



House of Commons  
Work and Pensions Committee

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**Universal Credit:  
childcare**

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**Twenty-Second Report of Session  
2017–19**

*Report, together with formal minutes  
relating to the report*

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## Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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## Summary

Parents' and carers' decisions about whether and how much to work are closely tied to being able to access affordable, good quality childcare. The Department for Work and Pensions (DWP/the Department) aspires for 200,000 more people to work under Universal Credit than under the system it replaces (the "legacy system"), and for people already in work to contribute over 100 million additional hours every year. Its success or failure in achieving these aims depends largely on working parents. That means that making childcare payments work is critical to the success of Universal Credit.

But the design of Universal Credit childcare support directly conflicts with the aim of making it easier for claimants to work, or to work more hours. Universal Credit claimants must pay for childcare up-front and claim reimbursement from the Department after the childcare has been provided. This can leave households waiting weeks or even months to be paid back. Many of those households will be in precarious financial positions which Universal Credit could exacerbate: if, for example, they have fallen into debt or rent arrears while awaiting Universal Credit payments. Too many will face a stark choice: turn down a job offer, or get themselves into debt in order to pay for childcare. The Department says that its approach to reimbursing childcare costs under UC is intended to reduce high rates of fraud and error in the legacy system. But in prioritising this objective it has created a barrier to employment. For some households this will be insurmountable.

Direct payments of Universal Credit childcare support would alleviate the problem of upfront costs, give providers much-needed certainty of income, and substantially reduce the risk of fraud and error. The Department says that allowing Universal Credit claimants to have childcare payments made direct to providers would require changes to Universal Credit's payment systems, which will take some time to make. That does not mean that direct payments are not the right thing to do. The Department should develop Universal Credit's systems to allow direct payment of childcare costs to providers.

In the interim, the Department must do more to help claimants with upfront costs. It currently offers two options: Budgeting Advances, and the Flexible Support Fund (FSF). Budgeting Advances are not the solution. They are loans that must be repaid, requiring claimants to take on debt. DWP should make clear to its Work Coaches and other Jobcentre Plus staff that claimants struggling with the day-to-day costs of childcare should be directed to the FSF in the first instance.

The FSF offers non-repayable, discretionary grants to help claimants overcome barriers to work. It should be invaluable in helping claimants struggling with the upfront costs of childcare. But the Department's limited data shows the Fund has been underspent in every year since 2012–13, and the proportion spent on childcare is minute. Moreover, the Department does not systematically gather detailed data on the FSF, and has no plans to do so. Without this it cannot possibly know whether the Fund is fulfilling its intended purposes, including helping claimants with childcare costs. The Department should publish a quarterly statistical release on the use of the FSF, including breakdowns by purpose of spending and Jobcentre Plus district. It should also set out its detailed strategy for promoting the FSF to Work Coaches, claimants and stakeholders, such as providers.

The Department should also be open to innovative ways of using its resources to help claimants work and minimise the risks they face in doing so. It should trial a childcare deposit scheme, using the FSF to make deposit payments direct to providers. This would not only help parents to work; it would provide a valuable opportunity to “test and learn” on direct payments.

DWP must ensure that childcare is affordable for claimants on an ongoing basis. Most Universal Credit claimants will be able to claim back a greater proportion of their childcare costs under Universal Credit: up to 85%, rather than 70% under Working Tax Credit. This is very welcome. But as things stand some 100,000 households will receive less under Universal Credit than they would have under the legacy system. This includes households who are among the poorest Universal Credit claimants. And for many claimants, the costs they are able to claim back will fall short: the maximum amounts that the Department will reimburse for childcare have not increased since 2005. To ensure work always pays for Universal Credit claimants, the Department has a choice: it can increase the maximum reimbursements, or it can increase the maximum caps. The Department should model the effects of both on work incentives and implement the option that will have the greatest impact.

It is unacceptable that households claiming Universal Credit—amongst them the poorest in society—are struggling with childcare costs while the Government is funding support for households earning up to £200,000 per year via the Tax Free Childcare and 30 free hours schemes. The Government should divert funding from those schemes towards improving Universal Credit childcare support.

Parents and carers who want to claim support with childcare face a series of confusing decisions. They have to choose from up to seven different schemes, each with different qualifying conditions and interactions. Personalised, good quality advice on their options is vital: not just at the start of a claim, but throughout as their circumstances change. Yet the Government’s online Childcare Calculator tool does not include Universal Credit, and directs claimants wanting to understand the relative benefits of that scheme instead to third-party calculators and support services. The Government should update the Childcare Calculator to fully calculate Universal Credit entitlement as it currently does for tax credits. And the Department should recognise that some claimants need more in-depth advice on childcare options than Work Coaches can reasonably be expected to deliver. It should engage with Citizens Advice—its Universal Support delivery partner—to establish how this advice can be included and funded through Universal Support.

Childcare can do so much more than simply enabling parents and carers to work. Good quality childcare helps children to flourish in their early years and enhances their education and development in later life. And the Department argues that growing up in workless households is damaging children’s life chances. That means the case for ensuring that childcare is never a barrier to work is not just economic. It is also about ensuring that children—including those from some of the most disadvantaged households in the country—are able to get the best possible start in life and formal education. Without significant changes, childcare support for Universal Credit claimants will work against both that goal, and the objectives of Universal Credit itself.

# 1 Introduction

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1. Universal Credit (UC) is a radical departure from the existing welfare system. It replaces six pre-existing means-tested benefits and tax credits (income-based Jobseekers Allowance, income-based Employment and Support allowance, Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit) with one single monthly payment for claimants. A key aim of this new system is to simplify the existing welfare system (the “legacy system”). Through Universal Credit the Department for Work and Pensions (DWP/the Department) hopes to create clearer incentives for claimants to either move into paid employment or increase their working hours.

2. The Department estimates that an additional 200,000 people will move into work under Universal Credit, relative to the legacy system, because of improved financial incentives, a simpler system, and more demanding conditions attached to claimants’ receipt of benefits.<sup>1</sup> It also estimates that claimants in work will work an additional 113 million hours each year. Working mothers will account for 95% of these additional hours,<sup>2</sup> with lone mothers contributing an additional 78 million hours alone.<sup>3</sup> Citizens Advice told us that the availability of good quality, convenient and affordable childcare will be crucial in determining whether the Department achieves these objectives. They explained that parents’ and carers’ decisions on work require them to “weigh the benefits of any additional hours of work against the cost and logistics of increased use of childcare”. Accordingly, Citizens Advice told us that “it is vital that [UC’s] systems support parents to find and sustain appropriate childcare”.<sup>4</sup>

3. Claimants with children can claim help with their childcare costs via Universal Credit, as they could under the legacy system. The Department told us that, as of August 2018, there were 15,900 households claiming help with childcare. This represents around 4.5% of claimant households whose award includes a component for children.<sup>5</sup> The low numbers currently claiming childcare support reflect the composition of the existing UC caseload. In August 2018, 59% of UC claims were paid to single people without children and a further 3% to couples without children.<sup>6</sup> As the Department makes progress with rolling out Universal Credit and moving claimants from the legacy system to UC (which it refers to as a “managed migration”), the number of households with children will increase.<sup>7</sup> When UC is fully rolled out the Department estimates that 12.5% of UC claimants who are entitled to childcare support will claim it.<sup>8</sup>

4. We held this phase of our ongoing inquiry into UC in response to evidence of claimants’ difficulties in finding and accessing affordable and good quality childcare. We aimed to understand the extent to which childcare presents a barrier to work under UC and how the barriers could be broken down. In the text our conclusions are in **bold** and our recommendations in ***bold italic***.

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1 [Letter from Alok Sharma to Committee Chair](#), February 2018

2 [National Audit Office, Rolling out Universal Credit, p.54](#)

3 The Department estimates that lone mothers will work an additional 78 million hours, women in couples with children 29 million hours, and single women without children six million hours.

4 Citizens Advice ([UCR0268](#))

5 [Letter from the Minister to the Committee Chair](#), 15 Nov 2018

6 DWP, [Universal Credit official statistics](#), December 2018

7 Social Security Advisory Committee (SSAC), [The Draft Universal Credit \(Managed Migration\) Regulations 2018](#), November 2018

8 [Letter from the Minister to Committee Chair](#), 15 Nov 2018

## Childcare as a barrier to work

5. Finding appropriate and affordable childcare can be a barrier to returning to work. Research by the Department for Education (DfE) reported that 50% of non-working mothers said that if they could arrange “good quality childcare which was convenient, reliable and affordable”, they would prefer to go to work.<sup>9</sup> A third (33%) of mothers working part-time said they would increase their hours if there were no barriers to them doing so. A further 13% said they would work full-time.<sup>10</sup> Half (50%) of mothers working part-time reported that being able to afford suitable childcare was the main factor that would enable them to increase their working hours.<sup>11</sup> Witnesses to our inquiry illustrated starkly the effect that being able or unable to afford childcare alongside other living expenses can have on people’s ability to work. Thuto Mali, a parent from London with a young son, told us that she had to turn down a job because it would have been unaffordable (see Case Study 1):<sup>12</sup>

On a salary of £32,000, we would not be entitled to any Universal Credit, any housing benefit or any help. Having paid our rent, council tax and £1,500 per month for full-time childcare, plus the £500 deposit on top, we would be left with £60 for the entire month for all our bills. That is effectively £2 a day. Unfortunately, I was not able to take the job because it just did not work. Work did not pay for us. [ ... ] We were at the foodbank last Christmas because it got that bad. It is not that I do not want to work; it is just that work does not pay in this situation.

### Case study 1: Thuto

Thuto is a single mum to a 2-year-old son, from London. She is currently receiving legacy benefits, but as Universal Credit is being rolled out in her area, she will be moving onto it in the coming months. Her son has just started attending nursery for 15 hours a week under the free entitlement from the Department for Education.

Thuto is extremely concerned about how she will manage once she secures a job and starts receiving childcare support through Universal Credit. She is anxious about how she will cover the upfront costs and worries that she will be worse off when working. She says:

When I did a better off calculation, now Universal Credit is active in my area, we will be significantly worse off once I start working. Even on a salary of £32,000 a year, after paying our rent, council tax and childcare, we are left with just £66.88 per month for all other bills, food and all other essentials. That’s just over £2 per day. We are no stranger to food banks. All because I want to return to work and he needs and deserves to go to nursery like his peers and counterparts.

Source: <[Save the Children](#) and Q881 (Thuto Mali)>

9 Table 8.1 [DfE Childcare and early years survey of parents 2017](#)

10 Table 8.1 [DfE Childcare and early years survey of parents 2017](#)

11 Table 8.2 [DfE Childcare and early years survey of parents 2017](#)

12 Q881 (Thuto Mali)

6. We heard that a lack of affordable childcare can increase the likelihood of children growing up in poverty and affect their life chances. The Department’s 2017 research on workless families found that “worklessness and the complex problems associated with it hold people back and prevent them from reaching their potential”. It continued:<sup>13</sup>

We cannot afford not to act: the issues faced by children in workless families—of which there are 1.8 million across the UK—combine to impact upon their development and education, limiting their future employment prospects, and reducing their opportunities to succeed throughout their lives.

