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Help with childcare costs in England



Summary

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- 4 Support for students

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Summary

How much does childcare cost in England?

[Coram's Childcare Survey 2023](#), published in March 2023, found the average price of a part-time childcare place (25 hours a week) for a child under two in a nursery in England was £150.89 a week. The average price of 25 hours a week in a nursery during term time for children aged three and four was £59.83.

The [Institute for Fiscal Studies \(IFS\)](#) has suggested that, while the majority of families do not say they are struggling with childcare costs, “for a significant minority” they are “a significant burden.”

In the [Department for Education's annual survey of parents in 2022](#), 32% of parents with young children (0–4) reported finding it difficult or very difficult to meet their childcare costs.

The Organisation for Economic Co-operation and Development (OECD) has also said [UK parents face some of the highest net childcare costs as a percentage of average wages](#).

Concerns have been raised about the impact of high childcare costs on families and the wider economy. The Confederation of British Industry (CBI) has, for example, said the current childcare system is “[exacerbating the cost-of-living crisis](#)” and [contributing to labour market shortages](#).

Free childcare entitlements and the Tax-Free Childcare scheme

The Government currently funds three entitlements to free childcare in England:

- 15 hours entitlement for all children aged three and four.
- 30 hours extended entitlement for working families with children aged three and four.
- 15 hours entitlement for disadvantaged two-year-olds.

Parents across the UK can also apply for support through the Tax-Free Childcare (TFC) scheme. Under the scheme a parent or carer pays funds for

childcare into a TFC account. The [Government then tops up each £8 paid in with an extra £2](#), up to £500 per child every three months, or £1,000 every three months for a disabled child. Money in the TFC account can then be used to pay for approved childcare.

Extension of 30 hours entitlement

At the Spring Budget 2023 [the Government announced the 30 hours entitlement will be extended](#) in stages to children aged nine months to three years in England. Eligibility will match the existing entitlement: it will be available only for the children of working families.

While stakeholders have broadly [welcomed the extension of the 30 hours entitlement](#), concerns have been raised that the [funding will not be sufficient to ensure enough childcare places are available](#). It has also been raised that [the most disadvantaged families will not benefit](#).

Childcare support through the benefits system

Working families can also get help with childcare costs through 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 costs element, which reimburses claimants for childcare they have already paid for, up to certain limits. Help with upfront childcare costs can also be provided on a discretionary basis from the Flexible Support Fund, or by repayable Budgeting Advances.

Spring Budget 2023 announcement

In the [2023 Spring Budget](#), the Government announced that for parents on Universal Credit moving into work or increasing their hours, it would “make sure they have support with childcare costs upfront when they need it rather than in arrears.”

It also said it would increase the maximum amounts for the UC childcare costs element from £646 to £951 a month for one child and from £1,108 to £1,630 a month for two children.

The changes came into force on 28 June 2023.

The new upfront support works by ignoring any amount parents moving into work or increasing their hours receive from the Flexible Support Fund to help with childcare costs, when calculating their first UC childcare costs payment. The DWP says people can then set aside the money they receive in their UC award to help pay the next month’s childcare costs, [“making it easier for the claimant to get into the Universal Credit childcare costs payment cycle”](#).

Childcare support for students

Higher education

Undergraduate students, and students pursuing an initial teacher training course or Postgraduate Certificate in Education (PGCE), may be eligible for help with their childcare costs. If they meet the required conditions, they can access help from Student Finance England through the [Childcare Grant](#) (additional income-assessed funding) and the [Parents' Learning Allowance](#) (additional funding for everyday costs of study, such as books, study materials and travel).

[Higher education providers also have hardship funds](#), which are available to help students in financial difficulty.

Additionally, medical, dentistry and healthcare students and postgraduate students who receive a Social Work Bursary may be eligible for help with childcare costs.

Further education

For further education students aged 20 or older, help is provided through [Learner Support funds](#), which are administered by individual providers.

Students under 20 years of age at the start of a publicly funded further education course with children may be eligible for weekly payments through the [Care to Learn](#) scheme.

Other parts of the UK

This briefing mainly applies to England. Information on the help available in the other parts of the UK is available via the links below:

- Scotland: [Childcare you can get help with](#)
- Northern Ireland: [Help paying for approved childcare](#)
- Wales: [Help paying for childcare](#)

The [Government's Childcare Choices website](#) also has further information.

Help with childcare costs for parents studying across the UK can be found in the Library's constituency casework article on [childcare support for students](#).

1 Costs of childcare

Concerns have been raised about the impact of high childcare costs on families and the wider economy. For example, in its [submission to the Treasury ahead of the Spring Budget 2023](#), the Confederation of British Industry (CBI) suggested the current childcare system is “exacerbating the cost-of-living crisis” and is contributing to labour market shortages, dampening economic output, slowing down social mobility and contributing to gender inequality.¹

In an [article published in March 2023](#), the Institute for Fiscal Studies (IFS) noted childcare affordability depends on a child’s age, and “challenges with expensive childcare are particularly acute among 1- and 2-year-olds”. “Perhaps surprisingly”, it said, “evidence suggests that the majority of families – even with very young children – do not say they are struggling with their childcare costs.” It added, however that “for a significant minority, childcare costs are a significant burden.”²

This briefing provides information on the support currently available for help with childcare costs and the Government’s proposals for reform. It focuses on childcare for children aged 0 to 4. It covers England only unless stated.

1.1 How much does childcare cost in England?

This section provides information on average childcare costs. However, costs vary widely depending on individual circumstances (such as household structure, region, number of hours of childcare, and type of childcare provision). This limits how informative national average childcare cost data can be. Estimates will also vary depending on exactly how childcare costs are measured.

International comparisons are further complicated by the very different childcare provision and types of government assistance available in different countries.

¹ CBI, [Five ways the UK’s broken childcare system is preventing economic growth](#), 13 February 2023.

² IFS, [Early years and childcare in England: Public spending, private costs, and the challenges ahead](#), 8 March 2023.

Coram Family and Childcare survey

[Coram's Childcare Survey 2023](#), published in March 2023, is the latest in a series of annual reports based on surveys sent to Family Information Services of local authorities in Great Britain. The report found:

- The average price of a part-time childcare place (25 hours a week) for a child under two in a nursery in Great Britain was estimated to be £148.63 a week (a 5.6% increase since 2022). The average price was lowest in Scotland (£118.14) and highest in England (£150.89).³
- The average price of 25 hours a week of childcare in a nursery during term time for children aged three and four (including the universal entitlements) was estimated to be £59.83 in England and £51.32 in Wales. In Scotland, this is covered by the universal entitlement up to 1,140 hours.
- The average price of 50 hours a week of childcare in a nursery during term time for children aged three and four (including the funded entitlements) was estimated to be £117.60 in England, £102.37 in Scotland, and £98.79 in Wales.

The report noted the figures above for children aged three and four do not include additional costs such as lunch or other consumables. They are also based on term-time costs meaning “costs during school holidays would be considerably higher.”⁴

IFS report on costs of childcare

In May 2022, the Institute for Fiscal Studies (IFS) published [a report on how the costs of formal childcare have changed over time](#) and how they vary across the family and between different types of families. It was mainly based on data from the 2019 [Childcare and Early Years Survey of Parents](#) and so is from before the Covid-19 pandemic.⁵

The report's findings included:

- More than half of families with a pre-school-age child made no payments towards childcare in 2019. Among families with children aged one and two, this was due to families either not using childcare (20%) or using informal settings, such as grandparents (33%). 85% of children aged three and four used some formal childcare; two-thirds of households paid less than £20 a week for it.
- While many families have low or no weekly childcare costs, some families pay very high amounts. This is most strongly related to the age of the child, with higher costs for younger children. A quarter of families using formal childcare and earning between £20,000 and £30,000 a year

³ Coram, [Childcare Survey 2023](#), March 2023, p5.

