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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Powers

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Publication

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Committee staff

The current staff of the Committee are Anne-Marie Griffiths (Clerk), Stuart Ramsay (Second Clerk), Libby McEnhill and James Mirza Davies (Senior Committee Specialists), Kemi Duroshola (Committee Specialist), George Steer (Assistant Policy Analyst), Esther Goosey (Senior Committee Assistant), Michelle Garratty (Committee Assistant) and Jessica Bridges Palmer (Senior Media and Policy Officer).

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You can follow the Committee on Twitter using @CommonsWorkPen

Appendix: Government Response

1. The Government thanks the Committee for the Twenty-Fifth Report of Session 2017–19, and the opportunity to further build on its response to the Twenty-Second Report, following the Committee’s inquiry into Universal Credit (UC) and childcare.

2. The Committee published its follow-up report on 3rd April 2019, in which it asked the Government to provide a second more substantive response. The Government is happy to provide supplementary information to the Committee.

3. The Government has carefully considered the Committee’s initial and subsequent report and is very grateful to the claimants who provided personal testimony and to the individuals and organisations that provided evidence. Indeed, the then Secretary of State met with the claimants to hear from them first hand following the inquiry hearing. We believe that the changes that we are making will help parents such as those that took the time to share their experiences with the Committee.

4. The Government acknowledges that it would be helpful to the Committee to provide a fuller explanation where appropriate to its previous recommendations and the responses set out in the section below do this as well as addressing the Committee’s further recommendations.

5. We, like the Committee, recognise that high childcare costs can be a real barrier to parents taking up employment or increasing their working hours. We share some of the concerns that the Committee highlights including initial up front childcare costs, complexity, the need for clear communications and measurement and evaluation of the offers.

6. As mentioned in our previous response, and as announced by Secretary of State in her 11th January speech, we have taken steps to help remove the barrier caused by upfront costs where the initial month’s childcare costs may prevent a claimant from starting work.

7. We have set out below a list of the actions we have taken to date:

   a) we have promoted the use within DWP of the childcare infographic which is a visual aid raising awareness of the UC childcare offer and the wider government childcare offers. This has been made available internally via the intranet and as posters in Jobcentres and can be given to claimants as a leaflet;

   b) we have also been working with HMRC and DfE on improving communications for [Childcare Choices](http://www.childcarechoices.org.uk);
c) we have developed a UC childcare social media toolkit for our local Jobcentres so that they can communicate this to existing and potential claimants;

d) we are developing a childcare social media toolkit for the wider government childcare offer;

e) we are developing, in DfE, local case studies of the 15 and 30 hours free childcare offers showing examples of how this is supporting parents across the country;

f) we have promoted the UC childcare offer and the wider government childcare offer within DWP to work coaches and operational managers through conference calls and a national Labour Market campaign roadshow aimed at getting women and single parents into work;

g) we have made changes to the FSF guidance to align it more closely with UC. This included new instructions to use the FSF funding before any budgeting advance (where appropriate), removal of the 16 hours employment restriction to enable claimants starting work of less than 16 hours to get help with upfront childcare costs and raising the age of dependent children to 16.

h) we have successfully trialled greater flexibility around late reporting of childcare where parents have good reason to enable parents to be reimbursed at a later point and we are now looking to implement this nationally by the Autumn. We address this in more detail later on.

i) we have introduced a digital upload for receipts of paid childcare costs to remove the burden on claimants as they previously had to provide these in person.

8. In addition to these changes, significant work continues on increasing work coach understanding and promotion of both the UC childcare offer and the wider Government childcare offer. We hope the Committee agrees that these changes clearly illustrate the progress the Government is making to make childcare less of a burden for working families and to smooth the transition from welfare benefits into work.

9. Finally, we hope that, through this second response, the Committee will better understand the reasons why the Government considers that some of solutions the Committee recommended are not practicable. Nonetheless we have taken the recommendations seriously and are making progress in addressing a number of them in a manner, and at a pace that, doesn’t compromise competing UC programme priorities during a crucial period of UC rollout.

The Committee’s further recommendations:

The Government should now review its response and provide a response which matches the consideration the Committee employed in an attempt to help parents to move into work, as the Government claims it is encouraging them to do. If the Government considers that the solutions we have recommended are not practicable, it should take the opportunity to explain and to set out alternative means of addressing those problems. In particular, we recommend that the Government explain:
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a) in the absence of plans to introduce direct payments, how it intends to address the serious difficulties that both parents and childcare providers are experiencing with the current system;

10. The Government welcomes the opportunity to set out in more detail why we do not have plans to introduce direct payments to childcare providers as part of the ongoing UC award payment arrangements.

