Family and Childcare Trust

Managing childcare deposits and upfront payments

When looking to move into work, parents face a number of barriers, particularly around childcare arrangements, including paying for deposits and fees in advance to secure childcare places. With wages and benefits normally being paid in arrears, parents – particularly low income parents – may find that these upfront costs can prevent them from starting work or push them into debt.

Many childcare providers ask for deposits or upfront payments to help protect from bad debt: one survey found that 90 per cent required payment in advance and 40 per cent required a deposit of up to £150 (Citizen's Advice, 2014). For a parent of a one year old, typical upfront childcare costs could be over £500 for just a part time place (Family and Childcare Trust, 2018).

Some groups of parents may struggle more with upfront childcare costs:

- **Workless households**
- The **second parent** in a couple family
- Parents returning to work after **maternity leave**

Tackling this problem would support more parents to move into work, raise family incomes and reduce child poverty as well as tackle gender inequalities, given that most parents struggling to return to the workplace are women.

Existing schemes which can help with the upfront costs of childcare

Flexible Support Fund

- The Flexible Support Fund (FSF) is discretionary support administered by Jobcentre Plus to help customers move into and remain in work, including help with upfront childcare costs. The national guidelines around eligibility are broad and local eligibility is determined by individual districts.
- While eligibility criteria include middle and low income working households, the fact that it is administered through the Jobcentre Plus means that it is most likely to be targeted to people on out of work benefits.
- The budget allocated for FSF in 2017/18 was £84.5m. Historic spending figures show that only a very small proportion of the budget is spent on childcare costs – less than two per cent in 2012/13 (McGuinness et al, 2016). There is a significant information gap on how this fund is now being spent: the Government no longer collects this information due to the localised and discretionary nature of the fund and that there are no plans to create additional reporting on how the fund is spent (PQ 27973, 26 February 2016).
- There is not enough information on how effectively the FSF is currently been used, but a 2012 Department for Work and Pensions evaluation found that only a minority of claimants were informed of the FSF, with only one in eight claimants saying they had been offered financial help by their adviser for one off expenses.
- The FSF could be a useful tool to help parents move into paid employment, but parents are unclear about how it can be used. There is more work to be done to understand why it is not being used and develop an improvement plan.

Support through Universal Credit

- Universal Credit is a single monthly payment which is being phased in to replace six income related benefits for working and nonworking households. As part of Universal Credit, parents can claim back up to 85 per cent of paid out registered childcare costs, up to a monthly limit of £646 for one child or £1108 for two or more children.

- Childcare costs may be claimed up to a month before starting work and can include deposits, retainer fees or advanced costs.
- Payments are made in arrears which is likely to be problematic for some parents who will need to make payments to childcare providers before they receive their Universal Credit payment. Universal Credit claimants can get early payments of their benefits through Universal Credit Advances and Budgeting Advances – both of these will have to be paid back.
- Budgeting Advances are longer term loans available to Universal Credit claimants who have earnt less than £2,600 (or £3,600 jointly for couples) in the past six months, to help manage emergency household costs or to help get or stay in a job. Claimants can only have one Budgeting Advance at a time. The earnings limit for eligibility is likely to mean that a Budgeting Advance is not available to parents wanting to move into work who have a working partner or lone parents wanting to increase their hours.
- A Universal Credit Advance is an early payment of a claim, which can be made when a parent first made a claim or has reported a change in circumstances.
- Advances through Universal Credit could be a useful tool to help parents bridge the gap between payment of upfront childcare costs and repayment of these costs through Universal Credit payments, but the limits on earnings and only being able to have one advance at a time mean that they are not always available for claimants. Amending the rules to enable short term advances for upfront childcare costs, where it will help parents move into paid work, could remove a barrier to employment for families.

Employer schemes
Some employers provide assistance to their employees to help them enter or return to the labour market after having a child. Employer driven schemes are likely to have patchy coverage, given they will be reliant on employers deciding to offer them. Similar schemes are disproportionately taken up by employers offering higher paid and more secure employment, which could mean that some of the parents that need the support most would miss out.

- Greater London Authority (GLA): Offers an interest free loan to GLA employees to cover the upfront costs of childcare provision to support employees – both existing and new – in returning to work.
- University of Hertfordshire Students' Union: The employee benefits package includes childcare loans to parents returning to work, with the package as a whole leading to a reduction in staff turnover from 50 per cent to 10 per cent.
- Ikea: Offers an interest free loan for the first month's upfront childcare fees for staff returning from maternity leave. In 2006, the staff return rate from maternity leave was 90 per cent.

Conclusion
There is currently no clear pathway for parents to access support to meet upfront childcare costs when they move into paid work. It is particularly urgent that a solution is found for low and middle income families claiming Universal Credit who are most likely to struggle with the costs and who could benefit the most from better access to support. The Flexible Support Fund and advances available through Universal Credit provide the potential infrastructure for this support, but need to be reformed to more reliably to meet the needs of families.

➢ Recommendation: Government must develop a clear pathway for support for parents to meet upfront childcare costs, potentially through reforming Flexible Support Fund and/or Universal Credit advances.

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