⁴ Coram, [Childcare Survey 2023](#), March 2023, p14.

⁵ IFS, [The changing cost of childcare](#), May 2022.

spent more than £100 a week on childcare for their one or two year old – equivalent to more than 17% of their pre-tax income.

- Costs differ by region. Median spending on formal childcare was highest in the East Midlands and lowest in London. However, some families in London “pay huge amounts per week.”
- The cost of childcare has risen quickly over time. According to data from one survey, the cost of a part-time nursery place for a child under two grew by 60% in cash terms between 2010 and 2021, twice as fast as average earnings.⁶

Department for Education’s childcare provider survey

The Department for Education’s [2022 Survey of Childcare and Early Years Providers](#) (SCEYP) in England, published in December 2022, found the mean hourly fee charged by providers to parents in 2022 was:

- £5.68 for children under the age of two, up 2.7% from 2021;
- £5.72 for two-year-old children, up 3.4% from 2021; and
- £5.60 for pre-school children aged three and four, up 3.8% from 2021.⁷

The Department for Education highlighted these annual increases were all below the rate of inflation, which was 9.1% in May 2022 (the middle of the survey period).⁸

Parents’ perception of childcare costs

[The Department for Education’s annual childcare and early years survey of parents](#) reports the findings of interviews carried out with a nationally representative sample of parents with children aged up to 14 in England. The 2022 survey was based on interviews with around 6,000 parents carried out between April 2022 and February 2023.⁹

In 2022, the overall median weekly amount paid for childcare for a child aged 0 to 4 was £65.24. Payments for children aged 5 to 11 were much lower (£15.00).

Around 39% of parents with children aged 0 to 14 rated the affordability of local childcare as very or fairly good, a fall from 42% in 2021. 23% of parents

⁶ IFS, [The changing cost of childcare](#), May 2022.

⁷ Department for Education (DfE), [Childcare and early years provider survey](#), Gov.UK, 15 December 2022, Section 9- Provider fees.

⁸ Department for Education (DfE), [Childcare and early years provider survey](#), Gov.UK, 15 December 2022, Section 9- Provider fees.

⁹ DfE, [Childcare and early years survey of parents: 2022](#), 15 August 2023.

reported finding it difficult or very difficult to meet their childcare costs, up from 19% in 2021.

Difficulties in meeting childcare costs varied by family income. 42% of families with children aged 0 to 14 earning under £10,000 per year reported finding it difficult or very difficult to meet their childcare costs. This compared with 17% of families earning £45,000 or more.

Among families with children aged 0 to 4 only:

- 41% rated the affordability of local childcare as very or fairly good. 42% said affordability was very or fairly poor, up from 32% in 2021.
- 37% said it was easy or very easy to meet their childcare costs. 32% reported finding it difficult or very difficult.¹⁰

The survey also asked non-working mothers whether they would prefer to go out to work if they could arrange “good quality childcare that was convenient, reliable and affordable”. In 2022, 49% of those with children aged 0 to 14 reported that they would. Among families with children aged 0 to 4, 71% of mothers reported that they were in work, up from 66% in 2021.¹¹

International comparisons

The Organisation for Economic Co-operation and Development (OECD) has suggested UK parents face some of the highest net childcare costs as a percentage of average wages.¹² [The OECD online tool](#) allows users to compare different measures of net childcare costs (after benefits) of OECD countries over time.

In its [May 2022 report](#), the IFS noted that “methodological issues mean that common international comparisons overstate the degree of difference between England and other countries”. It added, however, that “England remains an expensive country for childcare even after correcting for the most significant issues.” The report said this could be linked to England having staff-to-child ratios that are tight compared with most European countries, but said “there are trade-offs in setting these legal limits that could justify this policy choice.”¹³

¹⁰ DfE, [Childcare and early years survey of parents: 2022](#), 15 August 2023, accompanying tables 4.1 to 4.18.

¹¹ DfE, [Childcare and early years survey of parents: 2022](#), 15 August 2023, accompanying tables 8.2.

¹² OECD, [Net childcare costs \(indicator\)](#) (Accessed on 20 October 2022)

¹³ IFS, [The changing cost of childcare \(PDF\)](#), 20 May 2022, p2.

2 Free childcare entitlements and Tax-Free Childcare

2.1 The childcare entitlements

The Government funds three entitlements to free childcare in England. In financial year 2023/24, around £4.1 billion is expected to be spent on the entitlements.¹⁴

Universal 15 hours entitlement

All children aged three and four in England are eligible for 570 hours of government-funded childcare a year. The entitlement is commonly taken as 15 hours a week for 38 weeks of the year and is often referred to as “15 hours of free childcare”. However, the entitlement can be stretched over more than 38 weeks by agreement with the childcare provider (for example, 11 hours a week for 52 weeks of the year). The entitlement is universal and applies irrespective of income.

Further information is available on GOV.UK at: [15 hours free childcare for 3 and 4-year-olds](#).¹⁵

Extended 30 hours entitlement

Some children aged three or four qualify for a further 570 hours of funded childcare on top of the universal entitlement. This, together with the universal entitlement, is commonly taken as 30 hours a week for 38 weeks of the year and is often referred to as “30 hours of free childcare”.

As with the universal entitlement, the additional 570 hours can be stretched over more than 38 weeks (but they cannot be condensed into a period shorter than 38 weeks) by agreement with the childcare provider.

To be eligible for the extended entitlement, a person (and their partner if they have one) must usually be in “qualifying paid work.” A person is counted as in “qualifying paid work” if they expect to earn the equivalent of at least

¹⁴ Education and Skills Funding Agency, [Dedicated schools grant \(DSG\) 2023 to 2024](#), 16 December 2022; ESFA, [Early years supplementary grant 2023 to 2024](#), 1 September 2023. This also includes funding for the Early Years Pupil Premium, the Disability Access Fund and supplementary funding for maintained nursery schools.

¹⁵ Gov.uk, [15 hours free childcare for 3 and 4-year-olds](#).

16 hours a week at the [National Living Wage \(for those aged 23 and over\)](#) or the applicable National Minimum Wage rate (for those aged under 23).

In some circumstances, a person can be considered to be in “qualifying paid work” even if they do not meet this earnings threshold. This includes:

- Where one or both parents are in receipt of benefits in connection with sickness or parenting (such as sick or annual leave, or parental, maternity, paternity or adoption leave). If this only applies to one parent in a couple household, the other parent must meet the earnings threshold criteria.
- If a person is paid or entitled to specific benefits related to caring, incapacity for work or limited capability for work, and their partner is in “qualifying paid work.”¹⁶

Full-time education is not considered “qualifying paid work”. Therefore, to be eligible for the extended entitlement, a student, and any partner they have, must generally meet the earnings threshold above.

If a person (and/or their partner) has an expected [adjusted net income](#) of over £100,000 a year, they are not eligible for the extended entitlement.¹⁷

Further information, including on the application process, is available on Gov.uk at: [30 hours free childcare](#).¹⁸

More detailed information, including on exemptions to the earnings threshold, are provided in [statutory guidance published by the Department for Education](#).¹⁹ The detailed rules are set out in [The Childcare \(Free of Charge for Working Parents\) \(England\) Regulations 2022](#).²⁰

At the Spring Budget 2023 [the Government announced the 30 hours entitlement will be extended](#) in stages to children aged nine months to three years in England from April 2024. Eligibility will match the existing entitlement, as outlined above. Section 2.4 provides more information.²¹

15 hours entitlement for disadvantaged two-year-olds

Some two-year-olds are eligible for 15 hours of free childcare. This includes if they:

- Live in a household that receives specified welfare benefits.

