



BRIEFING PAPER

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Childcare: support with costs (England)

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Summary

This House of Commons Library briefing paper is intended to inform constituents about the financial support available to help with childcare costs.

The note provides a brief introduction into the sources of support for a constituents with childcare costs, namely:

- free hours of childcare for younger children;
- childcare vouchers (Employer Supported Childcare);
- Tax-Free Childcare;
- Working Tax Credit childcare element;
- Universal Credit childcare costs element;
- help with upfront childcare costs under Universal Credit;
- support for undergraduate (and some postgraduate) students.

Links to more detailed Library briefing papers are contained within this paper.

This note applies to England only.

1. Free 15 and 30 hours of childcare for younger children

1.1 Two year olds

Some two year olds are eligible for 15 hours of free childcare, specifically if the child:

- lives in a household that receives out of work welfare benefits or has a low income;
- is disabled; or
- is or, in some circumstances, was a “looked after child”.¹

In addition, some people may be able to claim for their 2 year-old depending on their immigration status.

Full eligibility details are set out on the GOV.UK webpage [Free education and childcare for 2-year-olds](#).

1.2 Three and four year olds

15 hours (over 38 weeks) of free childcare for all (universal provisions)

All 3 and 4 year olds are eligible for what is commonly called the “15 hours of free children”, which is provided for 38 weeks of the year.

The actual statutory entitlement is 570 hours per annum and parents and carers can choose to stretch their entitlement over more than 38 weeks if they wish (subject to agreement with their childcare provider).

Every household is entitled to 15 hours of free childcare irrespective of their financial means, nationality or immigration status.

Additional 15 hours of free childcare (“extended entitlement”)

Some 3 and 4 year olds qualify for what is often referred to as “30 hours of free childcare” (also provided for 38 weeks of the year) or the “extended entitlement”.

Again, the statutory provision of 570 hours can be stretched over more than 38 weeks (but it cannot be condensed into a period shorter than 38 weeks).

Only three and four years old from working households and certain other households specified in regulations qualify for the extended entitlement, namely:

- households where a single parent, or both parents in a two-parent household, earn:

¹ A looked after child is a child who is either in the care of a local authority further to a care order made by the court, or who is being provided with accommodation by a local authority (for a continuous period of more than 24 hours) e.g. following voluntary agreement with the child’s parent(s).

- at least the equivalent of 16 hours at the National Minimum Wage or National Living Wage as appropriate (depending on their age) per week; but
- no more than £100,000 per annum of adjusted net income (each, if applicable);² or
- one (in a couple household) or both parents are in receipt of benefits in connection with sickness or parenting (i.e. on sick leave or annual leave, or on parental, maternity, paternity or adoption leave). Where this only applies to one parent, the other parent has to meet the income means-test set out above;
- where one parent (in a couple household) is in receipt or could be entitled to be in receipt of:
 - Incapacity Benefit;
 - Severe Disablement Allowance;
 - Carer’s Allowance; or
 - Employment and Support Allowanceand the other parent meets the income means-test;

In terms of nationality, only UK and European Economic Area (EEA) citizens can apply.

The Government notes that:

You will not be eligible if you’re from outside the EEA and your UK residence card says you cannot access public funds.

Your partner can apply instead if they’re from:

- the UK or EEA
- outside the EEA and their UK residence card says they can access public funds.³

1.3 Frequently asked questions

Can a childcare provider charge for lunch and nappies?

Yes. Childcare providers are allowed to charge for lunch, nappies and other consumables, as well as for trips.⁴

When does my child become eligible for the free hours?

A child becomes eligible for either the 15 or 30 hours of free childcare at the start of the term following their third birthday (or second birthday for those children eligible for the free 15 hours for 2 year olds).

The term dates are:

² “Adjusted net income” is gross income less certain pension contributions and other factors. For more information, see the GOV.UK webpage [Personal Allowances: adjusted net income](#).