7. Witnesses to our inquiry echoed the Department’s view. The Centre for Social Justice, a think-tank, told us that being in high quality childcare, in itself, can be an important positive influence on children’s development.<sup>14</sup> Save the Children said that high quality childcare can enable children to “flourish” in their early years.<sup>15</sup> The Centre for Social Justice also told us that access to affordable childcare also gives parents the choice to work.<sup>16</sup> This potentially offers the opportunity to boost their family income, although Save the Children cautioned that work is “no longer a guaranteed route out of poverty”.<sup>17</sup> Finally, we heard about the impact on children’s later life chances. The Centre for Social Justice told us that:<sup>18</sup>

Children in workless families [ ... ] are almost twice as likely as those in working households to fall behind at every stage in their education. They are also more likely to experience worklessness themselves as adults, thereby fuelling intergenerational disadvantage. And the potential for suitable work to improve physical and mental wellbeing is well established.

**8. The Department aspires for 200,000 additional people to work under Universal Credit, relative to the system it replaces. It also aims for claimants already in work to contribute over 100 million additional working hours each year. Working mothers will do the heavy lifting, with lone mothers contributing almost 80 million hours alone. But parents and carers who cannot afford childcare are also likely to find that work, or working more, simply does not pay. Making childcare payments work is critical to the success of Universal Credit.**

**9. Good quality childcare can help children to flourish in their early years and enhance their education and development in later life. And the Department argues that growing up in workless households is damaging children’s life chances. Household decisions on work are closely tied to the availability of affordable, accessible childcare. That means the case for ensuring that childcare is never a barrier to work is not just economic; it is also about ensuring that children get the best possible start in life.**

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13 [DWP, Improving lives, helping workless families, April 2017, p.4](#)

14 Centre for Social Justice ([UCR0266](#))

15 Save the Children ([UCR0257](#))

16 Centre for Social Justice ([UCR0266](#)). See also Citizens Advice ([UCR0268](#)), Save the Children ([UCR0257](#))

17 Save the Children ([UCR0257](#))

18 Centre for Social Justice ([UCR0266](#)). See also CPAG ([UCR0202](#))

## 2 Managing upfront costs

10. Parents and carers in England who want to claim help with paying for childcare have six schemes that may be available to them:<sup>19</sup>

- i) Universal Credit childcare support. Childcare support via UC is available to claimants who are in work or have a job offer. Claimants are required to arrange childcare with a provider themselves and pay for it upfront. They must then submit receipts (rather than invoices) to the Department for reimbursement after the childcare has been provided (rather than after it has been paid for, which may be earlier).<sup>20</sup> They are paid back monthly in arrears, at the same time as they receive their UC payment.<sup>21</sup>
- ii) The childcare element of Working Tax Credit (WTC) is available to parents working for at least 16 hours per week. It is claimed in the same annual assessment as for tax credits. Claimants have to estimate their weekly childcare costs over the year, which they are then reimbursed alongside their tax credit payments. They can put in a claim for support as soon as they have paid for childcare, and up to a week (seven days) days before it starts. Working Tax Credit is gradually being replaced by UC.<sup>22</sup>
- iii) Tax Free Childcare (TFC). This is available to people who are in work and earning at least the equivalent of 16 hours per week at NMW/NLW (currently £125 per week for claimants aged 25 and over), up to a maximum taxable individual income of £100,000 per year (£200,000 per couple household). TFC claimants do not have to meet the full costs of childcare up-front. Instead, they pay money into an online account which the Government tops up with £2 for every £8 paid in, up to a maximum of £2,000 per year, per child.<sup>23</sup>
- iv) Parents of 3–4 year olds may also be able to claim 30 hours of free childcare per week. This has similar eligibility conditions as TFC.<sup>24</sup>
- v) All parents of 3–4 year olds are entitled to 15 hours of free childcare per week.<sup>25</sup>
- vi) Parents of two year olds who are receiving some means-tested benefits (including UC if they are on a low income from work) can also receive 15 free hours per week.<sup>26</sup>

11. The Department told us that childcare support in UC is intended to address “high levels of fraud and error inherent in the Tax Credits system”. It explained that these

19 The precise offer with regard to free hours varies in Wales and Scotland: see [C. Harding and J. Cottell, Childcare survey 2018](#), p.10 for full details.

20 Gingerbread’s Dalia Ben-Galim emphasised that claimants they had support were required to submit receipts for payments made, rather than invoices for payments due. See Q815–817 (Dalia Ben-Galim).

21 Gov.uk, [Universal Credit and childcare](#), December 2018

22 Claimants with three or more children in UC areas, however, are permitted to make new claims for WTC up until February 2019. See Gov.uk, [Tax credits and childcare](#), December 2018

23 Gov.uk, [Tax Free Childcare](#), December 2018

24 Gov.uk, [30 hours free childcare](#), December 2018

25 Gov.uk, [15 hours free childcare for 3 and 4 year olds](#), December 2018

26 Gov.uk, [Free education and childcare for 2 year olds](#), December 2018

“often resulted in overpayments and difficulty verifying childcare providers”.<sup>27</sup> Save the Children and the Centre for Social Justice told us that the source of this difficulty was the requirement to estimate childcare costs as part of the annual tax credit assessment. This can be “difficult for parents to do accurately and the system is then also unresponsive to changing circumstances”.<sup>28</sup> They described WTC childcare support as “riddled by complexity, error and overpayments”. For example:<sup>29</sup>

In 2011 [ ... ] 16.6 per cent (£265 million) of the total spend on the childcare element of WTC was claimed erroneously or fraudulently—more than double the rate for WTC overall (the vast majority of this is likely to be due to error, rather than fraud). And the problems caused by complexity have persisted; in 2015–16, for example, there were 0.2 million misstatements for the childcare element of WTC alone, costing the taxpayer around £210 million.

12. UC aims to address this problem by requiring parents to pay childcare costs themselves, report them to the Department each month, and receive reimbursement them once the childcare has actually been provided. This should greatly reduce the scope for over- and under-claiming. The Department said this system “provides greater accuracy and flexibility because each payment is based on the actual amount people spend on childcare”.<sup>30</sup> Save the Children and the Centre for Social Justice explained that UC should enable the Department to “adjust support each month in a far more sophisticated and efficient way through the real time PAYE information employers report to HMRC”.<sup>31</sup> The UC system for reimbursing childcare costs is expected to save £100 million relative to the legacy system in fraud and error payments.<sup>32</sup>

13. We heard, however, that in seeking to minimise fraud and error, the way childcare costs are reimbursed under UC can make it difficult, or even impossible, for claimants to manage the cost of childcare. Under WTC, parents and carers could start claiming as soon as they started paying, and could put in a claim seven days in advance of childcare starting. They could also opt to receive payment weekly and to spread costs over the year, even if they only use childcare for some of the year (for example, during term-time). Citizens Advice explained that this means that claimants “could receive part-reimbursement for childcare costs” that will not need to be paid until months later. Citizens Advice told us that this is the “primary difference” between UC and the legacy system.<sup>33</sup> UC childcare requires claimants to pay for childcare themselves, and then reclaim it only once the childcare has been provided. Steven McIntosh, Director of UK Poverty Policy, Advocacy and Campaigns at Save the Children, set out for us the large up-front sums of money that this can involve:

If you have a one-year-old, so you are returning to work after maternity leave or take a year’s break to have a child, a full-time place for a one-year-old, the up-front cost, which is a deposit and the advance payments, might

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27 DWP ([UCR0267](#))

28 Centre for Social Justice (CSJ) and Save the Children (StC), [A bright start: improving childcare for disadvantaged families through Universal Credit](#), November 2018, p.45

29 CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), p.44

30 DWP ([UCR0267](#))

31 CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), p.45

32 Ibid.

33 Citizens Advice ([UCR0268](#))

be as much as £1,000. Even through the spectrum, if you are looking at a full-time place for a two year old, it is £880. Even for a three or four-year-old, including the 30 hours of free provision, you are still looking at £300 to £400. The idea that families who have spent time out of the workforce have £1,000 lying around to pay those costs up front is patently absurd.<sup>34</sup>

### Case study 2: Gaynor

Gaynor is a single mum of three from Manchester who is receiving childcare support through Universal Credit. She has an 8 year old son and 3 year old twins, and runs her own mobile hairdressing business, which she has had for 17 years. Gaynor struggles every month with upfront childcare payments due to being self-employed, and at times the situation has made her so stressed she has had to stop working for a while.

Her twins are in childcare for three days and she pays £188 a week. She's entitled to 85% of the costs reimbursed, but her payments are delayed and inconsistent. Gaynor is forced to rely on her parents and friends to help her family out when she can't afford the upfront costs.

She says: "How is anyone supposed to find the money to pay for childcare in advance? It's very, very stressful. I owe my mum and dad thousands, if it wasn't for them I would have to give up work and I'd be living off food banks."

Gaynor is trapped in a constant cycle of appointments and phone calls with the Jobcentre trying to get her childcare payments sorted as she keeps receiving the wrong amounts and being told conflicting information about what she is entitled to. And all of this uses up time when she wants to be working:

You have to fork out the money in advance anyway, then you've got to go into the Jobcentre to make an appointment to send the receipt off or you don't get it. And then they don't always pay it anyway. Last month they didn't pay. I was told it's because I'm not entitled to it. My Coach says I'm entitled to 85%. But the childcare team told me I'm not. I'm in the middle of this. I'm still waiting for a phone call back from them and I've got another appointment with them tomorrow. I'm supposed to be working but I'm doing this.

Gaynor told us:

I have just switched Work Coaches now. My first Work Coach did not have a clue. He has not helped me along the way. I have not known about all of this Flexible whatever. I have not known about Advance payment. I have not known anything. He has not helped me.<sup>35</sup>

Source: <[Save the Children](#)>

34 Q821 (Steven McIntosh)

35 Q886

14. Citizens Advice explained that the need to pay costs upfront creates a barrier to work. It means “some parents are left facing significant financial challenges as they struggle to bridge the gap” between paying for childcare and reimbursement.<sup>36</sup> We heard these problems are compounded by structural features of UC, including:

- a) The fact that childcare costs and UC monthly reporting do not always align. A parent might pay upfront for a month’s worth of childcare in the middle of their UC assessment period. They would only receive money back at the end of that assessment period for care that had actually been provided. The remainder would be reimbursed in the following month. This would leave a shortfall at the end of the first month—and parents would potentially have to find more money during the second month to pay for subsequent months.<sup>37</sup>
- b) Wider budgeting problems that UC claimants experience: for example, resulting from the five week wait for an initial UC payment or from difficulty managing the monthly payment.<sup>38</sup>

Citizens Advice’s frontline advisers reported seeing UC claimants “running up arrears, going into debt, and—in extreme cases—losing both their child’s place in a setting and, subsequently, their job” (see Case study 3).<sup>39</sup> Claimants told us that they had got into debt through paying for childcare. For example, Vikki Waterman, a mother of two from Newcastle, said that she had to “beg borrow and steal to make ends meet, and each month I always seem to be playing catch up”.<sup>40</sup> Save the Children told us that they had seen parents turn down job offers because “they are simply terrified about getting into debt”.<sup>41</sup> The Treasury Committee described the Department’s decision to repay costs in this way under UC as a “fundamental design flaw” that undermines the objective of supporting the lowest-paid parents into work.<sup>42</sup>

### Case study 3: Sinead

Sinead is a lone parent with an 18 month old son. She was moved onto Universal Credit after moving house to a full service area. She earns £126 a week by working 21 hours, topped up by a Universal Credit award of £740 a month.