11. The Government understands the concerns that underpin the Committee’s recommendation to develop UC’s systems to enable childcare costs to be paid directly to childcare providers. However, there are several reasons why the Government did not accept this recommendation.

12. Firstly, paying direct to childcare providers would undermine a fundamental aspect of the design of UC. As described in the letter sent to the Committee on 15 May 2018, UC is a unitary concept made up of different elements subject to prescribed maximum amounts (caps) and paid as one single monthly award, subject to the earnings taper, payable to households who meet the entitlement criteria. These awards are calculated at the end of each assessment period by taking the maximum total entitlement and subtracting appropriate deductions.

13. The consequence of this is that certain elements cannot be ring-fenced or separated from the monthly award. The Department and Ministers have been consistent in emphasising this to commentators and lobby groups.

14. With regard to childcare costs specifically, attempting to extract or ring-fence individual components from the calculation would ignore the interaction between the different stages of the calculation and would not correctly reflect how UC is designed in the legislation and how it operates in practice.

15. The Committee have noted that UC’s systems already comprise various alternative payment systems, including Managed Payments to Landlords, where some tenants have their rent paid direct to their landlord.

16. Direct payment of housing costs to landlords is used where it is the most appropriate action to secure tenancy or prevent eviction or where making and managing a payment would be likely to cause issues for the claimant – for example because of drug or alcohol dependency issues.

17. This is a different scenario to that with childcare. Unlike housing costs, childcare costs have never been paid to providers. Whilst housing costs were previously paid directly to landlords, UC is designed such that the claimant is encouraged to manage their own finances and budgets to better mirror the world of work. The majority of claimants can, and do, manage their payments effectively and we have no evidence that would lead us to conclude that this kind of direct intervention on childcare costs is necessary or appropriate.

18. For these reasons, the government does not believe that direct payments to childcare providers would be advantageous from a claimant perspective. Nor do we believe that it would provide the unequivocal certainty of income that the Committee highlight the childcare sector is looking for.
19. From a policy perspective, it is also important to remember that one of the key principles of UC is that it mirrors the world of work where claimants take greater personal responsibility for their finances and budgeting. Parents not in receipt of UC have to manage their finances in order to pay their childcare providers and we feel it is right that this principle is maintained for working parents in receipt of UC. Where parents are eligible for reimbursement of the childcare costs element it forms an integral part of the overall UC entitlement amount that is paid following the end of the assessment period.

20. Whilst the Government does not have plans to implement direct payments to childcare providers in UC for the reasons outlined above, we do recognise the concerns the Committee raises about upfront costs and that few low-income families have the savings needed to cover these costs. Specifically, we recognise that, in some cases, the initial costs of childcare can be prohibitive to moving into employment. The Department for Work and Pensions is committed to ensuring that childcare costs do not create a barrier to work.

21. As explained in our previous response, the Department for Work and Pensions is committed to ensuring that the Flexible Support Fund – a non-repayable discretionary grant that sits outside of UC – is used to help parents to pay childcare deposits and upfront costs as a priority, so that these costs are not prohibitive to moving into work. Where the Flexible Support Fund is used, payments will be paid directly to the childcare provider as this sits outside of the complex UC system and calculation. As previously, the FSF is a separate fund available for one-off payments when someone is moving into work only, after which we encourage claimants to budget accordingly.

22. More widely, and as mentioned above, the Department is working hard to provide more clarity to claimants about the UC offer and the wider government childcare offers and the support that is available to them through the Flexible Support Fund and, where appropriate, Budgeting Advances so that claimants better understand what the offers provide, how they interact, what support can be provided and what their responsibilities are. Additionally, the introduction of digital evidence upload in February 2018 has eased the burden for claimants considerably. And, finally, we have introduced the pilots as outlined below to try and avoid any associated delays with payments to claimants.

b) the details of the pilots it is running to trial a more flexible approach to the provision of receipts for childcare costs, including where these pilots are being run, what options for providing evidence of childcare costs are being trialled, when the pilots started, how long they will run for and how they will be monitored;

23. The Department for Work and Pensions is committed to making it as simple as possible for parents to report their childcare costs to us.

24. The trial, which has since concluded on 8th March, that you referenced in your letter of 11th January to the Secretary of State for the Department for Work and Pensions explored providing additional flexibility to parents where they are unable to report the childcare costs within the assessment period they are paid. The Department recognises that assessment periods may not align with the date the childcare provider requires payment, meaning that some claimants may have a very short window in which to report their childcare costs and we do not want increased risk of non-payment of these costs for claimants.
25. Currently UC claimants are required to report their childcare costs within the assessment period they are paid and then have a calendar month to provide proof of payment. Costs reported or proof provided outside these timescales are treated as late and a decision maker can only allow these costs if the claimant can demonstrate they have special circumstances that caused the delay.