¹⁶ The partner is not classed as in “qualifying paid work” if they are in receipt of or entitled to the specified benefits related to caring, incapacity for work or limited capability for work.

¹⁷ “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](#)

¹⁸ Gov.uk, [30 hours free childcare](#).

¹⁹ DfE, [Early education and childcare: Statutory guidance for local authorities](#), June 2018.

²⁰ [The Childcare \(Free of Charge for Working Parents\) \(England\) Regulations 2022, SI 2022/1134](#).

²¹ HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, para 3.46-3.47.

- Receive Disability Living Allowance.
- Are, or in some circumstances were, a “looked after child”.²²
- Have an Education, Health and Care (EHC) Plan.

Further information is set out on the GOV.UK webpage, [Free education and childcare for 2-year-olds](#).²³

Children with No Recourse to Public Funds

Following a consultation, in August 2022 the Government [confirmed it would extend eligibility for the two-year-old entitlement](#) to children from families with [No Recourse to Public Funds](#) (NRPF).²⁴

The extension came into effect from 1 September 2022, subject to the following income thresholds:

- £26,500 for families outside London with one child.
- £34,500 for families within London with one child.
- £30,600 for families outside London with two or more children.
- £38,600 for families within London with two or more children.
- A maximum capital threshold of £16,000 applies in all areas.²⁵

Further information is available in guidance published by the DfE: [Free early education for 2-year-olds: Accessing eligibility for families with no recourse to public funds](#) (PDF).²⁶

Information on the rules on eligibility and immigration status for the other childcare entitlements is provided on the website of the No Recourse to Public Funds Network at: [Early education and childcare](#).²⁷

Further rules for the entitlements

A child becomes eligible for the universal and extended entitlements at the start of the school term following their third birthday. Eligibility for the two-year-old entitlement begins at the start of the term following the child’s

²² 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 is being provided with accommodation by a local authority (for a continuous period of more than 24 hours); this might be following voluntary agreement with the child’s parent(s).

²³ Gov.uk, [Free education and childcare for 2-year-olds](#).

²⁴ DfE, [Free early education for 2-year-olds with no recourse to public funds \(NRPF\) \(consultation outcome\)](#), GOV.UK, 25 August 2022, p15

²⁵ [HCWS276, Children with No Recourse to Public Funds](#), 5 September 2022, c10WS

²⁶ DfE, [Free early education for 2-year-olds: Accessing eligibility for families with no recourse to public funds](#), September 2022.

²⁷ NRPF Network, [Early education and childcare](#).

second birthday. The entitlements stop when the child starts reception class or reaches [compulsory school age](#) (whichever is later).²⁸

The free hours must be used with an [approved childcare provider](#), which means they must be registered with Ofsted or with a registered childminder agency.

Where possible, children should be able to use their free hours in continuous blocks and artificial breaks in the day (such as over the lunch period) should be avoided.

The entitlements must be delivered completely free of charge and providers are not permitted to charge top-up fees (charging for the difference between their normal fee and the funding they receive for the free hours). Providers may charge for lunch and consumables (such as nappies), but parents should be provided with alternative options if they do not want to pay (such as allowing the child to bring in a packed lunch).

Parents may also choose to purchase additional hours on top of the free entitlement hours. Where a parent chooses to do this, they do so at the provider's usual rate, and this is a private matter between the provider and the parent.

Detailed information is available in guidance published by the Department for Education (DfE):

- DfE, [Early education and childcare: Statutory guidance for local authorities](#), April 2023.²⁹
- DfE, [Early years entitlements: operational guidance: For local authorities and providers](#), June 2018.³⁰

2.2

Tax-Free Childcare scheme

Under the Tax-Free Childcare (TFC) scheme, a parent or carer pays funds for childcare into a TFC account. The Government then tops up each £8 paid in with an extra £2, up to a maximum of £500 per child every three months, or £1,000 every three months for a disabled child. Money in the TFC account can then be used to pay for approved childcare.

TFC can be paid for any child under 12 years of age, or under 17 if they are disabled. The eligibility criteria are the same as the for the 30 hours

²⁸ Parents and carers would be advised to check with their childcare provider to find out the exact date their 30 hours free childcare starts; GOV.UK, [30 hours free childcare](#) (accessed 9 June 2021)

²⁹ DfE, [Early education and childcare: Statutory guidance for local authorities](#), April 2023.

³⁰ DfE, [Early years entitlements: operational guidance: For local authorities and providers](#), June 2018.

entitlement (it is generally only available for working households). The scheme is UK-wide.

In England, it is possible to claim TFC at the same time as the 30 hours entitlement. However, it is not possible to receive TFC at the same time as receiving:

- Childcare vouchers.
- Universal Credit, Working Tax Credit, or Child Tax Credit.
- A childcare bursary or grant.

Further information is available on GOV.UK at [Tax-Free Childcare](#).³¹

2.3 Take-up of childcare support

Concerns have been raised that some people may not be accessing all the childcare support available to them. This has particularly been raised as an issue concerning Tax-Free Childcare (TFC), with take-up “persistently...well below the government’s expectations.”³²

Research published by the Institute for Fiscal Studies (IFS) in May 2022 found that in 2019 less than half of parents with pre-school-aged children were aware of all the support available for help with childcare costs. Awareness of TFC was the lowest of the childcare entitlements by far.³³

Details on Government efforts to improve take-up of childcare support is provided in section 2.4 below.

Childcare entitlements

The Government publishes estimates for the [take-up of government-funded early education and childcare \(early years provision\)](#) for children aged two to four years in England. The most recent estimates are for the week commencing 18 January 2023.³⁴

The Department for Education (DfE) warns that the take-up estimates for three and four year olds should be treated with caution as they are “likely to underestimate the true rate by up to 5 percentage points”. The 2023 estimates are due to be revised in the 2024 release.

³¹ GOV.UK, [Tax-Free Childcare](#).

³² IFS, [The changing cost of childcare](#), May 2022, p28.

³³ IFS, [Policies to tackle the cost of childcare need to be honest about the minority of parents with pre-school children who will benefit](#), 20 May 2022; IFS, [The changing cost of childcare](#), May 2022.

³⁴ Department for Education, [Education provision: children under 5 years of age](#), 6 July 2023

15 hours entitlements

In 2023, around 1.3 million children aged four and under were registered for the 15 hours entitlements. As shown in the table below, this comprised around 100,000 eligible two year olds and 1.2 million three and four year olds, with an estimated take-up rate of 74% and 94%, respectively.

In 2022, the take-up rates for the 15 hours entitlements were slightly lower for both age groups (72% for children aged two, and 92% for children aged three and four). The small increases in the take-up rates in 2023 have been driven by decreases in the overall number of two to four year-olds in the population. There has also been a larger reduction in the number of two-year-olds eligible for the two-year-old entitlement.³⁵ These issues are discussed in more detail in an article published by the IFS in August 2023: [Why take-up of the two-year-old offer has really fallen](#).³⁶

Data collected in 2022 (as well as in 2021 to a greater extent) was also affected by the impact of Covid-19 uncertainty on providers and parents.

Children registered for the 15 hour entitlement						
England						
	2018	2019	2020	2021	2022	2023
Two year olds:						
Number registered	155,000	148,800	143,400	124,500	135,400	124,200
Estimated take-up	72%	68%	69%	62%	72%	74%
Three and four year olds:						
Number registered	1,284,600	1,277,100	1,271,500	1,212,000	1,212,200	1,196,000
Estimated take-up	94%	93%	93%	90%	92%	94%

Notes: Take-up rates (proportion of eligible children that use the entitlement) are estimates and should be treated with caution, particularly the take-up rate for three and four year olds in 2023 which the Department for Education has warned it expects to revise in the 2024 release. Data collected in 2021 (and to a lesser extent 2022) was affected by the impact of Covid-19 uncertainty on providers and parents. Registration data rounded to the nearest hundred. January of each year.

