02/2012 and 30/04/2012

| Date | Description | Voucher Number | Childcare Provider | Amount |
|------------|-------------------------|----------------|--------------------|----------|
| 30/04/2012 | Payment made | | Kids Club Ltd | -£554.00 |
| 29/04/2012 | Government Contribution | 6999741 | | £100.00 |
| 28/04/2012 | Parent Contribution | | | £400.00 |
| 27/03/2012 | Government Contribution | 6789321 | | £100.00 |
| 26/03/2012 | Parent Contribution | | | £400.00 |
| 04/03/2012 | Payment made | | Kids Club Ltd | -£454.00 |
| 25/02/2012 | Government Contribution | 6459712 | | £100.00 |
| 24/02/2012 | Parent Contribution | | | £400.00 |

Go Off Payment Request Payment

Showcard 5 Definitions

Parent

Within the new childcare scheme, a 'parent' will be defined as:

- An individual who has responsibility for a child
- The child's primary residence must be with this person.

Showcard 5 Definitions

Employment

Parents who are either employees receiving a salary, or are self-employed (or a combination of the two) will be defined as 'in employment'.

In addition, this includes:

- Where one parent is either a full time carer in receipt of Carer's Allowance, or in receipt of contributory Employment and Support Allowance.
- Where one or both parents are on a period of paid 'parental' leave such as maternity, paternity and adoptive leave or sick leave.

Showcard 5 Definitions

Household

Within the new childcare voucher scheme, a 'household' will be defined as:

- Two individuals aged 16 and over who are living together as a couple with a child (where one or both individuals has responsibility for the child)
- Lone parents will be eligible for the new scheme, providing they meet the employment criteria.

Showcard 6: Quarterly Eligibility

Making a claim

- Parent registers for Tax Free Childcare and confirms their eligibility – e.g. 10th February 2014

The Entitlement Period

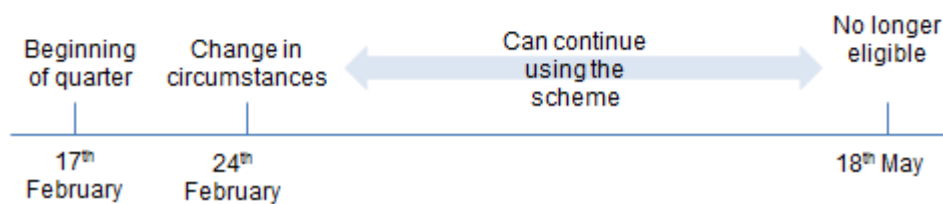
- The entitlement period starts after processing by the Government on the 17th February 2014. Parents will receive support from Government for a full quarter until the 17th May.
- Parents will need to reconfirm that they are still eligible for the scheme before the end of each quarter to continue to receive Tax Free Childcare

Change of Circumstances resulting in the parent no longer being eligible e.g. no longer working

- Entitlement to this Government childcare scheme support stops at the start of the next quarter. Parents can reclaim when they become eligible again

Showcard A – Scenario 1

- Bill and Sian both work full time and use the tax free childcare scheme to pay for the childcare for their two sons, Josh aged 5, and Lucas aged 9.
- A week after starting the scheme Bill is made redundant and the family is no longer eligible to take part in the scheme.
- The family have 2 months and three weeks where they can continue using the scheme.