26. Anecdotal evidence from work coaches and decision makers indicated that decisions on late reported childcare costs were taking longer than would be expected and that there was a need for guidance around what could be accepted as special circumstances.

27. New guidance has now been developed to provide work coaches with clarity and flexibility around special circumstances and a trial of this approach has been piloted in 7 Jobcentres (Croydon, Birkenhead, Oldham, Halifax, Sutton, Warrington and York Monkgate). The pilots concluded on 8th March 2019.

28. In conjunction, as part of the same trial, we have been streamlining the process by enabling work coaches to make the majority of these decisions, without the need for a Decision Maker consideration, which can add extra complexity and result in delays. Evaluation has demonstrated that this approach has proved successful; so this will be adopted more widely going forward.

29. Early internal evaluation of the pilots has demonstrated that greater flexibility and streamlined decision making has proved successful so this new process will be adopted nationally. We currently hope to have this implemented nationally by autumn this year.

30. The roll-out of a revised approach to childcare costs will ensure that reported childcare is administered more quickly and many cases of late reporting can be accepted without the need to for a Decision Maker to consider. This will smooth the journey for many claimants as we did when we introduced a digital upload in February 2018 for receipts of paid childcare costs to remove the burden on claimants.

31. The Government agrees with the Committee regarding the importance of tracking Flexible Support Fund (FSF) spending in order to verify that the Fund is fulfilling its intended purpose in supporting claimants with upfront childcare costs.

32. It may help first to explain that the FSF is a discretionary fund operated at a local level with a national operating budget. The fund provides Work Coaches with the flexibility and discretion to make awards that enhance the employment prospects of claimants. Service Leaders commit and reforecast expenditure throughout the year to meet local demand, re-adjusting the forecast across different locations to react to local needs. We would not want to risk introducing a reporting system to such a granular level of detail that may drive undesirable behaviour across Jobcentres, for example to meet an expenditure target rather than meeting individual claimant need.

33. We can commit to making expenditure information available to the Committee based on area level expenditure figures on an annual basis, which will include data on upfront childcare cost spend from the Flexible Support Fund. Data for the 2018/19
financial year will be made available once the National Audit Office has signed off our Annual Report and Accounts. The budget is managed by Service Leaders to supplement mainstream services and tailor support to the needs of individuals and the local area (work coaches have flexibility and discretion to make awards) that will enhance the employment prospects of the claimants.

34. Information for 2018/19 will be based on the current FSF categories and will unfortunately not yet include childcare costs as a separate spend item. However, following the Committee’s recommendation, we have decided to introduce new categories that will enable us to record FSF spend on childcare costs separately and this data will be included in the figures we publish in 2020 based on the 2019/20 expenditure.

35. Another of the issues highlighted by the Committee in their 22nd and 25th report is a concern regarding a lack of awareness around the support that the Flexible Support Fund can offer claimants. The Department is committed to ensuring that the Flexible Support Fund is not ‘the biggest secret in the jobcentre’ as one of the Committee’s witnesses described it.

36. To this end we have continued to raise awareness internally by developing one-off products to encourage the use of FSF to help with upfront childcare costs. A general overview and awareness product that will provide Work Coaches with a greater understanding of FSF is being developed and will be communicated across Jobcentres soon. We will continue to promote the use of FSF to ensure that Work Coaches are confident in the support they can offer through the use of the fund.

d) Its view on our recommendation that it should divert funding from the schemes aimed at wealthier parents (Tax Free Childcare and the 30 hours free childcare) towards Universal Credit childcare to help more people into work. The Department should also commit to providing, in consultation with other relevant Departments, an analysis of the Government’s spending on the 30 hours free childcare by income decile, to show which households are benefiting from this policy. This should be in addition to, or in combination with, the analysis on the impact of UC childcare cost caps that the Department has undertaken to provide in summer 2019.

37. The Government is committed to supporting parents into work and closing the gender pay gap so it is right that middle income families are also provided with support with their childcare costs, especially where they act as a barrier to work. Families in the middle income distribution have the highest childcare costs as a percentage of their income after government support. Tax-Free Childcare and the 30 hours free childcare therefore target support at these working families who require additional support in order to return to work or to work more.

38. The £100,000 per parent cap on Tax-Free Childcare ensures that support is targeted at the working families who require the most support in order to return to work or work more.

39. There are data limitations to assessing the distributional impact that childcare spend has had, especially as some childcare offers, for example UC, has not fully been rolled-out.
Unfortunately, DfE do not hold data which captures both receipt of 30 hours childcare and comprehensive data on the household income distribution to enable the derivation of income deciles.

40. As stated in our response to the Committee’s 22nd report, we are looking to provide further analysis on the UC childcare costs cap in a statistical ad-hoc publication in summer 2019.