Since Universal Credit only reimburses costs in arrears, and the nursery requires payment in advance, Sinead has found herself unable to bridge the gap between the two. As a result, Sinead is now in arrears with her childcare costs, and the nursery have informed her that failure to pay the amount will result in her son losing his place.

Source: <Citizens Advice ([UCR0268](#))>

36 Citizens Advice ([UCR0268](#))

37 Citizens Advice ([UCR0268](#)), Centre for Social Justice ([UCR0266](#)), CPAG ([UCR0202](#))

38 See Work and Pensions Committee, [Universal Credit: the six week wait](#), First report of session 2017–19, HC 336, October 2017 and Work and Pensions Committee, [Universal Support](#), Eighteenth report of session 2017–19, HC 1667, October 2018

39 Citizens Advice ([UCR0268](#))

40 Q909

41 Q821 (Steven McIntosh)

42 Treasury Committee, [Childcare](#), Ninth report of session 2017–19, HC 757, March 2017, p.14

15. Witnesses contrasted the Department’s approach to reimbursing UC claimants for childcare with the way the Tax-Free Childcare (TFC) works.<sup>43</sup> Users of that scheme set up an online account which they pay money into, and then use to pay their childcare provider. The Government tops the account up by £2 for every £8 paid in. This means users of TFC receive financial support from the Government as soon as they start to save for childcare, and before they make any payments to their providers. TFC users, however, will typically be better off than UC claimants, making them better able to afford up-front costs and less likely to experience cash flow problems or fall into debt as a result.<sup>44</sup> Steven McIntosh called it a “perversity” that TFC, aimed at wealthier families “provides a gentler process for those families, and therefore supports them not to have cash flow problems from upfront costs”. He concluded that removing upfront costs would be “much more advantageous” to UC claimant households than the current arrangements.<sup>45</sup>

16. We heard various options for removing or reducing the upfront costs of childcare for UC claimants. We heard some suggestions that the Department should pay childcare costs in advance of the care being provided. This would be similar to arrangements under WTC.<sup>46</sup> Save the Children and the Centre for Social Justice suggested the Department could allow claimants to agree with providers the cost of childcare for the month ahead. They would then receive a written bill which could be submitted for reimbursement. Save the Children and the Centre for Social Justice noted that while some providers may be content to wait for payment until the Department pays out, others would demand money straight away. This would mean an upfront cost would remain, although the “time delay in paying/receiving money from DWP [would] be much reduced”.<sup>47</sup> Alternatively, Citizens Advice suggested the Department might consider how existing payment systems—such as those underpinning TFC—could be used to deliver payments in advance.<sup>48</sup> We also heard suggestions for how parents could be better helped with the initial outlay, which we return to later in this chapter.

#### Case study 4: Vikki

Vikki is a single mum of two from Newcastle, who is receiving childcare support through Universal Credit. Vikki has recently returned to work, and has struggled with upfront childcare costs. She was forced to borrow money from family members to cover the fees. She says:

I have childcare costs of £700 - £800 a month [...] I waited at least three months to start receiving childcare reimbursements and wasn’t able to pay the nursery fees on time, this meant I had late payment fees added on top. It’s impacting on the opportunities I can give my children.

Vikki’s childcare payments have also been inconsistent. She’s seen variations in her childcare payments from Universal Credit of around £500 from month to month. Vikki has also struggled with the complexity of the system, and had issues compiling her evidence. She says:

43 Q829 (Steven McIntosh), Q823 (Jonathan Broadbery), Q828 (Dalia Ben-Galim), Citizens Advice ([UCR0268](#))

44 To be eligible for TFC, people must earn at least £125 per week up to a ceiling of £100,000 per year. Couples can earn up to £100,000 per year each.

45 Q829 (Steven McIntosh)

46 Citizens Advice ([UCR0268](#)), Highland Council ([UCR0185](#))

47 CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), p.8

48 Citizens Advice, [The practicalities of childcare: an overlooked part of the puzzle](#), 2014

I've submitted the invoice numerous times and been told there's not enough information. There needs to be breakdowns of the costs, both kids' names, certain reference numbers, amounts and dates. I've had to go back to the Nursery three times to ask them to amend the invoices, costing me an extra £6 on the bus each time. And don't even get me started on the phone lines... This month alone I've spent over 11 hours on hold!

Source: <[Save the Children](#)>

17. Alternatively, we heard the Department could pay childcare costs directly to childcare providers.<sup>49</sup> This could address the Department's concerns about fraud and error by ensuring that money designated for childcare goes to childcare providers. It would also help to give those providers certainty of income: something that the childcare sector says is vital given its low profit margins. Jonathan Broadbery, Head of Policy and External Relations at the National Day Nurseries Association, told us that the certainty this would give might enable childcare providers to charge smaller or no upfront deposits to guarantee a place.<sup>50</sup> We heard that this option was preferable for claimants because it would remove the need for them to make upfront payments for childcare.<sup>51</sup> Consequentially it could reduce the extent to which childcare is a barrier to work and help to ensure that UC achieves its aims.

18. We asked the Department whether it had considered arranging for UC claimants' childcare costs to be paid directly to providers. The Minister for Family Support, Housing and Child Maintenance, Justin Tomlinson MP (the Minister), told us that a "fundamental principle" of UC is that it aims to help households "get into and progress in sustainable work". This "includes monthly budgeting for costs such as household bills and childcare".<sup>52</sup> Neither the Minister nor the Department's written response to our inquiry addressed the point made by our witnesses that the costs of childcare themselves can be a barrier to getting into and progressing in work. We have also heard in a previous inquiry that single household payments in Universal Credit risk exacerbating domestic abuse. Direct payments to providers could mitigate this risk if the reimbursement would otherwise have gone to an abusive or controlling partner.<sup>53</sup> The Minister explained that paying childcare providers directly would "require fundamental changes to the [UC] payment system which would need prioritisation (impacting other crucial changes) and would be highly unlikely to be delivered for several years".<sup>54</sup> We heard, however, that UC's systems already comprise various comparable alternative payment systems: notably the Managed Payment to Landlord option, where some tenants have their rent paid direct to their landlord.<sup>55</sup>

**19. The Department quite reasonably wants to reduce scope for fraud and error within childcare support. But the approach it has chosen is in direct conflict with Universal Credit's wider objectives. Universal Credit claimants have to pay the considerable costs of childcare upfront, and then wait to be reimbursed. These upfront costs for childcare are not only a disincentive to work: for some Universal Credit claimants they will either make working unaffordable, or force them to take on debt in order to do so.**

49 Highland Council ([UCR0185](#)), Citizens Advice ([UCR0268](#)), Save the Children ([UCR0257](#))

50 Q823 (Jonathan Broadbery)

51 Highland Council ([UCR0185](#)), Citizens Advice ([UCR0268](#)), Save the Children ([UCR0257](#))

52 [Letter from the Minister to the Committee Chair](#), 15 November 2018

53 Work and Pensions Committee, [Universal Credit and domestic abuse](#), Seventeenth Report of Session 2017–19, HC 1166, August 2018

54 [Letter from the Minister to the Committee Chair](#), 15 Nov 2018

55 Q823–824 (Jonathan Broadbery), Fran Bennett ([UCR0222](#))

The Department has chosen this approach despite alternative options, such as direct payments to providers, being available. Universal Credit's system contrasts sharply with Tax Free Childcare, an alternative scheme aimed at better-off parents. Users of that scheme can pay into their accounts before paying for childcare, receive support from Government immediately via a top up, and make payments direct from their account to their provider.

20. *We recommend the Department develops Universal Credit's systems to enable childcare costs to be paid directly to childcare providers. This would alleviate the problem of prohibitive upfront costs, help claimants with budgeting, and give providers themselves much-needed certainty of income. Direct payments would also substantially reduce the risk of fraud and error.*

21. The Department says paying costs direct to providers would require changes to Universal Credit's payment system, which will take some time to make. That does not mean direct payments are not the right thing to do. It does, however, mean that the Department will need to devise an interim solution to help claimants meet their costs and get into work.

### Helping claimants with upfront costs

22. The Department told us that it already has provision in place to help claimants who are struggling with the upfront costs of childcare:<sup>56</sup>

- a) The Flexible Support Fund (FSF/the Fund). This is a discretionary fund, allocated by Jobcentre Plus Work Coaches to help the claimants that they support overcome barriers to work. Payments made via the FSF do not have to be paid back by the claimant.
- b) Budgeting Advances. These are available to people who have been claiming Universal Credit for at least six months and who can demonstrate low income over that period (below £3,600 for couple, or £2,600 for single parents). Claimants are required to pay them back.<sup>57</sup>

The Department told us these options would be most helpful when a claimant either moves into work for the first time, or substantially increases their hours.<sup>58</sup> This suggests that both the FSF and Budgeting Advances are intended to help with one-off or temporary difficulties with paying for childcare. Citizens Advice pointed out that the Department's reliance on these measures does not address the longer-term challenges of paying for childcare under UC, such as misalignment between childcare and UC payment schedules.<sup>59</sup>

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56 DWP ([UCR0267](#))

57 Gov.uk, [Budgeting loans](#), December 2018

58 DWP ([UCR0267](#))

59 Citizens Advice, [The practicalities of childcare: an overlooked part of the puzzle](#), 2014. See also: Save the Children ([UCR0257](#))

**Case study 5: Lucy**

Lucy is a single mum of two from Manchester, who is receiving childcare support through Universal Credit. Lucy says:

In order to access childcare and go back to work, I've had to find a substantial amount of money upfront to put my children into childcare. Being on Universal Credit and needing the support, I don't have the savings to pay several hundred pounds of nursery fees upfront. I've had to borrow money from my parents and take out loans in order to make ends meet and pay those upfront costs.

Difficulty in paying these upfront costs has often resulted in Lucy having to pay her childcare provider late. She also said that she has never been paid her childcare reimbursements from Universal Credit on time, despite always reporting her childcare costs on time, either over the phone or by going into the Jobcentre with receipts. She always has to ring and chase.

Lucy has also struggled with the lack of information and advice on the support available for childcare through Universal Credit. When she first started claiming childcare through Universal Credit she was not made aware of the Flexible Support Fund or any other support to help with upfront costs. Instead she had to rely on borrowing money from family and friends. When she asked at the Jobcentre about support she was given conflicting advice about what the Flexible Support Fund and Budgeting advances could be used for.

Source: <[Save the Children](#)>

**Budgeting Advances**

23. Budgeting Advances are interest free loans. Claimants pay them back to the Department over a maximum of 12 months. To be eligible, claimants must usually have been claiming UC or Jobseeker's Allowance, Employment and Support Allowance or Income Support for at least six months. They must also have earned less than £2,600 (for single claimants) or £3,600 (for couples) in the last six months, and have paid off any previous Budgeting Advances.<sup>60</sup> Witnesses told us that these eligibility criteria prevent some households who might need them for help with childcare from receiving a Budgeting Advance. For example, claimants who have moved in and out of work in the last few months, or those who are already in work but looking to increase their hours, are likely to find that they exceed the earnings threshold.<sup>61</sup>

24. Our recent inquiry on *Universal Support* considered the wider issue of claimant debt, and the role that UC can play in creating or exacerbating it. We heard that key parts of the Department's approach to helping claimants manage the transition to UC rely on them taking on debt: notably in the form of Advance Payments to cover the five week wait

60 See Gov.uk, [Universal Credit advances](#), December 2018, December 2018. This does not include new claim Advances. All new UC claimants are entitled to receive a new claim Advance of up to 100% of their expected UC award when they open a claim for the benefit.