³ GOV.UK, [30 hours free childcare](#), webpage accessed on 26 February 2020

⁴ Department for Education, [Early years entitlements: operational guidance – For local authorities and providers](#), June 2018, p33

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- 1 January
- 1 April
- 1 September.

1.4 Further sources of information

The following might be of help:

- House of Commons Library, [Childcare: "30 hours" of free childcare – eligibility, access codes and charges \(England\)](#);
- House of Commons Library, [Childcare Vouchers and Tax-Free Childcare - Frequently Asked Questions](#);
- Department for Education, [Early education and childcare – Statutory guidance for local authorities](#), June 2018;
- Department for Education, [Early years entitlements: operational guidance – For local authorities and providers](#), June 2018;
- NRPF Network, [Early years education available for two-year-olds in NRPF households](#);
- NRPF Network, [Childcare changes will not benefit NRPF families](#), press release, 23 May 2017 (explains 15 and 30 hours free childcare for 3 and 4 year olds).

2. Subsidies towards the cost of childcare for those in employment

2.1 Tax Free Childcare

Tax Free Childcare (TFC) is the replacement scheme for childcare vouchers (see section 2.3).

Anyone can apply for TFC, but importantly they cannot be in receipt of TFC at the same time as being in receipt of:

- childcare vouchers;
- Universal Credit, Working Tax Credit, or Child Tax Credit.

The eligibility criteria for TFC are the same as the for the 30 hours of free childcare (see section 1.2 above).

TFC can be paid in respect of any child aged under 12 years of age, or under 17 years of age if they are disabled.

The TFC scheme works by the payment of funds for childcare by a parent or carer into a TFC account. The Government tops up the amount paid in with an extra 20p for extra 80p paid in, up to a maximum of £2,000 per annum per child (or £4,000 per annum for a disabled child).

2.2 Childcare vouchers

In brief, parents who receive childcare vouchers from their employer may be entitled to claim tax relief on this benefit, *provided* they joined their employer's scheme *on or before* 4 October 2018.

The Government published detailed plans for Tax Free Childcare (TFC) in March 2014, and at this time confirmed that as part of this reform tax relief for employer-supported childcare (ESC) would be withdrawn for new schemes. Following delays in the roll-out of TFC, in March 2018 the Government confirmed that ESC would be withdrawn for any parents joining an employer scheme after 4 October 2018.⁵

HM Revenue & Customs publish guidance on the tax relief that existing scheme members may be entitled to claim.⁶ Guidance on employer-supported childcare is also published by the Low Incomes Tax Reform Group.⁷

To give a little more detail, in general the costs of childcare or home help services are not tax deductible, although there has been some debate about whether they should be. In his 1990 Budget the then Chancellor John Major announced that from April 1990 employees

⁵ [Employer Supported Childcare: Written statement HCWS616, 29 March 2018](#)

⁶ [Childcare vouchers and other employer schemes](#), ret'd February 2020; see also, HMRC, [Employer Supported Childcare \(Notice 480: Appendix 11\)](#), December 2019.

⁷ LITRG, [Employer-supported Childcare](#), February 2020

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would not be taxed on the benefits they received from using a nursery or playscheme provided by their employer.

In its 2004 Budget the Labour Government announced a new tax relief for childcare benefits: from April 2005, employees would be entitled to receive up to £50 a week of childcare free of income tax and National Insurance contributions (NICs) where their employers contracted with an approved childcarer or provided childcare vouchers for the purpose of paying an approved childcarer. Employers would be entitled to a similar relief for the first £50 of this type of childcare for the purposes of both secondary Class 1 NICs and Class 1A NICs.⁸ This limit was increased by £5 to £55 from April 2006.⁹