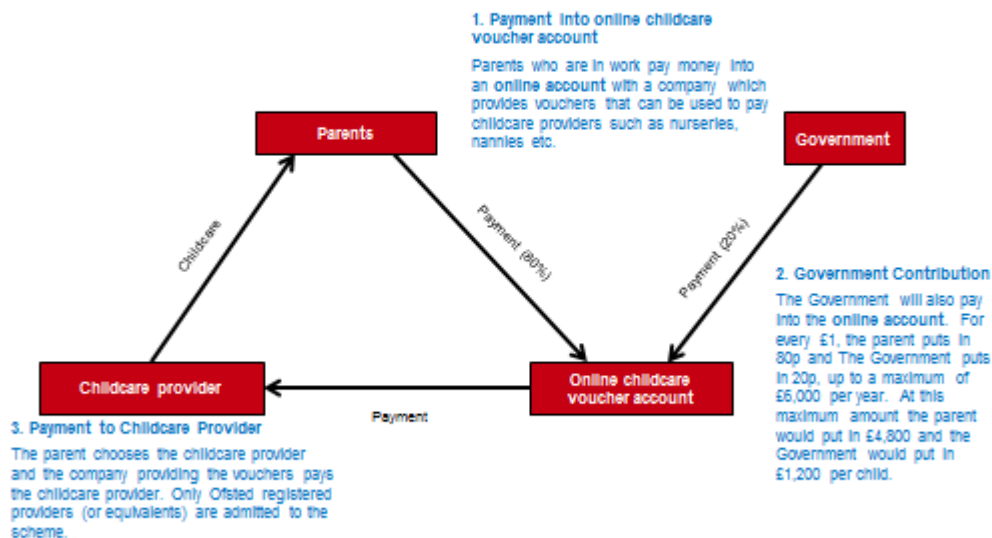
Showcard A – Scenario 2

- Bill and Sian both work full time and use the tax free childcare scheme to pay for the childcare for their two sons, Josh aged 5, and Lucas aged 9.
- One week before the end of the first quarter that they had been using the scheme Bill is made redundant and the family is no longer eligible to take part in the scheme.
- The family has one week where it can continue using the scheme.



Childcare providers

Showcard 1 New model: Tax-free Childcare



Showcard 2, Eligibility

Who is eligible? To be eligible for the Tax-Free Childcare scheme, all parents in the household must:

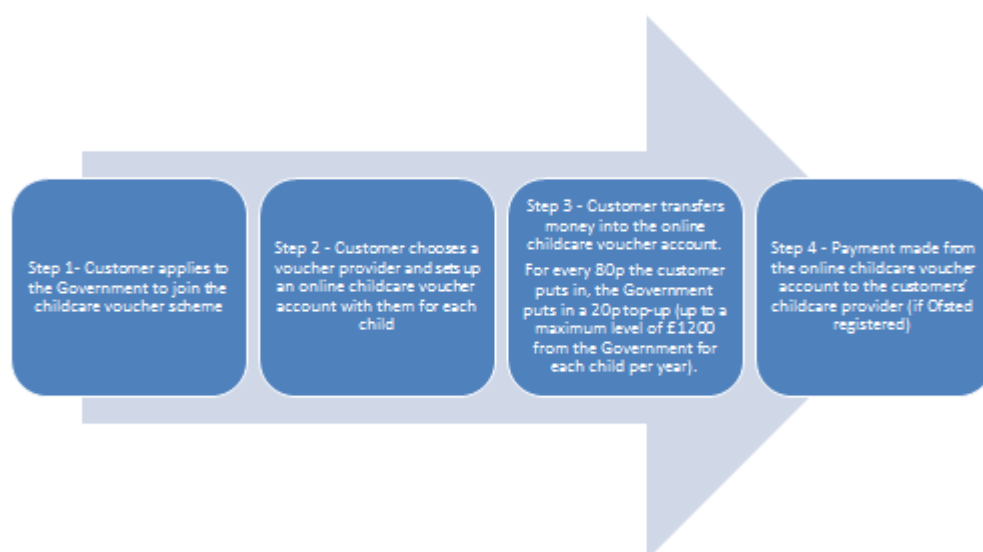
- be in paid work,
- not be additional rate taxpayers (i.e. have an income of more than £150,000 per year),
- not be in receipt of tax credits or Universal Credit or the current Employer Supported Childcare scheme.

What age children does it cover? 0-12 and disabled children aged under 17

What is the maximum amount the Government will pay towards childcare - £1,200 per child per year

How is the childcare paid for? The voucher provider pays the childcare provider chosen by the parents

Showcard 3 – customer journey



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What is it? It is a bit like an online bank account which holds the contribution from parents (80p per £1) and the Government (20p per £1)

Why do we need one? It ensures that the money is used to buy childcare rather than other items

How do I use the online account to pay for childcare? Once the online childcare voucher account has been set up via the voucher provider, parents will need to make payments in to receive the Government top-ups. Parents can then use these online vouchers to make payments to any childcare provider that accepts these vouchers.

Childcare Voucher Statement

Account holder: Sarah Smith
Child: Adam Smith

Balance: £440

Scheme Start Date: 01/03/2013

Between: 01/03/2013 and 30/04/2013

| Date | Description | Voucher Number | Childcare Provider | Amount |
|------------|-------------------------|----------------|--------------------|----------|
| 30/04/2013 | Payment made | | Kids Club Ltd | -£504.00 |
| 28/04/2013 | Government Contribution | 6999741 | | £100.00 |
| 28/04/2013 | Parent Contribution | | | £400.00 |
| 27/03/2013 | Government Contribution | 6789321 | | £100.00 |
| 26/03/2013 | Parent Contribution | | | £400.00 |
| 04/03/2013 | Payment made | | Kids Club Ltd | -£454.00 |
| 25/02/2013 | Government Contribution | 5469112 | | £100.00 |
| 24/02/2013 | Parent Contribution | | | £400.00 |

Go Off Parents | Request Payment

Showcard A – Number of voucher providers