Source: Department for Education, [Education provision: children under 5 years of age](#), 6 July 2023

30 hours entitlement

In 2023, around 363,000 children were registered for the 30 hours entitlement, which is the highest number recorded since the entitlement was introduced in September 2017. This was made up of around 260,600 three-year-olds and 102,400 four-year-olds.

³⁵ DfE, [Education provision: children under 5 years of age](#), 6 July 2023.

³⁶ IFS, [Why take-up of the two-year-old offer has really fallen](#), 9 August 2023.

Apart from in 2021 (likely linked to the Covid-19 pandemic), the number of children registered for the 30 hours entitlement has increased each year since data was first collected in January 2018. The DfE analysis has estimated that in 2023, “over four in five” (more than 80%) of eligible children were registered for the 30 hours entitlement.³⁷

As in previous years, more three year olds than four year olds are registered to receive the 30 hours entitlement as most four year olds are in reception classes in primary schools. The table below provides more detail.

Children registered for the 30 hour entitlement England		
	Three years old	Four years old
2018	216,100	80,800
2019	236,100	92,000
2020	248,400	97,300
2021	235,000	93,700
2022	249,400	98,700
2023	260,600	102,400

Notes: Data collected in 2021 (and to a lesser extent 2022) was affected by the impact of Covid-19 uncertainty on providers and parents. Data rounded to the nearest hundred. January of each year.

Source: Department for Education, [Education provision: children under 5 years of age](#), 6 July 2023

Barriers to take-up

In 2018, the DfE published a [report on the take-up of the free early education entitlements](#). The report highlighted some of the parental barriers to take-up such as the cost of top-ups, extras, and travel, as well as difficulty in finding conveniently located providers. Some parents also said the 15 hour entitlement was an “insufficient amount of time” and chose informal childcare instead.³⁸

A 2020 report by the National Audit Office (NAO) found “families in deprived areas are less likely than other families to take up the entitlements”. Take-up of the 15 hours entitlement for two-year-olds ranged from 68% in the 20% most deprived areas to 74% in the 20% least deprived areas in 2019. The NAO also found that, although awareness of the free childcare entitlements was generally high, it was “lower in deprived areas”.³⁹

³⁷ Department for Education, [Education provision: children under 5 years of age](#), 6 July 2023

³⁸ DfE, [Take-up of free early education entitlements](#), 8 September 2018, pp10-11

³⁹ NAO, [Supporting disadvantaged families through free early education and childcare entitlements in England](#), 13 March 2020, p7 paras 9-10.

Number of families using Tax-Free Childcare: UK

HMRC publishes data on Tax-Free Childcare (TFC) accounts on a quarterly basis. In financial year 2022-23 around 946,000 families in the UK had open TFC accounts for 1.3 million children. This includes families that only have TFC accounts, and families that have both TFC accounts and open 30 hours free childcare accounts.

However, of these only around 650,000 families were actually using their accounts (for 836,000 children), this was the highest number recorded since TFC was first introduced in phases in April 2017.⁴⁰ The number of used accounts is a more helpful measure when identifying trends in TFC. The tables below provide more detailed breakdowns.

Number of families with Tax-Free Childcare (TFC) accounts

UK

	Families with open TFC accounts			Families with used TFC accounts		
	TFC accounts only	TFC account and also 30 hours account	Total	TFC accounts only	TFC account and also 30 hours account	Total
2017-18	47,600	224,800	272,400	28,100	28,900	57,000
2018-19	107,300	342,100	449,400	81,800	78,400	160,200
2019-20	191,200	423,500	614,700	165,700	149,300	315,000
2020-21	219,400	477,800	697,200	187,300	186,800	374,100
2021-22	271,100	544,700	815,800	244,700	267,700	512,400
2022-23	341,400	604,800	946,200	312,600	337,300	649,900

Number of children with Tax-Free Childcare (TFC) accounts

UK

	Children with open TFC accounts			Children with used TFC accounts		
	TFC accounts only	TFC account and also 30 hours account	Total	TFC accounts only	TFC account and also 30 hours account	Total
2017-18	82,000	231,800	313,800	42,700	28,800	71,500
2018-19	174,100	362,600	536,700	123,100	80,100	203,200
2019-20	306,100	462,200	768,300	242,300	154,100	396,400
2020-21	377,000	523,600	900,600	271,600	190,100	461,700
2021-22	495,000	597,900	1,092,900	372,400	274,500	646,900
2022-23	645,400	665,200	1,310,600	490,000	346,200	836,200

⁴⁰ TFC was introduced in phases according to age, starting with children aged 0-3 years old in April 2017. It was fully rolled out in February 2018. Annex 1 of [Tax Free Childcare statistics, June 2023](#) provides further background.

Note: A used TFC account is defined as where a payment is made from the account to a childcare provider within the financial year. “TFC accounts only” data is the number of families or children with open/used TFC accounts and do not have open 30 hours accounts. “TFC account and also 30 hours account” data is the number of families or children with open 30 hours free childcare accounts that are within the eligibility period (but might not necessarily be using the entitlement) and also have open/used TFC accounts.

Source: HM Revenue and Customs (HMRC), [Tax Free Childcare statistics, June 2023](#), 16 August 2023 (Table 1 & Table 2)

HMRC does not publish the TFC take-up rate routinely. However, in response to a parliamentary question in May 2022, the Government stated that in financial year 2021-22 the take-up rate for TFC was 40% in the UK (42% in England, 37% in Northern Ireland, 30% in Wales and 26% in Scotland). This take-up rate is defined as the proportion of families who are eligible for TFC and also used their accounts in 2021-22.⁴¹

The TFC scheme was highlighted as “underutilised” by the Nuffield Foundation in a report published in 2021.⁴² The Office for Budget Responsibility’s (OBR) Economic and fiscal outlook, published in March 2020, highlighted that forecast spending for TFC had been revised down “due to lower-than-expected take-up”.⁴³

OBR data shows that the difference in forecast and actual expenditure between 2017-18 and 2021-22 was around £1.9 billion. More detail is provided in the table below.

Government forecast and actual expenditure for TFC		
£ millions		
Year	Forecast expenditure ¹	Actual expenditure
2017-18	400	32
2018-19	800	117
2019-20	900	236
2020-21	400	241
2021-22	600	411

Notes: ¹ Forecast expenditure for 2017/18 to 2019/20 was the original forecasted spend from the Office for Budget Responsibility (OBR) in March 2017. The forecasted expenditure for 2020/21 and 2021/22 are from the OBR March 2019 economic and fiscal outlook report.

Source: HMRC, [Tax-Free Childcare statistics, June 2022](#), 17 August 2022; PQ 88366 [[on Children: Day Care](#)], 17 September 2020; PQ 170765 [[on Childcare: Tax Allowances](#)]; OBR Economic and fiscal outlook [March 2017](#), [March 2019](#) & [March 2020](#)

⁴¹ UK Parliament, [PQ 6945 \[Children: Day Care\]](#), 23 May 2023

⁴² Nuffield Foundation, [The role of early childhood education and care in shaping life chances](#) (PDF), October 2021, p11; PQ 88366 [[on Children: Day Care](#)], 17 September 2020.