In September 2009 the then Prime Minister, Gordon Brown, proposed that ESC should be withdrawn to fund the extension of free childcare for two year olds. The proposal proved highly contentious and in December 2009 Mr Brown announced that the relief would be retained, but, from April 2011, it would be restricted in value so that all new voucher recipients would get the same amount of tax relief, to ensure that higher rate taxpayers did not benefit disproportionately.¹⁰ In its first Budget in June 2011 the Coalition Government confirmed that it would take this measure forward.¹¹ The new income tax limit applied to higher rate and additional rate taxpayers who joined employer supported childcare schemes on or after 6 April 2011.¹²

As noted, this tax relief was withdrawn for those joining employer schemes after 4 October 2018.¹³ In answer to PQs on this change Ministers have confirmed that parents on existing schemes “will be able to continue using vouchers as long as they work for the same employer and their employer continues to offer them.”¹⁴ Further details of these developments are given in another Commons Briefing paper.¹⁵

2.3 Further sources of information

The following might be of help:

- [Childcare Vouchers and Tax-Free Childcare - Frequently Asked Questions](#), Commons Briefing paper CBP8055, 20 April 2018
- [Tax Relief for Childcare](#), Commons Briefing paper CBP19, 15 May 2018
- GOV.UK, [Get Tax-Free Childcare: step by step](#), ret'd February 2020.

⁸ HM Treasury, [Budget 2004](#), HC 301 2003–04, March 2004 para 5.26. Employees are charged primary class 1 NICs on earnings above the lower earnings limit. Employers are charged secondary class 1 NICs on their employees' earnings above this limit and class 1A NICs on most benefits in kind they give to their employees.

⁹ HM Treasury, [Budget 2006](#), HC 968 2005–06, March 2006, para 5.23. This change was made by Order: SI 2006/882.

¹⁰ [HC Deb 14 December 2009 c846W](#)

¹¹ HM Treasury, [Budget 2010](#), HC 61 2010–12, June 2010 para 2.123. Provision to this effect was made by s35 of the *FA 2011*.

¹² HMRC, [Reduced childcare relief for higher earners \(TIIN 8275\)](#), 23 March 2011

¹³ Provision to this effect was made by Order: SI 2018/462

¹⁴ [PO176348, 16 October 2018](#). See also, [PO284435](#), 9 September 2019.

¹⁵ [Tax Relief for Childcare](#), Commons Briefing paper CBP19, 15 May 2018.

3. Support through the benefits and tax credits systems

Working families can get help with childcare costs via the childcare element of Working Tax Credit and the childcare disregard in Housing Benefit. Tax credits and “legacy” social security benefits, including Housing Benefit, are being replaced by Universal Credit (UC). UC also includes a childcare element.

3.1 Tax credits

Tax Credits – Child Tax Credit (CTC) and Working Tax Credit (WTC) – provide means-tested support for people on low to middle incomes. WTC includes a **childcare element** covering up to 70% of eligible childcare costs up to £175 a week for one child and £300 for two or more children. The maximum support claimants can receive is therefore £122.50 a week for one child and £210 for two or more children.

Families can also benefit from the additional childcare disregard in Housing Benefit. Combined with the WTC childcare element, this means that families who pay rent may get help with up to 89.5% of eligible childcare costs up to the WTC weekly limits.

People can get help with childcare costs if they are:

- a lone parent working least 16 hours a week;
- a couple both working at least 16 hours a week; or
- a couple where one partner works at least 16 hours a week and the other is incapacitated, a carer, in hospital or in prison.

The claimant or their partner must be “responsible” for the child and incurring relevant childcare charges. HM Revenue and Customs guidance explains what “relevant childcare” covers in England, in Wales, in Scotland, and in Northern Ireland.¹⁶ The childcare element is only payable for children up to the 1st September following their 15th birthday, or 1st September following their 16th birthday if the child qualifies for the disabled child element of Child Tax Credit.

Families can claim help with childcare costs as soon as they start paying for childcare, or up to seven days before the childcare starts. An online calculator is available on GOV.UK to help claimants work out what childcare costs they can claim for.¹⁷

The WTC childcare element is paid to the claimant, not directly to the childcare provider. In the case of couples, the WTC childcare element is normally paid to the “main carer” of the child or children, as nominated when the tax credits claim was made.

