

# Childcare element of Universal Credit

The childcare element in Universal Credit will usually only be available where a single person is in paid work, or where both members of a couple are in paid work. Parents will also have to show a direct relationship between childcare costs and work. There are exceptions where one partner is in paid work and the other has limited capability for work (see below) or is a carer for a disabled person.

The help with childcare costs provided under Universal Credit is flexible in many ways, as it doesn't require a specific number of hours of work. The 16-hour rule will no longer exist.

## Disability within Universal Credit

Universal Credit provides support for claimants with health conditions and disabilities through two limited capability for work elements. Entitlement to these elements is based on the outcome of a Work Capability Assessment - the same assessment as that used for Employment and Support Allowance.

The Limited Capability for Work Element is the lower rate addition. It is paid for each adult who has a limited capability for work but who is able to undertake some work related activity in order to prepare for work in the future.

The Limited Capability for Work and Work Related Activity Element is the higher rate addition. It will be paid for each adult who has a limited capability for work and also a limited capability to undertake work related activity.

## Monthly assessment periods

Universal Credit is assessed and paid monthly. It is paid in arrears for each month and the amount will not vary to reflect the number of days in the month. A change of circumstances (reported on time) will usually take effect from the start of the Assessment Period in which it takes place. So for the purposes of the award the birth of a child takes effect from the beginning of the Assessment Period in which the child is born. With a promotion, the increased earnings will be taken into account when the claimant receives the higher wages (not from the date they start being entitled to them). Universal Credit will usually be paid in a single monthly sum to households. The assessment period is one calendar month, and the first assessment period starts with the first day of entitlement to Universal Credit.

For the purposes of the childcare element, a person is treated as being in paid work if they:

- ▶ Have an offer of paid work which is due to start before the end of the next monthly assessment period.
- ▶ Stopped paid work in that assessment period or the previous assessment period.
- ▶ Have recently started to receive a Universal Credit award and have stopped paid work in that assessment period, or the month before the award started.
- ▶ Are getting Statutory Maternity Pay, Statutory Sick Pay, Statutory Paternity Pay, Statutory Shared Parental Pay, Statutory Adoption Pay or Maternity Allowance.

## The childcare costs conditions for Universal Credit

Universal Credit has specific conditions in order for childcare costs to be covered by the Universal Credit childcare costs element.<sup>2</sup> Some of these are quite different to those involved in tax credits, so it will be important to support parents in understanding the conditions and how to meet the requirements of the benefit.

The childcare charges must be costs which relate to that assessment period. That usually means:<sup>3</sup>

- ▶ Childcare which is provided and paid for in that assessment period; or
- ▶ Childcare provided in an earlier assessment period, but paid for in the current one, or

In certain cases charges which have already been paid for childcare provided in the current assessment period can also be covered.

Charges should generally be reported to the Department for Work and Pensions before the end of the assessment period in which they are paid. This helps to ensure that the costs are considered in the Universal Credit award as soon as possible. This means a report will be needed for every assessment period in which the claimant pays costs. It is possible to report costs late, but a parent would usually have to show that special circumstances had prevented them from reporting within the assessment period. The reporting requirements may be amended as Universal Credit extends to more families.

Childcare costs can be claimed for young people up until the 1st September after they reach 16. There is no extension in age for disabled children but in some cases 16 or 17 year olds may claim Universal Credit in their own right.

Similarly to tax credits, the childcare must be with a registered provider or part of school provision.<sup>4</sup>

Childcare must be to enable the parent to take up paid work or continue in paid work (or where work has recently ended, the arrangements were in place before the work finished).

If the Department for Work and Pensions considers that childcare costs are too high considering the amount of paid work a family are doing, it may decide to reduce the costs taken into account for Universal Credit.<sup>5</sup>

At the moment, the childcare element is worth 70 per cent of eligible costs, and it is capped at £532.29 per month for one child and £912.50 for two or more. It is therefore worth exactly the same, at its maximum amount, as the Working Tax Credit childcare element.

The government has announced that from April 2016, the childcare element in Universal Credit will be worth 85 per cent. More information can be found on <https://www.gov.uk/universal-credit>

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2 Reg 33 UC Regs 2013

3 Reg 34A was inserted into the UC Regulations 2013 by the Universal Credit (Digital Service) Amendment Regulations 2014 and a saving provision applies.

4 Reg 33 & 35 UC Regs 2013

5 Reg 34(2) UC Regs 2013

## Other issues for Universal Credit claimants

For parents unsure whether to claim Universal Credit, there are several issues to consider:

- ▶ Income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit are being abolished. Many families will claim support through Universal Credit instead (as it includes support for things like housing costs, children and childcare costs as well as a standard allowance) but some families may be better off opting for support for childcare costs under tax free childcare rather than under Universal Credit.
- ▶ Universal Credit for people with earnings below certain levels will be a 'passporting' benefit. Some parents will have access to additional help, such as Healthy Start vouchers or the Sure Start Maternity Grant. To ensure passported benefits continue to be targeted at those who need them most, there is agreement to introduce a system of earnings thresholds. The government is working to determine the earnings thresholds for this additional help.
- ▶ Universal Credit claimants have to accept a 'claimant commitment', even if they are working. This may require them to look for work, better paid work or more hours of work. Different levels of work-related conditions will apply to different people (for example, depending on whether they are the main carer and on the age of the child). Some claimants will have no 'work-related' requirements, some will have to attend work-focused interviews, and some will have to attend interviews and prepare for paid work (for example, by attending training), but won't actually have to look for a job.
- ▶ Universal Credit is an online system. If you get stuck while you're making your Universal Credit claim a helpline is available. If you need further help, face to face and telephone support are also available.
- ▶ Universal Credit usually makes one payment, to one person, once a month – all payments, including childcare costs and rent, have to be made from this payment. It is paid within seven days of the last day of the assessment period (although if that is not possible it can be paid as soon as reasonably practicable after that). Generally once the Universal Credit award is in payment, the payment days will be on the same date each month. If a claimant's payment day falls on weekends or bank holidays, the payment day will normally be advanced to the nearest working day.