

## **Childcare costs**

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### **Introduction**

Universal Credit provides support to households to help meet their eligible childcare costs, enabling claimants to take up work or increase their working hours.

It supports the wider government childcare offer which includes free childcare hours and tax-free childcare, meaning reasonable childcare costs do not form a barrier to work.

Claimants can receive support with eligible childcare costs regardless of the number of hours they work.

Any eligible childcare costs are not subject to the Benefit Cap.

### **Eligibility for help with childcare costs**

The claimant must satisfy both the childcare cost condition and the work condition to qualify for help with childcare costs.

Full-time students or students in a couple are not eligible for reimbursement of Universal Credit childcare costs as they do not meet the work condition.

Part-time single students who meet the Universal Credit eligibility criteria and satisfy both the work condition and childcare condition will be reimbursed eligible childcare costs in the usual way.

### **The childcare cost condition**

To meet the childcare cost condition, the claimant, or both claimants in a joint claim, must satisfy all of the following:

- be responsible for a child or qualifying young person (up to the end of the assessment period that does not include the 1 September following their 16th birthday)
- have paid for and reported charges for relevant childcare in the assessment period in which they were paid or at any time in the subsequent one
- the charges must be paid to allow them to take up or continue paid work or in certain circumstances where they have recently stopped working, to enable them to keep childcare arrangements which were in place before they stopped working

### **The work condition**

To meet the work condition, the claimant or both claimants in a joint claim, must satisfy one of the following:

- be in paid work, either employed or self-employed
- have accepted an offer of paid work due to start before the end of the next assessment period
- have stopped paid work in the current or previous assessment period
- be in the first or second assessment period of a new claim, and stopped paid work no more than one calendar month before the date of their initial claim

If a partner joins the household and the work condition is not satisfied in respect of both members of the couple, childcare claimed in that assessment period cannot be paid

There are exceptions to the work condition where one claimant in a household is working and one of the following applies to the partner:

- has Limited Capability for Work or Limited Capability for Work and Work Related Activity
- has regular and substantial caring responsibilities for a severely disabled person
- is temporarily absent from the claimant's household or is expected to be absent for six months or more, for example in prison, hospital or residential care

When a claimant is getting any of the following, childcare costs can be claimed as they are treated as being in work:

- Statutory Sick Pay
- Statutory Maternity Pay
- Ordinary Statutory Paternity Pay
- Shared Parental Pay
- Statutory Adoption Pay
- Maternity Allowance

### **Verifying childcare provider details**

To receive help with childcare costs, the claimant must give the following information about the childcare for each child:

- provider's full name and childcare registration number
- full contact details of the childcare provider including address and telephone number
- where the child is being looked after
- the full cost of the childcare

Any of the documents listed below can be accepted as evidence to verify a childcare provider:

- childcare contract
- letter headed invoice from the childcare provider
- letter from the childcare provider

These documents must:

- be unaltered
- be dated
- display the relevant registration number

A childcare provider's details are verified on the initial claim to childcare costs or when there is a change of childcare provider.

If a claimant uses more than one childcare provider, they must provide details for each one.

### **Verifying childcare costs**

Claimants can report childcare costs when they make a new claim or at anytime during an existing claim. They will be asked to provide proof of these costs within one calendar month from the point of declaring them.

After the initial costs have been verified, the claimant must continue to report the childcare costs they pay but may not be asked to provide evidence. This is because the childcare costs have automatically been accepted.

Where a claimant is asked to verify their costs they must provide the information required.

Any of the following documents can be accepted as evidence to verify childcare costs:

### **Letter or letter headed invoice from the registered childcare provider**

This must:

- be unaltered
- be dated and annotated as being paid, and
- show the childcare costs amount actually paid

If the letter headed invoice is not annotated as 'paid', the claimant must provide a bank statement or a cash receipt to confirm that the cost was actually paid and when.

### **Bank or credit card statement**

This must display:

- the actual amount paid
- the date when the costs were paid
- the provider name as the recipient

Similarly, detailed ATM bank receipts can be accepted.

### **Cash payment receipt**

- registered invoice head receipts will be accepted
- hand-written receipts are acceptable as a last resort, although these must show the provider name

The cash receipt must show the date of payment and amount paid.

If verification of childcare costs is required, the claimant has one month to provide this evidence from the date it is requested.

Claimants are to be advised that they must keep evidence of the actual childcare costs they have paid out and claimed for, for two years because evidence may be needed at a later date.

## **Childcare costs – reasonable usage**

For Universal Credit, reasonable usage means considering whether the amount of costs a claimant pays to their childcare provider is generally reasonable, when balanced against the amount of earnings a claimant receives or hours worked.

If the level of childcare costs seems high when compared to the earnings received, or hours worked, consideration must be given to whether all of the costs should be included, for example - if childcare costs exceed the claimant's earnings or the claimant is paying childcare for more hours than they work.

Some childcare costs which appear too high could be treated as reasonable. These include, but are not limited to:

- disabled childcare costs
- a childcare purchasing pattern
- parents who are not actually in work but are treated as such for Universal Credit, for example being on maternity leave

Where a childcare providers contract policy is rigid, the agent must apply a flexible approach when considering childcare costs.

If the claimant has to pre-agree childcare costs so they are available to work their usual hours and the child care provider will not change those costs, when fewer hours are worked, we should pay the childcare costs.

A claimant on a zero hours' contract may be unable to reduce their contracted hours of childcare at short notice if their actual hours of work are less than expected in a particular period.

In that case, the pre-agreed childcare costs are not considered excessive if they reflect the number of the hours the claimant normally works.