⁴³ OBR, [Economic and fiscal outlook \(PDF\)](#), March 2020, p103

Barriers to take-up

In January 2021, HM Revenue and Customs (HMRC) published a report on [the barriers to sign-up of TFC in 2021](#), which looked at survey responses from 897 eligible parents. The research identified lack of awareness and understanding of the scheme as barriers to take-up. Of the parents interviewed:

- 50% were aware of TFC compared with 75% of parents aware of the 30 hours entitlement.
- 20% of parents said they were unaware of the criteria, and believed their income was too high.
- 19% said “their needs were already being met through childcare vouchers”.⁴⁴

In its May 2022 report, the IFS noted that, while 90% of eligible households are aware of the universal entitlement for children aged three and four, “only 4 in 10 parents of pre-school children had heard of Tax-Free Childcare in 2019.” Even once the scheme had been explained, it added, “nearly 40% of eligible families say they will not apply – often due to confusing eligibility rules or perceived hassle of the application process.”⁴⁵

The report cited analysis by the Treasury Committee from 2018 which identified several reasons for low take-up, including “poor awareness, technical difficulties, complicated eligibility criteria and confusing guidance to help families navigate the system.”⁴⁶

2.4

Government policy

The Government has said it recognises “cost of living pressures are affecting families across the country” and that “improving parents’ access to affordable childcare is a Government priority.”⁴⁷

The Government has also highlighted its efforts to raise awareness of the support currently available.⁴⁸ For example, in June 2022, it launched a campaign through [the Childcare Choices website](#), costing £1.2 million, to increase awareness of government-funded support with childcare costs.⁴⁹

The first campaign ran from 30 June to 31 August 2022, and the second began on 31 October 2022.⁵⁰ The Government has said the first campaign resulted in

⁴⁴ The childcare vouchers scheme closed to new applicants in October 2018; HMRC, [Tax Free Childcare: understanding the barriers to sign-up in 2021](#), 27 January 2021, pp4, 10

⁴⁵ IFS, [The changing cost of childcare](#), May 2022.

⁴⁶ IFS, [The changing cost of childcare](#), May 2022, p30.

⁴⁷ [HC Deb 27 February 2023, cc515-516](#); [HC Deb 21 February 2023, c44WH](#).

⁴⁸ [HC Deb 27 February 2023, cc515-516](#); [HC Deb 21 February 2023, c44WH](#).

⁴⁹ DfE, DWP & HM Treasury press release, [Drive to reduce the cost of childcare for parents](#), 4 July 2022

⁵⁰ PQ HL4439 [on [Childcare: Tax Allowances](#)], 6 January 2023.

more referrals for childcare support elements, including a 116% increase in the number of referrals for Tax-Free Childcare.⁵¹

Government consultation on childcare ratios

In July 2022, the Government launched a consultation on proposals aimed, in part, at reducing the cost of childcare. The proposals included:

- Changing the mandatory staff-to-child ratio for two-year-olds in early years settings from 1:4 to 1:5.
- Increasing flexibility for childminders so they can care for more than the maximum of three children under the age of five “if they are caring for siblings of children they already care for, or if the childminder is caring for their own baby or child”.
- Making the Early Years Foundation Stage Statutory Framework (EYFS) explicit that “adequate supervision” means children “must be in sight and hearing of an adult” while they are eating or drinking.⁵²

The Government said the change to the ratio for two-year-olds could reduce childcare costs by up to £40 for a family paying £265 per week. However, some stakeholders questioned whether the changes would lead to savings for families. Further information can be found in the Library Insight on the [Government’s consultation on childcare ratios](#).⁵³

The Government published its [response to the consultation on 15 March 2023](#).⁵⁴ The response confirmed the Government would implement the proposed changes.⁵⁵ Regulations provided for the changes came into force on 4 September 2023.⁵⁶

The response said increasing flexibility for providers, alongside the additional funding announced at the Spring Budget 2023 (see below), would “help to bring down costs for parents.” It said this was evidenced by responses to the consultation, in which 28% of providers said they would change their provision by reducing the number of staff needed or increasing the amount of care provided if the ratio for two-year-olds was increased.⁵⁷

⁵¹ PQ HL4439 [on [Childcare: Tax Allowances](#)], 6 January 2023.

⁵² DfE, [Childcare: Regulatory changes](#), 4 July 2022.

⁵³ House of Commons Library, [Childcare ratios in England](#), 6 July 2022

⁵⁴ DfE, [Childcare: regulatory changes: Government consultation response](#), 15 March 2023.

⁵⁵ DfE, [Childcare: regulatory changes: Government consultation response](#), 15 March 2023, pp10. 14-15 and 20.

⁵⁶ [HCWS932 \[on early years\]](#), 12 July 2023; [The Early Years Foundation Stage \(Learning and Development and Welfare Requirements\) \(Amendment\) Regulations 2023, SI 2023/780](#); DfE, [Early years foundation stage \(EYFS\) statutory framework](#), 4 September 2023.

⁵⁷ DfE, [Childcare: regulatory changes: Government consultation response](#), 15 March 2023, p23.

Extension of 30 hours free childcare entitlement

At the [Spring Budget 2023](#), delivered on 15 March, the Government announced the 30 hours entitlement will be extended to children aged 9 months to three years in England. Eligibility will match the existing entitlement (it will be available only for the children of working families). The extension will happen in stages:

- From April 2024, eligible two-year-olds will be able to access 15 hours a week.
- From September 2024, the 15 hours will be extended to eligible families of children aged nine months to two years.
- From September 2025, all eligible families with children aged nine months to three years will be able to access 30 hours a week.⁵⁸

The Government has said this will “close the gap between the end of parental leave and the start of the current free childcare hours offer, and will mean that parents will be empowered to work sooner to support their families and progress their careers”.⁵⁹ It has said the extension will “save parents £6,500 a year on average”.⁶⁰

The Government estimates around half of parents with children aged from nine months to two will be eligible for the new entitlement. It estimates the take-up rate will be between 30% and 90%, with “variation substantially driven by parents’ likelihood of using formal childcare depending on the age of their child.”⁶¹

By 2027/28, the Government will provide around £4.1 billion to fund the extension of the 30 hours entitlement.⁶² It expects to be spending more than £8 billion a year on early years education by 2028, around double what it spends now.⁶³

Further information on how the Government calculated the estimated cost of the expansion is available in a policy note published by the Department for Education: [Spring Budget 2023 Childcare Expansion](#) (PDF).⁶⁴

⁵⁸ HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, para 3.46-3.47.

⁵⁹ HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, para 3.47.

⁶⁰ [HC Deb 28 June 2023, c308](#).

⁶¹ DfE, [Spring Budget 2023 Childcare Expansion: Policy costing information note](#) (PDF), July 2023, pp4-5.

⁶² HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, para 3.46.

⁶³ [HC Deb 28 June 2023, c308](#); DfE, [Early education entitlements and funding update: March 2023](#), 21 July 2023.

⁶⁴ DfE, [Spring Budget 2023 Childcare Expansion: Policy costing information note](#) (PDF), July 2023.

Increase in funding rates

The Government has said it has “heard loud and clear” that getting the funding right for the childcare entitlements is crucial.”⁶⁵

At the Spring Budget 2023 the Government said it would provide additional funding, comprising £204 million in 2023/24 (paid from September 2023) and £288 million in 2024/25, to increase the hourly funding rate paid to providers.⁶⁶

As a result of the additional funding, the national average funding rate for local authorities for two-year olds increased from £6 per hour to £7.95 per hour from September 2023. The rate for three and four-year olds increased from £5.29 per hour to £5.62 per hour.⁶⁷

From 2024/25, the Government expects the average funding rate to be set at £8.17 per hour for two-year-olds and £11.06 for under twos.⁶⁸

It should be noted that these figures relate to the national average funding rate paid to local authorities. The rate paid to an individual local authority or an individual childcare provider may be different. Further information on how the childcare funding system works is available in the Library briefing: [Early years funding \(England\)](#).⁶⁹

The Government estimates the combined annual cost of extending the 30 hours entitlement and increasing the funding rate will be £5.24 billion by 2027/28.⁷⁰

Other Spring Budget announcements

At the Spring Budget, the Government additionally announced:

- It would provide start-up grants for childminders. Further information is provided in a policy paper published by the Department for Education: [Childminder grants scheme update: April 2023](#).⁷¹
- It would launch a consultation on “further measures to support reform of the childcare market to improve the childcare offer for parents”. This will include “further flexibilities for providers; allowing childminders more choice over how they operate, and introducing a new, streamlined childminder-specific Early Years Foundation Stage framework”.