Recipients of the childcare element need to notify HMRC within one month if:

¹⁶ [Working Tax Credit: help with the costs of childcare](#), WTC5, April 2019

¹⁷ See [Tax credits: working out your childcare costs](#)

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- they stop paying for childcare, or average weekly childcare costs go down by £10 or more;
- their childcare provider ceases to be registered or approved;
- they stop using a registered or approved childcare provider; or
- they start getting other help towards childcare costs.

Further information on the WTC childcare element can be found in HMRC leaflets¹⁸ and guidance¹⁹, and at the Revenuebenefits website.²⁰

3.2 Universal Credit

Universal Credit (UC) is means-tested and is payable to individuals and families in or out of work. In Great Britain it is administered by the Department for Work and Pensions (DWP), and in Northern Ireland by the Department for Communities.

UC includes a **childcare costs element** covering 85% of childcare costs, with the maximum amount payable being £646.35 a month for one child, or £1,108.04 a month for two or more children.²¹

To be eligible for the childcare costs element, claimants must meet the work condition and the childcare costs condition.

The **work condition** is that the person is in paid work, or has accepted an offer of paid work. There is no minimum working hours requirement. For couples, both partners must normally be in work, or have accepted an offer of work. The childcare costs element may however be paid if one partner is working and the other has a “limited capability for work”, is caring for a disabled person, or is temporarily absent from the household (e.g. in hospital, in a care home, or in prison).

The **childcare costs condition** is that childcare costs are being paid for a child or qualifying young person the claimant is responsible for, up until 1st September following their 16th birthday. The costs must be incurred to allow the claimant to take up or continue paid work.

The childcare costs element can only be paid for “relevant childcare”. This generally means that the childcare provider is registered with OFSTED (in England), the Care Inspectorate (in Scotland), the Care and Social Services Inspectorate for Wales, or the relevant Health and Social Care Trust in Northern Ireland.

UC is calculated with reference to the household’s income and circumstances in each successive monthly “assessment period”. Claimants need to report childcare costs incurred by a deadline, to be reimbursed. Since 16 October 2019, claimants have had until the end of the assessment period following the assessment period in which they

¹⁸ [Working Tax Credit: help with the costs of childcare](#), WTC5; and [Working Tax Credit: childcare element: for childcare providers](#), WTC5/CP, April 2019

¹⁹ HMRC, [Tax Credits Technical Manual](#), updated 6 August 2019

²⁰ [Tax Credits: Understanding childcare](#), updated 14 May 2019

²¹ The weekly equivalent amounts are £149.16 and £225.70, respectively.

paid for childcare to report those childcare charges.²² Previously, claimants generally had to report charges before the end of the assessment period in which they were paid.

The DWP may not reimburse childcare charges in full if they are deemed excessive given the amount of work the person does, or if the person is getting help with childcare costs from their employer or another source.

Further information on the UC childcare costs element can be found in leaflets,²³ and in more detailed official guidance.²⁴

Help with upfront childcare costs

The UC childcare costs element reimburses claimants for childcare charges already paid. Help with upfront charges demanded by childcare providers may be available from:

- The **Flexible Support Fund (FSF)** – 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.²⁵
- **Budgeting Advances** – for people who have been claiming UC 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.²⁶

Examples of upfront charges that may be met from the Flexible Support include:

- Deposit – To pay a provider a one-off advance payment of childcare costs.
- Retainer – To pay a provider a one-off advance payment to secure the nursery provision prior to the parent starting work or training.
- Fees – To pay a provider upfront childcare fees in advance of the service being delivered; and
- Taster/Settling in periods – To pay a provider a one-off advance payment to enable the parent to prepare their child before taking up the full childcare offer.²⁷

There is no automatic entitlement to help with upfront childcare charges. The DWP states that each request is “considered carefully on its own merits”.²⁸

