

# **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 that 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.

Both claimants in a joint claim must satisfy the childcare cost condition and the work condition (unless an exception applies) to qualify for help with childcare costs.

Ineligible partners must also meet the work condition or have one of the exceptions for the couple to qualify for help with childcare costs.

Students in a couple are not eligible for reimbursement of Universal Credit childcare costs as they do not meet the work condition.

Full-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.

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 during the subsequent one, see Registered or approved childcare
- 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 have stopped paid work no more than 1 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, see Carer-related benefits where the severely disabled person receives benefit
- is temporarily absent from the claimant's household or is expected to be absent for 6 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

## **Childcare costs paid by providers**

When claimants are referred to contracted or non-contracted provision, childcare fees will be paid by certain providers.

Agents must always check if childcare costs are paid by the provider before considering childcare payments from Universal Credit or from the Flexible Support Fund.

See Flexible Support Fund guidance.

## Verifying childcare provider details

Any of the following documents 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 and they must display:

- [Ofsted](#) (link is external) registration number for England, or
- [Care Inspectorate](#) (link is external) registration number for Scotland, or
- [Care Inspectorate Wales](#) (link is external) registration number for Wales
- [Family Support NI](#) (link is external) registration number for Northern Ireland

For more information about registered childcare and some exceptions to the requirement to be registered, see [Registered or approved childcare](#).

In addition, the unaltered evidence must show:

- the name, address and contact number of the childcare provider
- the name of the child (the child must be a qualifying young person on the Universal Credit claim)
- the amount paid or payable for childcare per week, month or term
- whether the contract varies during the year (for example, school holidays)

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 1 calendar month from the point of declaring them.

All claimants must provide evidence of childcare costs to claim them in Universal Credit, except claimants who have been paid upfront childcare costs through

Flexible Support Fund (FSF). Once upfront childcare costs have been verified for the FSF payment they are recorded and can be checked in the claimant history.

Claimants not already paid upfront childcare costs through FSF must provide evidence to show the:

- dates covered by the childcare payment
- amount paid
- date the payment was made

Acceptable evidence includes:

- invoice or letter from the childcare provider
- receipt (including an ATM receipt)
- bank or credit card statement

Evidence may be obtained from an invoice or a combination of several different documents. These must be unaltered and we can accept scans, photos, screenshots and photocopies.

Cash payment receipt:

- registered invoice headed receipts will be accepted
- hand-written receipts will be acceptable as a last resort, although it must show the provider name
- the cash receipt must show the date of payment and the amount paid

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.

If verification of childcare costs is required, the claimant has 1 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 for which a claim has been made, for 2 years because evidence may be needed at a later date.

## **Childcare costs reasonable usage**

For Universal Credit, reasonable usage means considering whether the costs paid by a claimant to their childcare provider is generally reasonable when balanced against the amount of earnings they receive or the hour they work.

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

If a childcare provider's 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, we should pay the childcare costs when fewer hours are worked.

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

The situations that make 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 and an amount of reasonable expected childcare costs will be applied.

### **Childcare costs: meal costs**

Additional extras on childcare invoices must be considered on an individual basis. When reporting childcare costs, the claimant may include the cost of meals provided to the child by the childcare provider.

If the cost of the meal is included in the contract with the provider (but not itemised on the invoice), these can be reimbursed to the claimant.

If the cost of the meal is an optional extra and the claimant is choosing to pay for meals, these costs will not be reimbursed as they are responsible for those costs.

## **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% of their childcare costs up to the childcare cost maximum limit of:

- £950.92 for 1 child, or
- £1,630.15 for 2 or more children

If 85% of the allowable childcare costs is less than the applicable maximum amount, 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 determined after this calculation has been applied becomes the Childcare element.

The Childcare element (together with the other allowable elements and the Standard Allowance) makes up the Universal Credit award to which the Work Allowance and Earnings Taper are then applied to determine 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 1 month's childcare in 1 assessment period, will have any eligible support apportioned across the periods covered by the childcare up to a maximum of 3 assessment periods.

Any help the claimant receives from other sources towards childcare, for example their employer, will reduce the amount of support available via 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 that 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 have not 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**

Childcare costs paid in advance must be reported in the assessment period in which they are paid or in the subsequent assessment period. Any costs reported after this are classed as 'late reported' and the claimant will need to provide a reason for the late reporting. A decision will then be made to determine if the claimant's reason is acceptable and whether they are eligible for the childcare costs payment.

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.

To be reimbursed, the period of childcare costs paid in advance can cover the assessment period in which the costs are paid and the following two assessment periods. The claimant is not eligible for reimbursement for any period that falls after this as it has been paid too far in advance.

## **Childcare costs paid in arrears**



Childcare costs paid in arrears are reimbursed in the assessment period in which they are paid and reported. If an additional set of childcare costs are paid and reported in the same assessment period, the two sums will be calculated to the maximum amounts which could potentially cause the claimant to hit the caps.

## **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 Flexible Support Fund (FSF) can also be used 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 these costs cannot be claimed back.

Claimants can claim back 85% of actual childcare costs paid by FSF, through Universal credit, this doesn't include any payments made to hold a childcare place with a provider or other fees or administration costs.

## **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 for payment of 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 meet the qualifying conditions.

This run-on also supports those who make their initial Universal Credit claim within 1 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, the claimant will continue to receive help with these costs if appropriate.

Claimants will continue to receive support with childcare costs for 3 months after the death of a child. This includes the assessment period in which the child dies and the following 2 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 must be sign-posted to their local authority website or the Welsh government [Children and Families \(external website\)](#) to check eligibility and to make an application.

Claimants can claim the first 30 hours' free childcare from their Welsh local authority 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 costs.

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 Universal Credit purposes, 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, they can apply to Universal Credit for the additional amount.