⁶⁵ [HC Deb 28 June 2023, c308](#).

⁶⁶ HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, para 3.48.

⁶⁷ [HCWS923 \[on Early Years Funding\]](#), 10 July 2023.

⁶⁸ DfE, [Funding plan revealed for free childcare from nine months-old](#), 21 July 2023.

⁶⁹ Commons Library briefing CBP-8052, [Early years funding \(England\)](#).

⁷⁰ HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, Table 4.1, p75.

⁷¹ DfE, [Childminder grants scheme update: April 2023](#), 21 July 2023.

- The staff-to-child ratio for two-year-olds would be changed from 1:4 to 1:5 (as proposed in the July 2022 consultation).⁷²

Reaction to expansion of 30 hours entitlement

The expansion to the 30 hours entitlement was welcomed by many stakeholders. However, concerns have been raised that the committed funding will not be sufficient to ensure enough childcare places are available. It has also been raised that the most disadvantaged families will not benefit.

Megan Jarvie, Head of Coram Family and Childcare said it was “great news for families struggling currently with childcare bills”. However, she also emphasised that “it must be funded at a level that covers the costs of high-quality care.”⁷³

The Women’s Budget Group said the funding for childcare was “a really important first step in tackling the crisis in early education and childcare”. It added, however, that it estimated an additional £1.82 billion a year was needed to fund the current entitlements at their true cost.⁷⁴

While welcoming the reforms, Sir Peter Lampl, Chairman of the Sutton Trust and the Education Endowment Foundation, noted that “most of the country’s lowest-income families are shut out” of the 30 hours entitlement. Suggesting that early-years education is most beneficial for children from less well-off families, he said the “focus should be on those in greatest need and most likely to benefit.”⁷⁵

Neil Leitch, Chief Executive of the Early Years Alliance, said the additional funding was “unlikely to match what’s needed to put providers on a steady footing” and it was not clear how the Government intended to ensure an adequate supply of high-quality places.⁷⁶

The Chair of the Education Committee, Robin Walker (Con), welcomed the expansion of the 30 hours entitlement but said “there will be questions about how the sector will scale up in time to meet the increase in demand for childcare that will follow.” He said the extra funding for the existing entitlements was “positive” but the Committee had “heard that the new funding is needed right now”.⁷⁷

A report published by Coram and the Joseph Rowntree Foundation in May 2023 said the reforms “prioritise the provision of more care to support working parents but do not support disadvantaged children or improve

⁷² HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, paras 3.50-3.51.

⁷³ Coram Family and Childcare, [Coram Family and Childcare responds to the Chancellor’s Budget](#), 15 March 2023.

⁷⁴ Women’s Budget Group, [WBG’s response to the Spring Statement 2023](#), 15 March 2023.

⁷⁵ Sutton Trust, [Sutton Trust responds to childcare announcements in the Spring Budget](#), 15 March 2023.

⁷⁶ Early Years Alliance, [Chancellor reveals plans to extend 30 hours offer](#), 15 March 2023.

⁷⁷ UK Parliament, [Education Committee Chair on childcare Budget announcements](#), 15 March 2023.

childcare quality.” It added that funding “is spread too thinly” and is “unfairly targeted towards higher income families.”⁷⁸

Research published by the Local Government Association (LGA) in July 2023 said 88% of councils “fear that nursery closures this year will undermine capacity” ahead of the planned extension. The LGA said it was supportive of the reforms but that “while the improved funding rates are helpful, this will not be enough to ensure a universal implementation of the scheme.”⁷⁹

The Office of Budget Responsibility said it expected the extension of the 30 hours entitlement to “gradually increase labour market participation of parents with young children.” It estimated it would result in around 60,000 people entering employment and working an average of 16 hours a week by 2027-28.⁸⁰

IFS analysis

In its response to the Spring Budget, IFS said the reforms, once fully implemented, will leave the Government in charge of 80% of all pre-school childcare in England (up from just under 50% now). It suggested this “raises the stakes for getting the funding rate right” as providers could opt out of delivering the new entitlement or exit the market entirely if the rate is too low.

The IFS also said:

- Expanding the 30 hours entitlement will save the average family with a toddler over £80 a week. Some families, including those using full-time formal childcare, or living in London and the southeast, will benefit considerably more.
- Based on existing use, the expansion of the 30 hours entitlement will benefit just over half of parents with a child aged nine months to two years. This includes 20% of families earning less than £20,000 a year, but 80% of those with household incomes above £45,000.
- The change will significantly expand the scope and size of the cliff-edge when one parent earns £100,000 or more and becomes ineligible for the 30 hours entitlement and Tax-Free Childcare.⁸¹

⁷⁸ Coram and Joseph Rowntree Foundation, [Tackling disadvantage through childcare](#), May 2023, p3.

⁷⁹ LGA, [Nine in 10 councils concerned about nursery capacity ahead of 30 hours free childcare extension – new LGA research](#), 6 July 2023.

⁸⁰ Office of Budget Responsibility, [Economic and Fiscal Outlook](#) (PDF), March 2023, p21.

⁸¹ IFS, [Childcare reforms create a new branch of the welfare state - but also huge risks to the market](#), 15 March 2023.

2.5

Education Committee report

In July 2023 the Education Committee published a [report on support for childcare and the early years](#).⁸²

The report said the most common concern raised by parents and carers was “the high and rising cost of childcare.”⁸³ Issues were also raised about the “complexity of the childcare support system as a whole.”⁸⁴

Specific issues raised with the Committee included:

- Because the 30 hours entitlement is only for 38 weeks, there can be a gap in funding for those who need childcare throughout the year. There are also sometimes other fees involved (for example, for additional hours). As a result, many parents felt the policy has been mis-sold and were frustrated that they were described as free hours.⁸⁵
- The complexities of claiming the 30 hours entitlement made it difficult for many parents to access. Not being able to use the entitlement until the term after a child turns three may exacerbate the disadvantage faced by summer-born children.⁸⁶
- Tax-Free Childcare (TFC) is “both complex and underused”. “Widespread lack of awareness may be the key problem”, but the system is also “complex to navigate and burdensome for both parents and providers.”
- Eligibility criteria for the 30 hours entitlement restricts access for the disadvantaged or low-income families that need it most. This may be further exacerbated by the extension of the entitlement to younger children.⁸⁷
- Limiting childcare support for parents undertaking training or education limits the ability to increase working hours or even enter the workforce.⁸⁸

⁸² Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23.

⁸³ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, para 59.

⁸⁴ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, para 70.

⁸⁵ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, paras 60-62.

⁸⁶ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, paras 63-64.

⁸⁷ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, paras 73-74.

⁸⁸ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, paras 75-78.

- The targeting of support to working parents limits the ability of parents to choose whether to work or remain at home with their family.⁸⁹

The report said the extension of the 30 hours policy was “particularly well-received” and the Committee welcomed “the Government’s acknowledgement that parents who need or want to work require more support for childcare costs when their children are younger than 3 years old.” It added, however, that the Government must improve awareness of the support available and reduce the complexity of the system if the changes are to be effective.⁹⁰

The Committee’s recommendations included:

- Parents in training or education should be made eligible for the 30 hours entitlement.
- The childcare entitlements system should be streamlined. Parents should be able to access childcare as soon as they receive an eligibility code and the requirement to reconfirm eligibility every three months should be reduced to once per year.
- To improve awareness and parental trust, the Government should stop describing the 30 hours entitlement as ‘free hours’ and should talk about ‘funded’ or ‘subsidised’ hours instead.
- The Treasury should conduct a “fundamental review” of TFC to make it simpler and easier to use.⁹¹

The Government has not yet responded to the report.

