Thank you for your letter of 17 May regarding Universal Credit. I apologise for the delay in replying.

The Government recognises that childcare costs can affect parents' decisions to take up paid work or increase their working hours, or remain in paid work. To overcome this barrier to employment we increased the level of support for childcare costs within Universal Credit from 70 per cent to 85 per cent. This means that working families claiming Universal Credit can reclaim up to 85 per cent of their eligible childcare costs each month, up to a maximum £646.35 for one child and £1,108.04 for two or more children.

This is not a two child cap, but rather a limit on the amount of eligible childcare costs that can be reclaimed through Universal Credit. A claimant with three children for example will be able to reclaim eligible childcare costs for all three of their children, up to £1,108.04 per month, provided that they continue to meet both the Universal Credit Childcare Costs Condition and the Universal Credit Work Condition.

Additional Universal Credit support for childcare costs is available to lone parents and couples who are in paid work regardless of the number of hours they work. This means, that for the first time, Universal Credit claimants working less than 16 hours per week are eligible to receive childcare support, helping up to 100,000 additional families. Furthermore, couples where only one claimant is working and the other is unable to work due to having limited capability for work, caring responsibilities for a severely disabled person or being temporarily absent are also able to receive childcare support.

To help parents with fluctuating employment who may face difficulties in securing a childcare place, claimants who have accepted a firm job offer can claim childcare costs for jobs that are due to start before the end of their following assessment period, and childcare costs can be claimed until the child is two years old. Claimants who stop work and have paid for childcare, may be paid a proportion of childcare costs for the assessment period in which they stopped work, and the following assessment period. Claimants who do not restart work by the end of the following assessment period will
not be eligible for help with childcare costs until they again meet the qualifying conditions.

We will also continue to pay childcare costs for an existing childcare place whilst a claimant is receiving Statutory Sick Pay, Statutory Maternity Pay, ordinary Statutory Maternity Pay, Additional Statutory Maternity Pay, Statutory Adoption Pay, Shared Parental Pay or Maternity Allowance. We also understand that in the month that a claimant starts work or increases their working hours they may be unable to pay the upfront childcare costs. Therefore, to enable the claimant to take up the job offer or increase their working hours, they may be eligible to receive a budgeting advance. This is not a loan but an advance of the claimant's future Universal Credit entitlement. Their Work Coach will make sure that this advance is affordable and manageable. It is interest free and repayable over twelve months.

Finally, we have recently announced changes to Flexible Support Fund guidance to align it more closely with Universal Credit. This includes directing eligible claimants to the Flexible Support Fund for help with upfront childcare costs for starting work, removing the 16 hour employment restriction and raising the age of dependent children to 16.

In addition, we have taken steps to raise awareness of the Universal Credit and wider government childcare offer within the Department to Work Coaches and Operational Managers so they are better able to support parents needing help with childcare costs. This includes issuing guidance to Work Coaches in Jobcentres to ensure that eligible claimants who require help with upfront childcare costs in order to start work are directed to the Flexible Support Fund.

Budgeting advances are also available to eligible in-work claimants who require help with upfront children costs for example due to increased hours, change of childcare providers or returning from maternity leave. We are also ensuring that the Flexible Support Fund can be used whenever the initial month's childcare costs prevent a claimant from starting work.

Best wishes,

Rt Hon Amber Rudd MP
SECRETARY OF STATE FOR WORK AND PENSIONS