61 Child Poverty Action Group ([UCR0263](#)), Joseph Rowntree Foundation ([UCR0258](#)), Save the Children ([UCR0257](#))

for a first payment.<sup>62</sup> Citizens Advice and other witnesses told us that this approach can exacerbate existing debt problems. We concluded that the hardship and stress caused by debt can act as a barrier to moving into employment or progressing in work.

### *When is a loan not a loan?*

25. The Department recognises debt can act as a barrier to moving into and progressing in work.<sup>63</sup> This may explain why the Minister was at pains to tell us in correspondence that Budgeting Advances are “not a loan but an advance of the claimant’s future UC entitlement”. He specified, however, that they are “interest free [and] repayable over twelve months”.<sup>64</sup> It is not clear by what definition this is not a loan. Indeed, the Government’s own website states clearly that “a Budgeting Advance is a loan” which claimants will “need to repay through [their] regular Universal Credit payments” (Figure 1). These payments will be “lower until [they] have paid it back”.<sup>65</sup>

Figure 1: Information on Budgeting Advances from Gov.uk

## Get a Budgeting Advance

You can get what is known as a 'Budgeting Advance' to help pay for emergency household costs (for example buying a new cooker or for help getting a job or staying in work).

A Budgeting Advance is a loan, and you'll need to repay it through your regular Universal Credit payments – your payments will be lower until you pay it back.

If you no longer get Universal Credit you will need to repay by other means, such as from wages or other benefit you may be getting.

You'll be told how much your payments will be reduced by.

Source: <https://www.gov.uk/guidance/universal-credit-advances#get-a-budgeting-advance>

**26. Budgeting Advances are one of the options that the Department offers to claimants struggling with the costs of childcare. They are not the solution to this problem. The Minister claims that these payments are “not a loan but an advance” of Universal Credit entitlement. This is untrue. Even the Government’s own website is clear that Budgeting Advances are loans that must be repaid. Claimants who are already struggling with ongoing costs should not be expected or encouraged to take on extra loans and debt in order to deal with them.**

**27. We recommend the Department amend its guidance to Work Coaches and Universal Credit staff to make clear that Budgeting Advances are not an appropriate option for**

62 Work and Pensions Committee, [Universal Support](#). Take up of new claim Advance payments stood at t 60% as of June 2018. See [Letter from Minister for Employment to Committee Chair, June 2018](#)

63 DWP, [Improving lives, helping workless families](#), April 2017

64 [Letter from the Minister to the Committee Chair](#), 15 Nov 2018

65 Gov.uk, [Universal Credit advances](#), December 2018

*claimants struggling with the day-to-day costs of childcare. The guidance should make clear that claimants struggling with such costs are to be directed to the Flexible Support Fund in the first instance.*

### **The Flexible Support Fund**

28. The Flexible Support Fund can be used to help with the upfront costs of childcare if a claimant’s Work Coach decides that this is necessary to help them accept a job offer or take on more hours.<sup>66</sup> Data supplied by the Department up to 2016–17 showed that in the previous four years only a very small proportion of FSF spending has gone towards childcare. The FSF has also been underspent each year (see Table 1, below). The Department could not supply data for 2017–18, which might have given a fuller picture of how the FSF is being used as UC rolls out. It told us that as “updates to [FSF] statistics are not in the public domain”, it would need to release them via publication. When we asked it to do so it declined, saying to do so would incur disproportionate cost.<sup>67</sup> It has previously told us in response to questions about other uses of the FSF that it does not systematically collect data or set targets on how it is spent.<sup>68</sup>

**Table 1: Flexible Support Fund spending, millions, 2012–13 to 2016–17**

Category	2012–13	2013–14	2014–15	2015–16	2016–2017
<b>Total Budget</b>	<b>£99.9m</b>	<b>£127.6m</b>	<b>£178.8m</b>	<b>£76.8m</b>	<b>£51.7m</b>
- Transport	£13.4m	£19.2m	£20.2m	£15.4m	£13.5m
- <b>Childcare</b>	<b>£1.6m</b>	<b>£1.8m</b>	<b>£1.5m</b>	<b>£1.6m</b>	<b>£1.2m</b>
- Training	£15.5m	£18.6m	£10.6m	£15.2m	£8.4m
- Other	£84.5m	£70.6m	£59.2m	£26.1m	£27.8m
<b>Total</b>	<b>£115.0m</b>	<b>£110.1m</b>	<b>£91.5m</b>	<b>£58.4m</b>	<b>£51.0m</b>
Underspend	- £15.2m	£17.5m	£87.3m	£18.4m	£0.7m
Underspend (%)	- 15.2%	13.7%	48.8%	24.0%	1.4%

Source: [Letter from the Minister for Families, Child Support and Housing to the Committee Chair](#)

29. We asked the Department what steps it had taken to promote the use of the FSF to help claimants with childcare costs: both to its own Work Coaches, and to organisations such as childcare providers that UC claimants might speak to if they were struggling with costs. The Minister told us that the FSF is promoted to Work Coaches “via internal communications and via roadshows”.<sup>69</sup> The Minister also told us that DWP “has a relationship” with relevant Department for Education teams and with “major national childcare providers, trade associations and sector skills councils”.<sup>70</sup> The Minister initially told us the Department “[does] not know” whether the FSF has been discussed as part of this relationship. He later clarified that he is “not aware” of any such discussions having

66 See S. Kennedy, T. McGuinness and A. Jones, [Jobcentre Plus Flexible Support Fund](#), House of Commons Library briefing, October 2016

67 [Letter from the Minister to Committee Chair](#), 27 Nov 2018

68 See Work and Pensions Committee, [The Future of Jobcentre Plus](#), Second Report of Session 2016–17, HC 57, November 2017, p.22

69 [Letter from the Minister to Committee Chair](#), 15 Nov 2018

70 [Letter from the Minister to Committee Chair](#), 15 Nov 2018

taken place, although as they are “not monitored centrally [the Department] cannot provide further information” on this.<sup>71</sup> He ventured that some Jobcentres “may also have close working relationships” with local childcare providers.<sup>72</sup>

30. We asked witnesses why they thought spending on childcare-related expenses under the FSF has been so low—and why the Fund has historically been underspent. Lucy Collins, a Beauty Technician and claimant of UC childcare support, told us that despite struggling with the costs of childcare, she had found out about the FSF via external support websites for UC claimants—not via her Work Coach. She described it as “the biggest secret in the Jobcentre”.<sup>73</sup> Some witnesses therefore suggested that raising awareness of the Fund and its uses amongst claimants might lead to it being better used.<sup>74</sup> The Child Poverty Action Group observed that the Department’s efforts to date to promote the FSF to claimants have been limited. It is not mentioned, for example, in the “childcare” section of the Government’s *Understanding Universal Credit* website, or on the relevant Gov.uk pages.<sup>75</sup>

31. Dalia Ben-Galim, Director of Advice, Policy and Communications at Gingerbread, a support organisation for single parents, told us that the lack of information Lucy had received on the FSF from her Work Coach was not unusual. Gingerbread had found it was “very common [for claimants] to get little or no information” about the FSF.<sup>76</sup> She felt it was not for claimants to research support available to them via the Jobcentre: Work Coaches need to be more consistently knowledgeable about what they can offer claimants, and proactive in offering it. The Centre for Social Justice told us that there is some doubt over whether Work Coaches know that the FSF can be used for childcare expenses. They suggested the FSF is, instead:<sup>77</sup>

Primarily seen as a fund for small, one-off expenses related to interview or short-course training costs, such as travel, clothing, or childcare to cover time spent at interviews, rather than upfront fees for regular childcare costs.

32. We heard some further suggestions of innovative ways that the FSF could be used to help claimants with the upfront costs of childcare. Gingerbread told us about their proposal for a childcare deposit guarantee scheme—a version of which has been adopted by the Greater London Authority.<sup>78</sup> Under this scheme, Government (local or national) directly pays the deposits that are usually required by registered childcare providers. Deposits are then either returned direct to Government when the child leaves childcare, or follow them to their next provider.<sup>79</sup> Gingerbread’s Dalia Ben-Galim proposed that the FSF could be used to fund a similar scheme. The FSF would directly pay the deposit to the provider, and it would be returned to the FSF when childcare is no longer needed. Since the deposit would be paid back directly from provider to FSF, she told us that the costs

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71 [Letter from the Minister to Committee Chair](#), 27 Nov 2018

72 [Letter from the Minister to Committee Chair](#), 15 Nov 2018

73 Q876 (Lucy Collins)

74 Centre for Social Justice ([UCR0266](#)), Child Poverty Action Group ([UCR0263](#)), Joseph Rowntree Foundation ([UCR0258](#))

75 Child Poverty Action Group ([UCR0263](#)), DWP, [Understanding Universal Credit](#), December 2018

76 Q849 (Dalia Ben-Galim). See also Centre for Social Justice ([UCR0266](#)), Child Poverty Action Group ([UCR0263](#)), Centre for Social Justice ([UCR0266](#))

77 Centre for Social Justice ([UCR0266](#)), Q848 (Joe Shalam)

78 Q827 (Dalia Ben-Galim)

79 Gingerbread, [Upfront: a childcare deposit guarantee report](#), October 2017

associated with DWP adopting such a scheme would be minimal and risk to the Fund “low”. Importantly, she explained, this approach would transfer risk away from claimants, to the Department.<sup>80</sup>

**33. The Flexible Support Fund helps claimants with costs that prevent them from working, including childcare. It should be invaluable in helping claimants with the upfront costs of childcare. But evidence from the frontline in Jobcentre Plus suggests that it is not well known about by claimants, nor effectively promoted for childcare purposes by Work Coaches. The Department seems to have only a vague understanding of how the Fund is promoted to both its own staff and to stakeholders, including childcare providers. *We recommend the Department set out in response to this report its strategy for promoting the use of the Flexible Support Fund to help with upfront childcare costs to Work Coaches, claimants, and other interested parties such as childcare providers. This should include details of any mandatory or optional training or development taken on by Work Coaches and other JCP staff and managers.***

**34. The Department relies on the Flexible Support Fund to help claimants with a multitude of barriers to work. But its limited data shows the Fund has been underspent in every year since 2012–13. Moreover, the proportion spent on childcare is minute. The Department does not consistently gather and publish data on usage of the Fund. It refused, for example, to supply us with any data for 2017–18, a period coinciding with the acceleration of the Universal Credit roll-out. The failure to gather data means the Department cannot verify that the Fund is fulfilling its intended purposes. And it should not expect claimants, or the organisations supporting them, to take on trust that the Fund will meet their needs. *We recommend the Department publish a quarterly statistical update on the use of the Flexible Support Fund. This should include breakdowns of both the purposes for which the Fund is used, and differences in spending by Jobcentre Plus district.***