⁸⁹ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, paras 79-84.

⁹⁰ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, paras 57 & 93.

⁹¹ Education Committee, [Support for childcare and the early years](#), 26 July 2023, HC 969 2022-23, paras 94-101.

3 Support through the benefits and tax credits systems

Working families can get help with childcare costs through Universal Credit (UC). This is replacing the childcare element of Working Tax Credit and the childcare disregard in Housing Benefit as UC replaces these and other 'legacy' benefits.

3.1 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 up to 85% of childcare costs, with the maximum amount payable being £950.92 a month for one child and £1,630.15 a month for two or more children.⁹²

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 must be in paid work or have 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 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 (for example, in hospital, in a care home, or in prison).

The childcare costs condition is that childcare is for a child or qualifying young person the claimant is responsible for, up until 1 September following their 16th birthday. The childcare must be used 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

⁹² Rates with effect from 28 June 2023, following changes announced in the 2023 Spring Budget.

Inspectorate for Wales, or the relevant Health and Social Care Trust in Northern Ireland.

UC is calculated according 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 after the one in which they paid for childcare to report those childcare charges.⁹³ 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,⁹⁴ and in more detailed official guidance.⁹⁵

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 eligible claimants they support overcome barriers to work. Payments made from the fund do not have to be paid back by the claimant.⁹⁶
- Budgeting Advances – for people who have been claiming UC for at least six months⁹⁷ and who can demonstrate low income over that period (below £3,600 for a couple, or £2,600 for single parents). Claimants must pay them back.⁹⁸

Flexible Support Fund

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

- Deposit – to pay a provider a one-off advance payment of childcare costs;

⁹³ The change was introduced by [The Universal Credit \(Childcare costs and Minimum income Floor\) \(Amendment\) Regulations 2019: SI 2019/1249](#)

⁹⁴ DWP, [Guidance: Universal Credit childcare costs](#), updated 28 June 2023

⁹⁵ [DWP UC Guidance Chapter: Childcare costs](#) (PDF), Version 26.0, current April 2023; [Advice for Decision Making Chapter F7: Childcare costs element](#) (PDF)

⁹⁶ See [DWP UC Guidance Chapter: Flexible Support Fund](#) (PDF), Version 22.0, current April 2023

⁹⁷ If the Budgeting Advance is required for the purpose of entering or maintaining employment, the six month qualifying test is waived.

⁹⁸ See [DWP UC Guidance Chapter: Advances - Budgeting Advance](#) (PDF), Version 16.0, current April 2023

- Retainer – to pay a provider a one-off advance payment to secure the nursery provision before the parent starts work or training;
- Fees – to pay a provider upfront childcare fees before the childcare is provided; 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.⁹⁹

There is no automatic entitlement to help with upfront childcare charges from the FSF. Payments are made at the discretion of the claimant's Work Coach.

Until June 2023, claimants could not receive payment of the childcare element for the amounts already covered by the Flexible Support Fund. Changes made by The Universal Credit (Childcare) (Amendment) Regulations 2023¹⁰⁰ allow claimants who are taking up work or increasing hours to claim for childcare costs even where support has been provided through the FSF. Explanatory notes to the regulations explain how this might remove up-front barriers and help claimants into the Universal Credit childcare costs payment cycle:

The funds received as part of the Universal Credit award can then be set aside and used to help pay the next set of childcare costs making it easier for the claimant to get into the Universal Credit childcare costs payment cycle.¹⁰¹

Universal Credit claimants can get help with upfront childcare costs through the FSF if they are starting work, or increasing the hours they work.¹⁰²

When considering if claimants are eligible, Work Coaches may consider things such as:

- whether the amount being charged is reasonable for the local area
- whether the claimant could have got help with childcare payments from elsewhere¹⁰³

Claimants can use their online account or contact their Work Coach to ask about help from the FSF.¹⁰⁴

⁹⁹ PQ 282562 [[an Universal Credit](#)], 5 September 2019

¹⁰⁰ [SI 2023/593](#)

¹⁰¹ See DWP, [Explanatory Memorandum for the Universal Credit \(Childcare\) \(Amendment\) Regulations 2023](#), 30 May 2023

¹⁰² DWP, [Guidance: Universal Credit childcare costs](#), updated 28 June 2023

¹⁰³ As above

¹⁰⁴ As above

Budgeting Advances

If childcare costs cannot be supported through the Flexible Support Fund, the DWP can consider whether a Universal Credit Budgeting Advance is available to the claimant.¹⁰⁵

Budgeting Advances are repayable over a period of up to 12 monthly instalments (or up to 18 months in exceptional circumstances). Only one advance will be paid at a time and further advances cannot be made until the balance of the previous Budgeting Advance is cleared.¹⁰⁶

Budgeting Advances may be given for further upfront childcare charges faced by eligible UC claimants already working, such as for costs incurred during school holidays, due to changes of childcare provider or additional costs when the claimant's working hours increase.¹⁰⁷

Work and Pensions Committee report

On 20 December 2022 the Work and Pensions Committee published a report on [Universal Credit and childcare costs](#).¹⁰⁸

The Committee noted that childcare support available through UC had failed to keep pace with inflation, with the caps on maximum reimbursements having remained frozen since 2016. This made it hard for people to move beyond part-time work, hindering the Government's stated ambition to encourage UC claimants to increase their hours. The Committee recommended the Government increase the childcare costs cap to better reflect the true cost of childcare today, and then index them annually.

The Committee also highlighted the low level of take-up of the childcare element: overall, only 13% of households on UC with all parents in work and children aged 0 to 16 were getting the childcare element in February 2022 (although take-up was higher for those with a youngest child aged one to three).¹⁰⁹ While recognising that the reasons for this may be complex, and some outside the DWP's responsibility, the Committee said the Government should commission research to explore why take-up was not higher, and regularly publish statistics so progress could be measured.

The report also looked at the difficulties parents face paying for childcare costs upfront, both initially and on an ongoing basis, by receiving childcare support in arrears. It recommended that the DWP and Department for Education (DfE) work together to overcome the barrier to work this causes, if necessary by establishing a system for making payments direct to providers. If this could not be achieved within the UC system, the Committee suggested

¹⁰⁵ [DWP UC Guidance Chapter: Advances - Budgeting Advance](#) (PDF), Version 16.0, current April 2023

¹⁰⁶ PQ 6355 [[on Universal Credit](#)], 31 October 2019

¹⁰⁷ PQ 282562 [[on Universal Credit](#)], 5 September 2019

¹⁰⁸ [HC 127 2022-23](#)

¹⁰⁹ DWP, [Official Statistics: Universal Credit claimants eligible for and receiving the childcare element between March 2021 to February 2022](#), updated 29 June 2022

childcare support should be removed from it entirely, and that a solution based on a single childcare account – such as that used for Tax Free Childcare – should be implemented.

Other recommendations in the Committee’s report included:

- Amending the regulations on the use of the Flexible Support Fund so receipts from payments made from the fund could be submitted as if the parent had paid the childcare costs themselves. The Committee said this would “have the effect of removing, or largely offsetting the upfront cost, rather than simply pushing it into the next month”.¹¹⁰
- DWP should create a “childcare specialist” Work Coach role and develop [the Childcare Choices website](#) to provide a single portal where parents could access childcare support information – including information, advice and calculations so UC claimants can understand their options.
- The DWP should consult with childcare providers on a way to split costs more evenly for those claiming childcare support through UC. The Committee believed the current system for receiving childcare reimbursements was “failing those on Universal Credit, and often leads to further debt and/or compromising circumstances”.¹¹¹

Government response

The Government responded to the Committee on 27 March 2023, following the announcements made in the 2023 Spring Budget on 15 March. The Government recognised that “high childcare costs can be a real barrier to parents taking up employment or increasing their working hours”. It also shared the Committee’s concerns about “initial up front childcare costs and the complexity and the need for clear communications.”