Budgeting Advances are repayable over a period of up to 12 monthly instalments. Only one Advance will be paid at a time and further Advances cannot be made until the balance of the previous Budgeting

²² The change was introduced by [The Universal Credit \(Childcare costs and Minimum income Floor\) \(Amendment\) Regulations 2019; SI 2019/1249](#)

²³ DWP, [Universal Credit: childcare guide](#), updated 16 October 2019; Department for Communities, [Universal Credit childcare costs](#), Nldirect

²⁴ [DWP UC Guidance Chapter: Childcare costs](#), Version 12.0; [Advice for Decision Making Chapter F7: Childcare costs element](#)

²⁵ See [DWP UC Guidance Chapter: Flexible Support Fund](#), Version 5.0

²⁶ See [DWP UC Guidance Chapter: Advances - Budgeting Advance](#), Version 5.0

²⁷ [PO 282562](#), 5 September 2019

²⁸ Ibid.

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Advance is cleared.²⁹ Budgeting Advances may be made for further upfront childcare charges faced by eligible UC claimants already working – e.g. for costs incurred during school holidays, due to changes of childcare provider or additional costs when the person’s working hours increase.³⁰

²⁹ [PO 6355](#), 31 October 2019

³⁰ [PO 282562](#), 5 September 2019

4. Support for students

4.1 Higher Education

Students on full time undergraduate courses (and postgraduate students on initial teacher training courses) maybe eligible for help with childcare costs in the form of a **Childcare Grant** - information on the Childcare Grant is available on the Student Finance England (SFE) website at [Full-time Childcare Grant](#). The Childcare Grant helps towards childcare costs for students with dependent children aged under 15 at the beginning of the academic year (or under 17 if the child has special educational needs) who are in registered or approved childcare. The grant is based on household income and doesn't normally have to be paid back. The amount that students could receive in 2019/20 will be **£169.31 a week** for one child or **£290.27 a week** for two or more children.

Students who are parents may also apply for a **Parent's Learning Allowance** (PLA) – information on this is available on the SFE website at [Full-time Parents' Learning Allowance](#). The maximum PLA is **£1,716** for the 2019/20 academic year.

Healthcare students

In addition to the general student support outlined above healthcare students may also be able to access additional funding through the NHS Business Services Authority's [Learning Support Fund](#) - this fund has three elements which cover childcare costs, placement costs and hardship funding.³¹

Students with child dependants who meet the eligibility criteria can apply for the [Child Dependants Allowance](#) of **£1,000 per year** for each year of study (pro rata if studying less than full-time). The payment is not related to the number of dependants.

New system for healthcare students from September 2020

From September 2020 the Government is [introducing a new system](#) of payments for new and continuing students on healthcare courses. The system will include additional payments of up to £3,000 per academic year to help students cover childcare costs.

Postgraduate students

There is no specific funding to cover childcare costs for most postgraduate students.

Students studying for doctorates are usually funded by research council stipends, institutional awards/scholarships or doctoral loans. Funding from these awards can be used towards living expenses and childcare costs.

³¹ Department of Health and Social Care, [NHS Financial Support for Health Students \(Third Edition\) Learning Support Fund](#), 9 July 2019

Universities also have [hardship funds](#) which are available to help students in financial difficulty and these can be used to pay for childcare costs. Universities may also provide subsidised nurseries for students.

4.2 Further education

Help with childcare costs for further education students is provided through [Learner Support Funds](#) which are administered by individual colleges. Each learning provider has its own application process and the amount of funding available will vary with each scheme and each individual's circumstances.

Care to Learn

Students under 20 years of age at the start of a publicly-funded further education course who have children may be eligible for weekly payments through the [Care to Learn](#) scheme. The scheme provides students with up to **£160 per child per week**, (£175 per child per week for students in London.) Funding is also available to cover childcare deposits and registration fees. Care to Learn only covers childcare funding at Ofsted registered providers.

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