**35. DWP should be open to using the Flexible Support Fund in innovative ways to help parents to work, and minimising the financial risks those claimants face. *We recommend the Department trial a childcare deposit scheme using the Flexible Support Fund. This would involve paying deposits direct to providers from the Fund. The Department should see this as an opportunity to pilot paying costs direct to providers. We therefore recommend it commission and publish an evaluation of the trial that includes lessons learned for further direct payments to childcare providers.***

### Childcare “top up” fees

**36. UC claimants may be able to receive help with their childcare costs beyond that offered within UC. From September 2017, households where at least one parent or carer is in work and earning the equivalent of National Living Wage/National Minimum Wage for 16 hours per week can claim 30 hours free childcare (1,140 hours per year) for children aged 3 or 4 years old. The free hours can be claimed at the same time as UC Childcare.<sup>81</sup> The scheme is the responsibility of the Department for Education.**

**37. The costs that claimants can incur paying for childcare are not limited to deposits and the cost of the childcare itself. The Treasury Committee’s inquiry into Childcare heard that**

80 Q827 (Dalia Ben-Galim)

81 Gov.uk, [30 free hours childcare](#), December 2018

the introduction of the 30 “free hours” policy is leading to some parents facing additional costs. Provider organisations including the National Day Nurseries Association, the Pre-School Learning Association and the Professional Association for Childcare and Early Years told the Treasury Committee’s inquiry that the level of funding provided by the Department for Education for 30 free hours was insufficient to cover providers’ costs.<sup>82</sup> Providers were taking steps to make up the shortfall, including:

- Choosing to cease operating rather than offering the 30 hours service. Providers reported that the policy meant their businesses were no longer viable;
- Employing lower qualified staff and/or increasing the staff: child ratio, potentially affecting the quality of provision;
- Taking measures to address the funding shortfall: for example, by charging “top ups” for food or activities, or by restricting the hours and days during which the free entitlement can be used.

The Department confirmed that “top up” fees cannot be reimbursed under Universal Credit, and that parents and carers who are in work cannot receive additional support from the Flexible Support Fund.<sup>83</sup>

**38. Deposits and childcare hours are not the only upfront childcare costs that parents and carers face. There is some evidence of unintended consequences from the Department for Education’s (DfE) 30 hours provision for three and four-year olds. In attempting to offset funding shortfalls, childcare providers are charging for “top ups” such as food or activities, restricting the availability of free hours, or reducing the quality of care. The 30 hours can be claimed alongside Universal Credit—and by households earning up to £200,000. Better-off parents may opt to pay the top-ups or find a provider offering higher quality childcare. But the poorest households could find they have little choice but to accept lower quality, less convenient care; or even that the additional costs are prohibitive. “Top up” costs cannot be reimbursed under Universal Credit or the Flexible Support Fund if claimants are in work. And it is questionable whether DWP should, in the long-term, pick up costs resulting from DfE’s policy. We intend to take further evidence on this issue.**

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82 Treasury Committee, [Childcare](#), pp.30–32

83 DWP ([UCR0279](#))

### 3 Affordability

39. The Government sets both a maximum rate of reimbursement, and a maximum cap on allowable childcare fees under both UC and WTC. These determine the value of childcare support that households can receive:<sup>84</sup>

- Under UC claimants can receive up to 85% of their costs (the maximum reimbursement) to a maximum of £646.35 for one child, or £1,108.04 for two or more (the maximum caps). This equates to childcare costing up to £760.42 or £1,303.57 per month respectively.
- Under WTC, claimants could receive up to 70% of their costs to maximums of £122.50 per week for one child or £210 per week for two or more. This equates to childcare costing up to £175 per week (£758.30 per month) or £300 (£1,300 per month) per week respectively.

This means that the maximum caps for childcare costs under UC and under WTC are essentially the same. UC has a more generous maximum reimbursement, however, permitting claimants to receive more of their costs back, subject to earnings and not exceeding the maximum caps.

#### Maximum caps

40. The maximum reimbursement rate under UC was initially set at 70%. Following a consultation, the Department announced in August 2013 that it would increase the maximum reimbursement from 70% to 85%.<sup>85</sup> We heard substantial support for this decision.<sup>86</sup> Witnesses drew our attention, however, to the fact that maximum caps for childcare were not increased between WTC and UC—and indeed have not been uprated since 2005.<sup>87</sup> Since then, the costs of all types of formal childcare across the UK have risen well above the rate of inflation, and have outstripped earnings (see Figure 2). We heard that this “makes it extremely difficult for families with low earnings to afford full time child care”, because costs frequently exceed the maximum cap.<sup>88</sup> We also heard that a failure of Government funding to keep pace with the costs of childcare can mean that providers are unable to remain in business. In turn, this makes it more difficult for parents and carers to find affordable childcare that meets their needs.<sup>89</sup>

84 Gov.uk, [Universal Credit and childcare](#), and Gov.uk, [Working Tax Credit](#), December 2018

85 DWP, [Universal Credit: increasing the childcare offer](#), December 2014

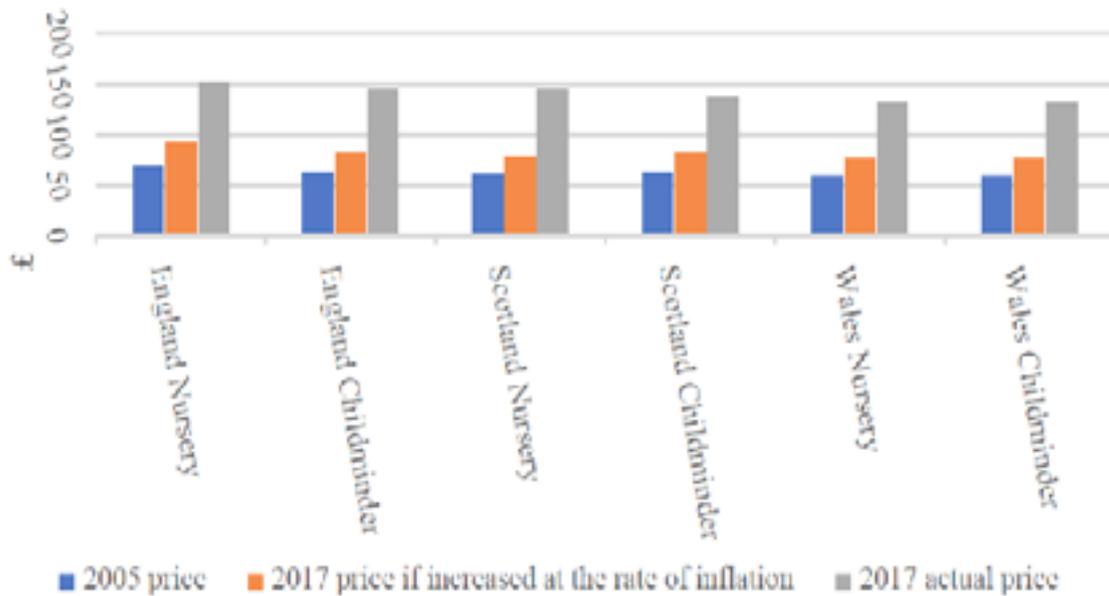
86 Joseph Rowntree Foundation ([UCR0258](#)), Citizens Advice ([UCR0268](#)), Women’s Budget Group ([UCR0256](#))

87 Joseph Rowntree Foundation ([UCR0258](#)), CPAG ([UCR0263](#))

88 Joseph Rowntree Foundation ([UCR0258](#))

89 Qx (Jonathan Broadbery)

Figure 2: Weekly childcare costs for under two-year olds in England, Scotland Wales



Source: Joseph Rowntree Foundation ([UCR0258](#))

41. We asked the Department whether it could tell us what proportion of UC childcare recipients were claiming the maximum amounts for childcare. It told us that it does not currently have this information available, and that it would provide an update “in 2019”.<sup>90</sup> The Joseph Rowntree Foundation told us that a lack of data makes it “difficult to know” the precise number of families affected by the UC childcare maximum cap. They cautioned, however, that even knowing the number of families claiming the maximum allowance would likely understate the numbers affected. This is because if the existence of the cap makes working and claiming childcare economically unviable for some households, then those households would not show up in the claimant statistics.<sup>91</sup> We heard that families in parts of the UK with higher costs are particularly likely to experience disincentives to work as a result of the cap.<sup>92</sup> The Family and Childcare Trust, for example, found that the cost of childcare in London has risen 7.4 times more quickly than average earnings over the last decade. They reported that in 2018, the costs of part-time nursery childcare for a child under the age of three were 70% higher in inner London (the most expensive region) than in Yorkshire and the Humber (the cheapest).<sup>93</sup>

## Maximum reimbursements

42. The maximum reimbursement that WTC claimants could receive for childcare under that system was 70%. The Resolution Foundation found, however, that when combined with support via the council tax and housing benefit systems, approximately 100,000 households were receiving support for up to 96% of their childcare costs under the legacy system.<sup>94</sup> This additional support will not be available under UC. The Child Poverty Action Group told us that people who will be affected by this change are likely to include

<sup>90</sup> [Letter from the Minister to Committee Chair](#), 15 Nov 2018

<sup>91</sup> Joseph Rowntree Foundation ([UCR0258](#))

<sup>92</sup> Joseph Rowntree Foundation ([UCR0258](#))

<sup>93</sup> Harding and Cottell, [Childcare survey 2018](#), p.6

<sup>94</sup> Alakeson, V. & Hurrell, A. (2012), [Counting the Costs of Childcare](#). London: Resolution Foundation

some of the lowest-income UC claimants.<sup>95</sup> The Women’s Budget Group explained that, given the high costs of childcare overall, families receiving the maximum 85% support and using full time childcare could still face considerable shortfalls. These are likely to be particularly difficult for low-income families to absorb.<sup>96</sup>

43. Save the Children explained that since UC awards decrease as household earnings rise, many claimants will receive less than 85% of their costs if they increase their earnings.<sup>97</sup> They explained that this reduces incentives for parents and carers to enter work or increase their earnings, since they will be faced with higher childcare costs that are not covered by UC. We heard that these disincentives are particularly high for “second earners” in a household. UC claimants who have responsibility for a child are eligible to receive a “work allowance”.<sup>98</sup> Their UC awards do not start to reduce until the household has earned over this specified amount. But for second earners the work allowance is likely to be exceeded by their partner’s income. This means they face disincentives due to their award tapering away as earnings increase, but that they do not correspondingly benefit from the work allowance. The Resolution Foundation told us that plans announced in the 2018 Budget to increase households’ work allowances are “very welcome”.<sup>99</sup> They noted, however, that there is still “some way to go before [UC’s design] sufficiently incentivises work for single parents and dual-earning families, and supports pay progression”.<sup>100</sup>

44. Save the Children, the Centre for Social Justice and the Women’s Budget Group told us that there is a strong case for increasing the maximum reimbursement for childcare to 100% of allowable costs.<sup>101</sup> Save the Children told us that this would reduce barriers to work resulting from not being able to afford childcare and improve work incentives. Their recent report with the Centre for Social modelled the impact of moving from 85% to 100% of allowable costs on work incentives for second earners (Figures 3 and 4).