What makes childcare costs excessive is not defined and all circumstances must be taken in to account when deciding if costs are excessive or not.

If the childcare costs are deemed excessive, the case must be referred to a decision maker. An amount of reasonable expected childcare costs will be applied.

## **Calculating childcare costs**

Any reasonable childcare costs paid to a provider which enables the claimant to work, begin work or increase working hours can be allowed.

We can pay for items included in the monthly contract, but we cannot pay for optional charges or tuition fees.

Help with childcare costs is worked out as a proportion of a monthly cap. See Rates for Universal Credit.

The claimant will be awarded up to 85% support of their childcare costs up to the childcare cost maximum limit of:

- £646.35 for one child, or
- £1108.04 for two or more children

If 85% of allowable childcare costs is less than the applicable maximum amount, then 85% is the amount allowable. If 85% of the childcare costs exceed the maximum amount, the costs are restricted to the maximum amount.

The allowable amount of childcare costs which is determined after this calculation has been applied becomes the Childcare element. The Childcare element, with the other allowable elements and the Standard Allowance makes up the Universal Credit award. The Work Allowance and Earnings Taper are then applied to the Universal Credit award to produce the Universal Credit monthly payment.

The system automatically calculates the childcare costs and attributes them to an assessment period.

Claimants who pay for more than one month's childcare in one assessment period, will have any eligible support apportioned across the periods the childcare covers up to a maximum of 3 assessment periods.

Any help the claimant receives from another source towards childcare, for example their employer, will reduce the support available under Universal Credit.

Childcare costs for a qualifying young person will end in the assessment period that does not include the 1 September following the day they reach the age of 16.

### **Reporting childcare costs**

If a claimant qualifies for help with childcare costs, they must report the actual costs paid in each assessment period as soon as they pay them or at any point in the subsequent one. The actual costs must be reported even if the costs haven't changed from the previous month.

Childcare costs can be repaid when they are reported before the end of a relevant assessment period if the charges are paid:

- in the current assessment period for childcare provided in that period, monthly or more frequently

- in the current assessment period for childcare provided in a previous period or periods, arrears
- in either of the two previous assessment periods for childcare provided in the current period, in advance

### **Childcare costs paid in advance or arrears**

Childcare costs which cover more than one assessment period may be reported in any of those periods. However, only the proportion of costs that relate to the assessment period in which the costs are reported, and the subsequent relevant assessment periods, can be reimbursed.

Costs paid in arrears are reimbursed in the assessment period they are paid and reported.

### **Deposits and upfront fees**

Claimants may receive help with eligible deposits and upfront fees and these are treated in the same way as childcare costs for standard fees. Budgeting Advances and the Flexible Support Fund can also be used but to support claimants with deposits and upfront childcare costs.

Where a claimant has already received help for a deposit and upfront fees through other DWP support, for example the Flexible Support Fund, these childcare costs can't be claimed back.

### **Run-ins**

Claimants who have accepted an offer of paid work which is due to start before the end of the next assessment period are eligible to be paid childcare costs. These costs can be paid during the assessment period in which they start work and the assessment period prior to starting work.

### **Run-ons**

#### **Run-on after work stops**

Claimants who stop work and have paid for childcare, may be paid a proportion of these costs for the assessment period in which they stopped work and for the following assessment period.

Claimants who do not restart work by the end of the next assessment period will not be eligible for help with childcare costs until they again meet the qualifying conditions.

This run-on also supports those who make their initial Universal Credit claim within a month of losing their job, and who have pre-existing childcare.

### **Run-on after a child dies**

If a child dies and there are on-going paid childcare costs, claimants will continue to receive help with these costs if appropriate.

Claimants will continue to receive support with childcare costs for three months, after the death of a child. This includes the assessment period in which the child dies and the following two assessment periods.

After this run-on period, the payment of childcare costs will stop in respect of the deceased child.

### **Wider government help with childcare costs**

Help with childcare costs can be claimed over and above the free childcare hours, but not in addition to HMRC's Tax Free Childcare. Claimants can compare the different offers and decide what is best for them on [GOV.UK](https://www.gov.uk)

### **Tax Free Childcare**

Claimants and their partner in a joint claim who are receiving Universal Credit, (or have an outstanding claim to Universal Credit,) will not be eligible for a Tax Free Childcare account.

### **Free childcare and education**

Free childcare and education is available for 3 to 4 year olds and some 2 year olds. Claimants can find information on the support available from their local council or through [GOV.UK](https://www.gov.uk).

### **Childcare Offer for Wales**

This is funded by the Welsh government and provides working parents with a mixture of childcare and early education for children aged 3 or 4 years for up to 48 weeks per year.

Universal Credit claimants who may be eligible should be sign-posted to their local authority website or the Welsh government Children and Families website to check eligibility and to make an application.

Claimants can claim the first 30 hours' free childcare from their Welsh LA, and further hours can be claimed through Universal Credit.

It is in the claimant's interest to claim from their local authority first, as Universal Credit only covers up to 85% of the childcare cost.

Claimants cannot claim the same cost of the childcare from both the Welsh local authority and Universal Credit.



**Childcare vouchers**

Employers may help with childcare costs using childcare vouchers. For the calculation of Universal Credit, these vouchers will be treated as 'benefit in kind' which means they are not taken into account.

Help with learning costs may be available from the Childcare Grant. Claimants will not be eligible for both the Childcare Grant and childcare support from Universal Credit.

Claimants cannot get help towards any payments that were made using childcare vouchers. If childcare costs are more than the value of the vouchers, help towards that additional amount can be applied for.