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95 CPAG ([UCR0263](#)). See also: Joseph Rowntree Foundation ([UCR0258](#)), Save the Children ([UCR0257](#)), Centre for Social Justice ([UCR0266](#)), Women’s Budget Group ([UCR0265](#))

96 Women’s Budget Group ([UCR0265](#))

97 Save the Children ([UCR0257](#))

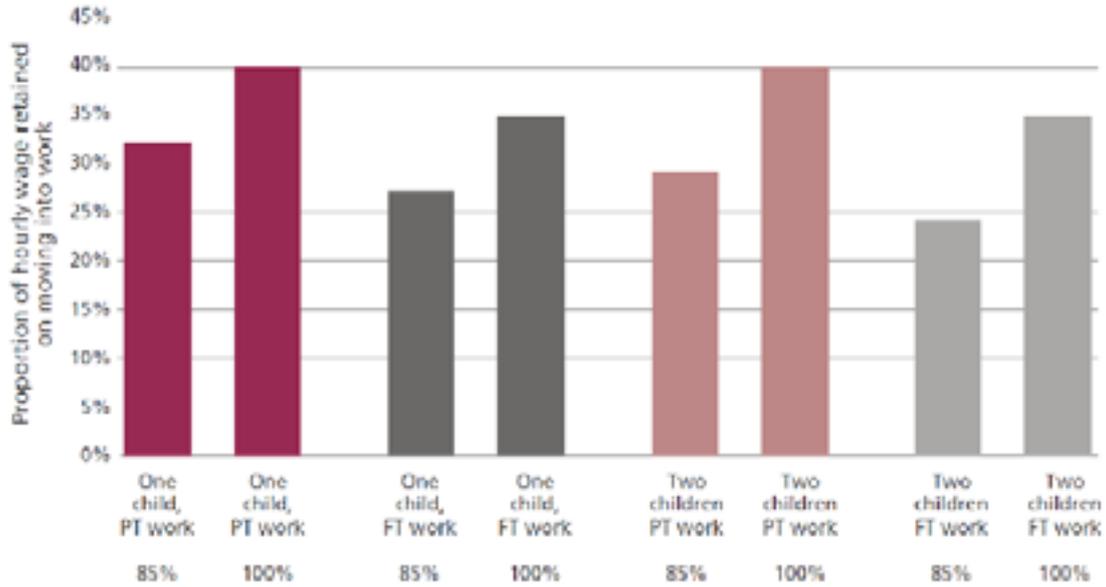
98 Gov.uk, [Universal Credit work allowance](#), December 2018

99 Resolution Foundation ([UCM0018](#))

100 Resolution Foundation ([UCM0018](#)). See also: LITRG ([UCM0012](#)), Policy in Practice ([UCM0015](#)), Save the Children ([UCR0257](#)), CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#)

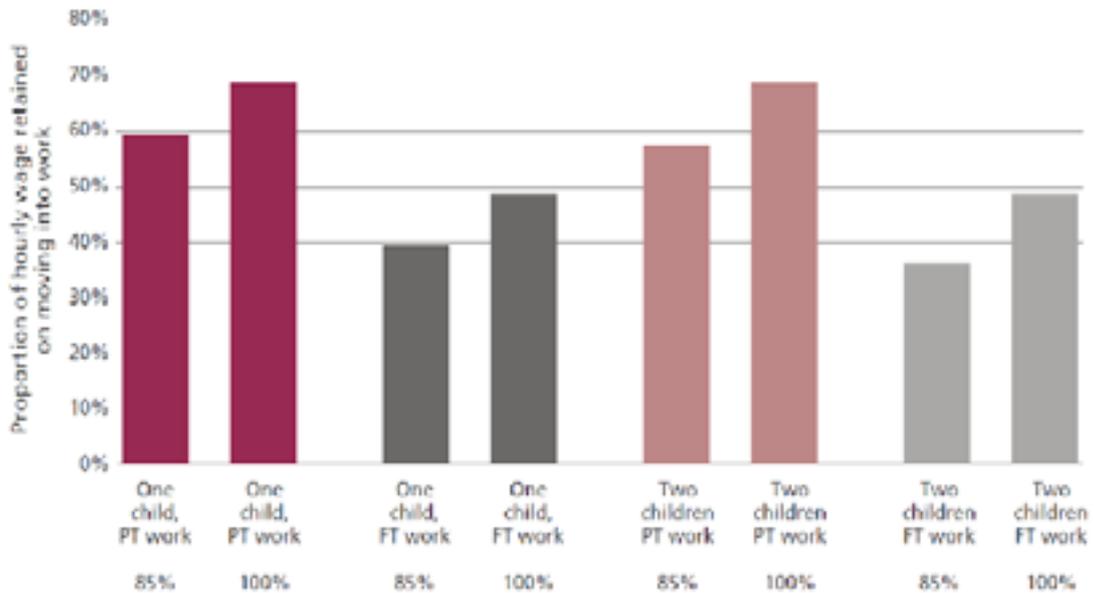
101 Women’s Budget Group ([UCR0265](#)), Save the Children ([UCR0257](#)), Centre for Social Justice ([UCR0266](#))

Figure 3: Impact of moving from 85% to 100% reimbursement for second earners



Source: CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#)

Figure 4: Impact of moving from 85% to 100% reimbursement for lone parents



Source: CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#)

The Centre for Social Justice further described offering up to 100% reimbursement as “an accessible message that can be easily communicated and digested, which is likely to improve uptake” of support.<sup>102</sup> Their joint report with Save the Children identified the

complexity of childcare support as a key factor preventing parents from taking it up.<sup>103</sup> Save the Children and the Centre for Social Justice estimated that moving from 85% to 100% would cost in the region of £300 million per year once UC is fully rolled out.<sup>104</sup>

45. We heard that improvements to the financial support available to UC claimants could be cost neutral overall. Save the Children and the Centre for Social Justice highlighted potential for increased tax receipts from UC claimants, although acknowledged that these are “hard to predict”.<sup>105</sup> They also suggested costs could be offset by redirecting childcare support for wealthier families to UC claimants. Households with incomes of up to £200,000 can currently claim Tax Free Childcare and the 30 free hours. The Centre for Social Justice and Save the Children said:<sup>106</sup>

We have constructed generous subsidies for better-off families while thousands of low-income families are not able to progress in life, in part because they cannot meet the childcare needs that accompany returning to work [ ... ] It is time to redress this imbalance and place funds where they are most effective and most likely to deliver social justice. The transformative potential of subsidised childcare is greatest at the lower end of the income scale where it can increase take-home pay more substantially in relative terms, help reduce household worklessness and support parents who want to work, and give children with less support in life a better chance to thrive.

Table 1 shows Save the Children and the Centre for Social Justice’s calculations of savings from reducing the upper earnings thresholds for claimants of Tax Free Childcare and 30 hours free children:

**Table 1: Estimated savings from lowering the upper earnings threshold for TFC and 30 hours free childcare**

Upper earnings threshold (per person)	TFC		30 hours		Total savings
	Savings	% of eligible parents who would lose entitlement	Savings	% of eligible parents who would lose entitlement	
£70,000	£60m	5.9%	£44m	6.2%	£104m
£60,000	£97m	9.7%	£61m	8.6%	£158m
£50,000	£147m	14.7%	£89m	12.4%	£236m
£40,000	£239m	23.8%	£157m	22.0%	£395m
£30,000	£414m	41.4%	£276m	38.6%	£690m

Source: CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), p.44

103 See Chapter 4. CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#)  
 104 CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), p.41  
 105 CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), p.41  
 106 CSJ and StC, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), p.43

46. Most Universal Credit claimants will be able to claim back a greater proportion of their childcare costs under Universal Credit: up to 85%, rather than 70% under Working Tax Credit. This is very welcome. But as things stand some 100,000 households will receive less under Universal Credit than they would have under the legacy system. This includes households who are among the poorest Universal Credit claimants. And for many claimants, the costs they are able to claim back will fall short: the maximum amounts that the Department will reimburse for childcare have not increased since 2005. To ensure work always pays for Universal Credit claimants, the Department has a choice: it can increase the maximum reimbursements, or it can increase the maximum caps. *We recommend the Department:*

- i) *Review the maximum caps on childcare costs that can be reimbursed under Universal Credit. This should include modelling the effect of higher caps on work participation amongst claimants with children, and introducing a “London weighting” to account for the very high costs of childcare in the capital. The Department should use this work to inform its thinking on whether further regional variations would be appropriate; and*
- ii) *Carry out its own modelling of the costs and effect on work incentives of increasing the maximum reimbursement under Universal Credit from 85% to 100% of allowable costs.*

*The Department should commit to implementing the approach that will have the greatest impact on work incentives, prior to scaling up “managed migration” in 2020.*

47. It is unacceptable that households claiming Universal Credit—amongst them the poorest in society—are struggling with childcare costs while the Government is funding support for households earning up to £200,000 per year. *We recommend the Government divert funding from the schemes aimed at wealthier parents (Tax Free Childcare and the 30 hours free childcare) towards Universal Credit childcare.*

## 4 Complexity and awareness of support

48. There are multiple ways that parents and carers can claim help with childcare costs depending on their income, working status, and the age of their child.<sup>107</sup> Save the Children described this as a “complex patchwork” of policies. This complexity can make it very difficult for some parents to understand what they are entitled to claim, and which scheme would be best for them financially.<sup>108</sup> Survey research by the Social Mobility and Child Poverty Commission found that just under half of parents (47%) were either entirely unaware of the support they could access, or were confused about what they could claim. This lack of knowledge was more pronounced amongst low income families. 54% said they did not know or were confused about childcare options, compared to 36% of high income families.<sup>109</sup> The Department’s research on UC specifically found that awareness of the UC childcare offer amongst claimants was inconsistent. More than four in ten claimants who had children (43%) reported being unaware of the UC childcare offer.<sup>110</sup>

### Advice and information

49. The Low Incomes Tax Reform Group (LITRG), a charity, told us that confusion and complexity about childcare support results from three main factors. These are:<sup>111</sup>

- i) The different qualifying conditions for each scheme. LITRG supplied an illustrative list of the “subtle but important” differences between qualifying conditions, demonstrating the complexity these create for people trying to navigate the system.
- ii) The extent to which claimants would be better off under each system. We heard that this cannot be based on a one-off “snapshot” decision since “very few people have static lives”. Changes of working hours, income and childcare costs can “all affect which scheme is financially the most beneficial”. This means households need to be able to easily review whether the option they have chosen remains appropriate when their circumstances change.<sup>112</sup>
- iii) The interaction between the different schemes. While some types of support can be claimed concurrently (such as TFC and 30 hours free childcare), others cannot. LITRG and the Child Poverty Action Group drew our attention to the fact that UC claimants who start a claim for TFC, for example, will see their entire UC terminated.<sup>113</sup>

50. Jobcentre Plus Work Coaches—frontline support staff—could play a role in helping claimants understand the childcare options available to them.<sup>114</sup> The Department told us that Work Coaches are “fully trained and provided with detailed guidance about the help

107 See Chapter 2.

108 Save the Children ([UCR0257](#)). See also Low Incomes Tax Reform Group ([UCR0260](#))

109 Gulc, B., Silversides, K., (2016) [Parents’ experience of services and information in the early years, London](#): Social Mobility and Child Poverty Commission. See also LITRG ([UCR0260](#))

110 DWP [Universal Credit Full Service Survey](#), June 2018, pp.74–5

111 LITRG ([UCR0260](#))

112 LITRG ([UCR0260](#))

113 LITRG ([UCR0260](#)), CPAG ([UCR0263](#))

114 Save the Children ([UCR0257](#))

available for claimants to pay for childcare in Universal Credit”.<sup>115</sup> Witnesses reported, however, that Work Coach awareness of childcare support within and outside UC is often poor. Save the Children commented that Work Coaches are “critical to the success of UC” and must be able to be relied on as a “trustworthy source of information by low-income families”. They described it as “unacceptable that so many families are not aware of the childcare entitlements offers under UC”, and of wider support across DWP, the Department for Education, and HMRC.<sup>116</sup> We, the NAO and PCS Union, which represents JCP staff, have previously noted the substantial pressures that Work Coaches are already working under.<sup>117</sup> During our inquiry on Universal Credit and support for disabled people we heard that Work Coaches are struggling with learning to work with UC itself, and with having to support increasingly complex and large caseloads of claimants.<sup>118</sup>

51. LITRG explained that parents’ and carers’ difficulty in understanding and choosing their childcare support is compounded by there being “no single source of advice or guidance that covers all of the schemes” available. In part, this is a result of the schemes being spread across different Departments. UC staff cannot answer questions relating to Tax Free Childcare, for example, while the helpline for TFC claimants cannot answer questions relating to UC or tax credits.<sup>119</sup> We heard that this fragmentation leads to “low levels of knowledge [amongst UC staff] about how the [childcare] system operates as a whole”: they are missing vital contextual information about the relative benefits and downsides of other schemes.<sup>120</sup> LITRG noted that there is a childcare calculator available on Gov.uk, accessed via the Childcare Choices website. It allows parents and carers to calculate how much support they can receive with childcare and which schemes they are eligible for.<sup>121</sup> Although Universal Credit is listed as a source of support on Childcare Choices, however, the Calculator does not currently include Universal Credit. Responding to the Treasury Committee’s inquiry on childcare, HMRC said that it “plans to enable users to input their UC entitlement into the calculator so they can make a direct comparison with other forms of childcare support”.<sup>122</sup> LITRG noted that:

While this is better than not covering UC at all, it is not a suitable replacement for a fully functioning calculator that calculates UC entitlement as it does tax credits.<sup>123</sup>

LITRG further recommended that in addition to a central online hub and calculator, the Government should provide a central point of telephone support on childcare support schemes.<sup>124</sup> Currently the Department directs claimants towards third-party benefit calculators and support services if they need personalised help and information on choosing a childcare scheme.<sup>125</sup>

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115 DWP ([UCR0267](#))

116 Save the Children ([UCR0257](#))

117 PCS Union ([UCR0247](#))

118 See Work and Pensions Committee, [Universal Credit: support for disabled people](#), Twenty-first Report of Session 2017–19, HC 1770, December 2018

119 LITRG ([UCR0260](#))

120 Joseph Rowntree Foundation ([UCR0258](#))

121 LITRG ([UCR0260](#))

122 Treasury Committee, [Fifth special report: Childcare - Government response to the Committee’s ninth report](#), HC 1196, June 2018, p.6

123 LITRG ([UCR0260](#))

124 LITRG ([UCR0260](#))

125 Gov.uk, [Benefit calculators](#), December 2018

52. Parents and carers who want to claim support with childcare face a series of confusing decisions. They have to choose from up to seven different schemes, each with different qualifying conditions and interactions. Personalised, good quality advice on their options is vital: not just at the start of a claim, but throughout as their circumstances change. Yet schemes are split across Departments. Finding someone who can give authoritative and comprehensive guidance can be very difficult. This difficulty is compounded by the fact that the Government's main tool for helping claimants assess their options—the Childcare Calculator—does not include Universal Credit. *We recommend that Government updates the Gov.uk Childcare Calculator to calculate fully Universal Credit entitlement as it currently does for tax credits. This should be operational before the Department starts moving large numbers of claimants to Universal Credit in mid-2020.*

53. An online Childcare Calculator will work well for some Universal Credit claimants. But others will struggle to use the Calculator, and even those who manage may have questions or concerns that can only be answered in person. Work Coaches have a role to play in signposting claimants to advice, and the Department must ensure they are given enough time to learn about the new systems they are working with. Given other pressures on them, however, the Department should be aware of their limitations in providing the detailed, comprehensive support on a range of schemes—most of them not run by DWP—that some claimants will need. *We recommend that alongside developing the Childcare Calculator, the Department engages with Citizens Advice (its delivery partner for the Universal Support service) about how in-person, expert advice and support on childcare schemes can be included in and funded via Universal Support.*

# Conclusions and recommendations

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## Introduction

1. The Department aspires for 200,000 additional people to work under Universal Credit, relative to the system it replaces. It also aims for claimants already in work to contribute over 100 million additional working hours each year. Working mothers will do the heavy lifting, with lone mothers contributing almost 80 million hours alone. But parents and carers who cannot afford childcare are also likely to find that work, or working more, simply does not pay. Making childcare payments work is critical to the success of Universal Credit. (Paragraph 8)
2. Good quality childcare can help children to flourish in their early years and enhance their education and development in later life. And the Department argues that growing up in workless households is damaging children's life chances. Household decisions on work are closely tied to the availability of affordable, accessible childcare. That means the case for ensuring that childcare is never a barrier to work is not just economic; it is also about ensuring that children get the best possible start in life. (Paragraph 9)

## Managing upfront costs

3. The Department quite reasonably wants to reduce scope for fraud and error within childcare support. But the approach it has chosen is in direct conflict with Universal Credit's wider objectives. Universal Credit claimants have to pay the considerable costs of childcare upfront, and then wait to be reimbursed. These upfront costs for childcare are not only a disincentive to work: for some Universal Credit claimants they will either make working unaffordable, or force them to take on debt in order to do so. The Department has chosen this approach despite alternative options, such as direct payments to be providers, being available. Universal Credit's system contrasts sharply with Tax Free Childcare, an alternative scheme aimed at better-off parents. Users of that scheme can pay into their accounts before paying for childcare, receive support from Government immediately via a top up, and make payments direct from their account to their provider. (Paragraph 19)
4. *We recommend the Department develops Universal Credit's systems to enable childcare costs to be paid directly to childcare providers. This would alleviate the problem of prohibitive upfront costs, help claimants with budgeting, and give providers themselves much-needed certainty of income. Direct payments would also substantially reduce the risk of fraud and error.* (Paragraph 20)
5. The Department says paying costs direct to providers would require changes to Universal Credit's payment system, which will take some time to make. That does not mean direct payments are not the right thing to do. It does, however, mean that the Department will need to devise an interim solution to help claimants meet their costs and get into work. (Paragraph 21)
6. Budgeting Advances are one of the options that the Department offers to claimants struggling with the costs of childcare. They are not the solution to this problem. The

Minister claims that these payments are “not a loan but an advance” of Universal Credit entitlement. This is untrue. Even the Government’s own website is clear that Budgeting Advances are loans that must be repaid. Claimants who are already struggling with ongoing costs should not be expected or encouraged to take on extra loans and debt in order to deal with them. (Paragraph 26)

7. *We recommend the Department amend its guidance to Work Coaches and Universal Credit staff to make clear that Budgeting Advances are not an appropriate option for claimants struggling with the day-to-day costs of childcare. The guidance should make clear that claimants struggling with such costs are to be directed to the Flexible Support Fund in the first instance.* (Paragraph 27)
8. The Flexible Support Fund helps claimants with costs that prevent them from working, including childcare. It should be invaluable in helping claimants with the upfront costs of childcare. But evidence from the frontline in Jobcentre Plus suggests that it is not well known about by claimants, nor effectively promoted for childcare purposes by Work Coaches. The Department seems to have only a vague understanding of how the Fund is promoted to both its own staff and to stakeholders, including childcare providers. *We recommend the Department set out in response to this report its strategy for promoting the use of the Flexible Support Fund to help with upfront childcare costs to Work Coaches, claimants, and other interested parties such as childcare providers. This should include details of any mandatory or optional training or development taken on by Work Coaches and other JCP staff and managers.* (Paragraph 33)
9. The Department relies on the Flexible Support Fund to help claimants with a multitude of barriers to work. But its limited data shows the Fund has been underspent in every year since 2012–13. Moreover, the proportion spent on childcare is minute. The Department does not consistently gather and publish data on usage of the Fund. It refused, for example, to supply us with any data for 2017–18, a period coinciding with the acceleration of the Universal Credit roll-out. The failure to gather data means the Department cannot verify that the Fund is fulfilling its intended purposes. And it should not expect claimants, or the organisations supporting them, to take on trust that the Fund will meet their needs. *We recommend the Department publish a quarterly statistical update on the use of the Flexible Support Fund. This should include breakdowns of both the purposes for which the Fund is used, and differences in spending by Jobcentre Plus district.* (Paragraph 34)
10. DWP should be open to using the Flexible Support Fund in innovative ways to help parents to work, and minimising the financial risks those claimants face. *We recommend the Department trial a childcare deposit scheme using the Flexible Support Fund. This would involve paying deposits direct to providers from the Fund. The Department should see this as an opportunity to pilot paying costs direct to providers. We therefore recommend it commission and publish an evaluation of the trial that includes lessons learned for further direct payments to childcare providers.* (Paragraph 35)
11. Deposits and childcare hours are not the only upfront childcare costs that parents and carers face. There is some evidence of unintended consequences from the Department for Education’s (DfE) 30 hours provision for three and four-year olds.

In attempting to offset funding shortfalls, childcare providers are charging for “top ups” such as food or activities, restricting the availability of free hours, or reducing the quality of care. The 30 hours can be claimed alongside Universal Credit—and by households earning up to £200,000. Better-off parents may opt to pay the top-ups or find a provider offering higher quality childcare. But the poorest households could find they have little choice but to accept lower quality, less convenient care; or even that the additional costs are prohibitive. “Top up” costs cannot be reimbursed under Universal Credit or the Flexible Support Fund if claimants are in work. And it is questionable whether DWP should, in the long-term, pick up costs resulting from DfE’s policy. We intend to take further evidence on this issue. (Paragraph 38)

### Affordability

12. Most Universal Credit claimants will be able to claim back a greater proportion of their childcare costs under Universal Credit: up to 85%, rather than 70% under Working Tax Credit. This is very welcome. But as things stand some 100,000 households will receive less under Universal Credit than they would have under the legacy system. This includes households who are among the poorest Universal Credit claimants. And for many claimants, the costs they are able to claim back will fall short: the maximum amounts that the Department will reimburse for childcare have not increased since 2005. To ensure work always pays for Universal Credit claimants, the Department has a choice: it can increase the maximum reimbursements, or it can increase the maximum caps. *We recommend the Department:*

- (i) *Review the maximum caps on childcare costs that can be reimbursed under Universal Credit. This should include modelling the effect of higher caps on work participation amongst claimants with children, and introducing a “London weighting” to account for the very high costs of childcare in the capital. The Department should use this work to inform its thinking on whether further regional variations would be appropriate; and*
- (ii) *Carry out its own modelling of the costs and effect on work incentives of increasing the maximum reimbursement under Universal Credit from 85% to 100% of allowable costs.*

*The Department should commit to implementing the approach that will have the greatest impact on work incentives, prior to scaling up “managed migration” in 2020.* (Paragraph 46)

13. It is unacceptable that households claiming Universal Credit—amongst them the poorest in society—are struggling with childcare costs while the Government is funding support for households earning up to £200,000 per year. *We recommend the Government divert funding from the schemes aimed at wealthier parents (Tax Free Childcare and the 30 hours free childcare) towards Universal Credit childcare.* (Paragraph 47)

### Complexity and awareness of support

14. Parents and carers who want to claim support with childcare face a series of confusing decisions. They have to choose from up to seven different schemes, each

with different qualifying conditions and interactions. Personalised, good quality advice on their options is vital: not just at the start of a claim, but throughout as their circumstances change. Yet schemes are split across Departments. Finding someone who can give authoritative and comprehensive guidance can be very difficult. This difficulty is compounded by the fact that the Government's main tool for helping claimants assess their options—the Childcare Calculator—does not include Universal Credit. *We recommend that Government updates the Gov.uk Childcare Calculator to calculate fully Universal Credit entitlement as it currently does for tax credits. This should be operational before the Department starts moving large numbers of claimants to Universal Credit in mid-2020.* (Paragraph 52)

15. An online Childcare Calculator will work well for some Universal Credit claimants. But others will struggle to use the Calculator, and even those who manage may have questions or concerns that can only be answered in person. Work Coaches have a role to play in signposting claimants to advice, and the Department must ensure they are given enough time to learn about the new systems they are working with. Given other pressures on them, however, the Department should be aware of their limitations in providing the detailed, comprehensive support on a range of schemes—most of them not run by DWP—that some claimants will need. *We recommend that alongside developing the Childcare Calculator, the Department engages with Citizens Advice (its delivery partner for the Universal Support service) about how in-person, expert advice and support on childcare schemes can be included in and funded via Universal Support.* (Paragraph 53)

## Formal minutes

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**Wednesday 19 December 2018**

Members present:

Rt Hon Frank Field, in the Chair

Heidi Allen	Steve McCabe
Neil Coyle	Nigel Mills
Rosie Duffield	Chris Stephens
Ruth George	Derek Thomas

Draft report (*Universal Credit: childcare*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 53 read and agreed to.

*Resolved*, That the Report be the Twenty-second Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 9 January 2019 at 9.15 am

# Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

## Wednesday 24 October 2018

**Steven McIntosh**, Director of UK Poverty Policy, Advocacy and Campaigns, Save the Children, **Dalia Ben-Galim**, Director Of Policy, Gingerbread, **Joe Shalam**, Researcher, Centre for Social Justice, and **Jonathan Broadbery**, Head of Policy and External Relations, National Day Nurseries Association

[Q811–863](#)

**Gaynor Rowles**, Hairdresser, **Lucy Collins**, Beauty Technician, **Vikki Waterman**, Administrator, and **Thuto Mali**, Full-time Parent

[Q864–913](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

UCR numbers are generated by the evidence processing system and so may not be complete.

- 1 Accord ([UCR0021](#))
- 2 Administrator Nicholas Berry ([UCR0213](#))
- 3 Aiden Cameron ([UCR0064](#))
- 4 Albyn Housing Society ([UCR0009](#))
- 5 Albyn Housing Society ([UCR0056](#))
- 6 Alex Sheffield ([UCR0159](#))
- 7 Assn of British Insurers ([UCR0206](#))
- 8 Asylum Matters ([UCR0125](#))
- 9 BCHA Preston ([UCR0027](#))
- 10 Birmingham City Council ([UCR0132](#))
- 11 Bradford University ([UCR0006](#))
- 12 Bright Blue ([UCR0194](#))
- 13 Bristol University / Women's Budget Group ([UCR0215](#))
- 14 British Association of Social Workers ([UCR0108](#))
- 15 Centre for Social Justice ([UCR0133](#))
- 16 Centre for Social Justice ([UCR0266](#))
- 17 Centrepont ([UCR0011](#))
- 18 Chesterfield Borough Council ([UCR0012](#))
- 19 Child Action Poverty Group ([UCR0020](#))
- 20 Child Poverty Action Group ([UCR0096](#))
- 21 Child Poverty Action Group ([UCR0107](#))
- 22 Child Poverty Action Group ([UCR0202](#))
- 23 Child Poverty Action Group ([UCR0233](#))
- 24 Child Poverty Action Group ([UCR0263](#))
- 25 Christians Against Poverty ([UCR0130](#))
- 26 CIH ([UCR0019](#))
- 27 Citizens Advice ([UCR0141](#))
- 28 Citizens Advice ([UCR0201](#))
- 29 Citizens Advice ([UCR0238](#))
- 30 Citizens Advice ([UCR0268](#))
- 31 Citizens Advice Craven and Harrogate Districts office ([UCR0079](#))
- 32 Citizens Advice Derbyshire Districts ([UCR0088](#))
- 33 Citizens Advice Scotland ([UCR0029](#))

- 34 Citizens Advice Scotland ([UCR0221](#))
- 35 Citizens Advice Sheffield ([UCR0047](#))
- 36 Citizens Advice Waltham Forest ([UCR0178](#))
- 37 City of Lincoln Council ([UCR0016](#))
- 38 City of Lincoln Council ([UCR0173](#))
- 39 Community ([UCR0134](#))
- 40 Community Housing Cymru ([UCR0124](#))
- 41 Community Housing Cymru ([UCR0181](#))
- 42 COSLA ([UCR0053](#))
- 43 Cottsway Housing ([UCR0015](#))
- 44 Coventry Citizens Advice ([UCR0090](#))
- 45 Davido Ltd ([UCR0162](#))
- 46 Deaf Connections ([UCR0001](#))
- 47 Department for Work and Pensions ([UCR0186](#))
- 48 Department for Work and Pensions ([UCR0216](#))
- 49 Department for Work and Pensions ([UCR0240](#))
- 50 Department for Work and Pensions ([UCR0267](#))
- 51 Department of Work and Pensions ([UCR0279](#))
- 52 Disability Rights UK ([UCR0249](#))
- 53 Donna ([UCR0060](#))
- 54 Dr Christine Davies ([UCR0062](#))
- 55 Dr Christine Davies ([UCR0193](#))
- 56 Dr J. Gene Gristock ([UCR0195](#))
- 57 East Lothian Housing Assn ([UCR0003](#))
- 58 Eastern Landlords ([UCR0031](#))
- 59 Engender and Scottish Women's Aid ([UCR0224](#))
- 60 Equality and Human Rights Commission ([UCR0231](#))
- 61 Equity ([UCR0128](#))
- 62 Equity Tax and Welfare Rights Team ([UCR0191](#))
- 63 Equity Trade Union ([UCR0046](#))
- 64 ERSA ([UCR0166](#))
- 65 Families Need Fathers ([UCR0061](#))
- 66 Feeding Britain ([UCR0111](#))
- 67 Financial Mutual ([UCR0208](#))
- 68 First Point Basingstoke, The You Trust ([UCR0145](#))
- 69 Geoff Fimister ([UCR0002](#))
- 70 Gingerbread ([UCR0106](#))
- 71 Gingerbread ([UCR0112](#))

- 72 Gingerbread ([UCR0198](#))
- 73 Gloucester City Homes ([UCR0024](#))
- 74 Green Square Group ([UCR0041](#))
- 75 Gwent Welfare Reform Partnership ([UCR0223](#))
- 76 Gwent Welfare Reform Partnership (GWRP) ([UCR0189](#))
- 77 Gwent Welfare Support ([UCR0022](#))
- 78 Halton Housing Trust ([UCR0008](#))
- 79 Halton Housing Trust ([UCR0120](#))
- 80 Halton Housing Trust ([UCR0211](#))
- 81 Haren Visavadia ([UCR0264](#))
- 82 Hastings & Rother Credit Union ([UCR0109](#))
- 83 Helen Bamber Foundation ([UCR0129](#))
- 84 Homeless Link ([UCR0091](#))
- 85 Housing Justice ([UCR0086](#))
- 86 Housing Systems ([UCR0182](#))
- 87 Hugh Hamilton ([UCR0052](#))
- 88 Inclusion London ([UCR0117](#))
- 89 Institute for Fiscal Studies ([UCR0192](#))
- 90 Institute of Revenues, Rating and Valuation ([UCR0122](#))
- 91 IPSE ([UCR0174](#))
- 92 IPSE ([UCR0219](#))
- 93 Islington Council ([UCR0025](#))
- 94 J Wallis-Martin ([UCR0170](#))
- 95 John Robinson ([UCR0037](#))
- 96 Jol Wardle ([UCR0169](#))
- 97 Joseph Rowntree Foundation ([UCR0136](#))
- 98 Joseph Rowntree Foundation ([UCR0258](#))
- 99 Knowsley Council ([UCR0026](#))
- 100 Lambeth Council ([UCR0099](#))
- 101 Lancashire County Council ([UCR0013](#))
- 102 Layla Moran ([UCR0156](#))
- 103 Liverpool City Council ([UCR0068](#))
- 104 Local Government Association ([UCR0237](#))
- 105 Local Government Association ([UCR0242](#))
- 106 London Borough of Hounslow ([UCR0105](#))
- 107 London Borough of Lambeth ([UCR0179](#))
- 108 London Borough of Tower Hamlets ([UCR0243](#))
- 109 London Councils ([UCR0030](#))

- 110 London Councils ([UCR0250](#))
- 111 Low Income Tax Reform Group ([UCR0260](#))
- 112 Low Incomes Tax Reform Group ([UCR0196](#))
- 113 Making Every Adult Matter (MEAM) ([UCR0200](#))
- 114 Marc Welham ([UCR0147](#))
- 115 Mark Ingram ([UCR0164](#))
- 116 Mind ([UCR0137](#))
- 117 Mind ([UCR0253](#))
- 118 Miss Amina Khatun ([UCR0073](#))
- 119 Miss CLARE GORST ([UCR0177](#))
- 120 Miss Hannah Krepski ([UCR0165](#))
- 121 Miss michelle newbold ([UCR0157](#))
- 122 Miss Siobhan O'Connor ([UCR0044](#))
- 123 Motor Neurone Disease Association ([UCR0270](#))
- 124 Mr alexander brown ([UCR0131](#))
- 125 Mr Anthony BEXLEY ([UCR0127](#))
- 126 Mr Daryn Manchip ([UCR0059](#))
- 127 Mr Dave Stockley ([UCR0187](#))
- 128 Mr Jim Harrington ([UCR0033](#))
- 129 Mr Julian Jackson ([UCR0172](#))
- 130 Mr Kenneth Evans ([UCR0058](#))
- 131 Mr Michael Wood ([UCR0072](#))
- 132 Mr Neil Harrison ([UCR0152](#))
- 133 Mr Paul Archer ([UCR0049](#))
- 134 Mr Richard Lock ([UCR0212](#))
- 135 Mr Roger Godsiff MP ([UCR0217](#))
- 136 Mrs Gillian Putterill ([UCR0101](#))
- 137 Ms Fiona Kirton ([UCR0153](#))
- 138 Ms Fran Bennett ([UCR0222](#))
- 139 Ms Sally Beadle ([UCR0155](#))
- 140 Ms Suzy Currell ([UCR0183](#))
- 141 Musselburgh Citizens Advice Bureau ([UCR0110](#))
- 142 Name withheld ([UCR0070](#))
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