The response outlined changes announced in the Spring Budget to provision through Universal Credit (see below, and the section above on upfront childcare costs) and to free childcare support (see section 2.4), as well as responding to each of the Committee’s recommendations.¹¹²

Spring Budget 2023 announcement

At the Spring Budget 2023, the Government announced it would ensure families “have support with childcare costs upfront when they need it rather than in arrears”. It said this would “help remove a barrier that many low-income parents face on Universal Credit when thinking about going back to work or increasing their hours”.¹¹³

¹¹⁰ [HC 127 2022-23](#), para 44

¹¹¹ [HC 127 2022-23](#), paras 85-86

¹¹² Work and Pensions Committee, [Universal Credit and childcare costs: Government Response to the Committee’s Fourth Report of Session 2022-23](#), HC 1266, 31 March 2023

¹¹³ HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, para 3.54.

The Government also said it would increase the maximum amounts payable under the UC childcare element from £646.35 to £951 for one child and from £1,108.04 to £1,630 for two children.¹¹⁴

Both sets of changes were introduced from 28 June 2023 through [The Universal Credit \(Childcare\) \(Amendment\) Regulations 2023](#).¹¹⁵

The changes have been broadly welcomed. For example, Megan Jarvie, Head of Coram Family and Childcare, said they “will make a real difference to help middle and low income families move into and stay in work”.¹¹⁶ The Women’s Budget Group also described the changes as “good news” and suggested they could “help unlock work opportunities for more than 300,000 eligible families”.¹¹⁷

The Institute for Fiscal Studies (IFS) welcomed what they described as “a serious approach to tackling some of the issues with childcare support in Universal Credit”. While suggesting increasing the caps on the childcare element “is certainly no bad thing”, it also noted the average family receiving childcare support though UC received less than half the value of the then current limit for one child (around £330 a month). It estimated that the number of families who would benefit would be in the tens of thousands, compared to over 800,000 families eligible for support.

The IFS said paying childcare support upfront was “potentially a much bigger deal”. It also noted, however, that payment in advance would mean families could have to pay back support if their circumstances changed and “opens DWP up to fraudulent claims.” The Government would, it said, need a strategy for managing these risks.¹¹⁸

Sir Stephen Timms, Chair of the Work and Pensions Committee, welcomed the changes, saying they would help remove a barrier to work for parents.¹¹⁹

3.2 Tax credits

Working Tax Credit and Child Tax Credit provide means-tested support for people on low to middle incomes. Universal Credit is replacing tax credits, and the DWP aims to complete the migration of remaining tax credit claimants to Universal Credit by March 2025.

¹¹⁴ HM Treasury, [Spring Budget 2023](#), HC 1183, March 2023, para 3.55.

¹¹⁵ SI 2023/593

¹¹⁶ Coram Family and Childcare, [Coram Family and Childcare responds to the Chancellor’s Budget](#), 15 March 2023.

¹¹⁷ Women’s Budget Group, [WBG’s response to the Spring Statement 2023](#), 15 March 2023.

¹¹⁸ IFS, [Response to government childcare announcement ahead of Budget](#), 12 March 2023.

¹¹⁹ Work and Pensions Committee, [Government must publish evidence to support budget welfare changes](#), 15 March 2023

The Working Tax Credit 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 claim an additional childcare disregard in Housing Benefit. This allows up to £175 a week for one child, and up to £300 a week for two or more children, to be deducted from the earnings of qualifying in-work claimants.

Combined with the Working Tax Credit childcare element, this means that families who pay rent may get help with up to 89.5% of eligible childcare costs up to the weekly limits.

People can get help with childcare costs through Working Tax Credit and Housing Benefit 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 paying for relevant childcare themselves. HM Revenue and Customs (HMRC) guidance explains the registered or approved childcare that can be covered in England, in Wales, in Scotland, and in Northern Ireland.¹²⁰ The childcare element is only payable for children up to 1 September following their 15th birthday, or 1 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.¹²¹

The Working Tax Credit childcare element is paid to the claimant, not directly to the childcare provider. For couples, the Working Tax Credit 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:

- they stop paying for childcare, or their average weekly childcare costs go down by £10 or more;
- their childcare provider ceases to be registered or approved;

¹²⁰ HMRC, [Working Tax Credit: help with the costs of childcare](#), WTC5, April 2023, pp5-9

¹²¹ See [Tax credits: working out your childcare costs](#)

- they stop using a registered or approved childcare provider; or
- they start getting other help towards childcare costs.

Further information on the Working Tax Credit childcare element can be found in HMRC leaflets¹²² and guidance¹²³, and at the [Revenuebenefits website](#).¹²⁴

¹²² [Working Tax Credit: help with the costs of childcare](#), WTC5; and [Working Tax Credit: childcare element: information for childcare providers](#), WTC5/CP, April 2022

¹²³ HMRC, [Tax Credits Technical Manual](#), updated 4 May 2023

¹²⁴ Revenuebenefits, [Tax Credits: Understanding childcare](#), updated 4 May 2023

4 Support for students

4.1 Higher Education

This section applies to students who normally live in England. Information on childcare support available to students in all parts of the UK can be found in the Library's constituency casework article [Childcare support for students](#).

Childcare Grant

The [Childcare Grant is additional income-assessed funding](#) to help full-time students who normally live in England with children pay the costs of childcare during study.

Undergraduate students, and students pursuing an Initial Teacher Training course or Postgraduate Certificate in Education (PGCE), may be eligible for help with their childcare costs if they are a full-time student and have children under 15, or under 17 if the child has special educational needs.

The amount a student can get depends on their household income and how many children they have in childcare. The grant does not normally have to be paid back unless students are overpaid or leave their course early.

The maximum Childcare Grant for the 2023/24 academic year is:

- Up to £188.90 a week for one child, or up to 85% of their costs (whichever is less)
- Up to £323.85 a week for two or more children, or up to 85% of their costs (whichever is less)

Any remaining childcare costs must be covered by the student.

Income-related, unemployment, and housing benefits are not affected by the Childcare Grant, but to be eligible students must not be in receipt of the Childcare Element of the Working Tax Credit, the Childcare Element of Universal Credit, Tax-free Childcare from HM Revenue and Customs (HMRC), or NHS funded childcare grants at the same time as the Childcare Grant.

More information is available on the Student Finance England website at [Full-time Childcare Grant](#).¹²⁵

¹²⁵ Student Finance England, [Full-time Childcare Grant](#) (accessed 12 September 2023)

Parents' Learning Allowance

[Parents' Learning Allowance is additional funding](#) as part of the student finance package to help students who normally live in England and are also parents. This can be used for everyday costs of study, such as books, study materials, and travel. To qualify for this allowance, students must:

- be studying a full-time undergraduate course, Initial Teacher Training (ITT) course, or Postgraduate Certificate in Education (PGCE);
- have applied for, or be getting funding from, Student Finance England that is based on their household income;
- be a permanent resident in England.

The amount of Parents' Learning Allowance to which a student is entitled is determined by their household income. The maximum allowance for the 2023/24 academic year is £1,915. It does not usually need to be paid back. Parents' Learning Allowance does not affect any existing benefits a student might receive.

More information, including on how to apply, is available on the Student Finance England website at [Full-time Parents' Learning Allowance](#).¹²⁶

NHS Bursary Childcare Allowance for medical and dentistry students

[NHS bursary](#) funding is available to students studying to become a doctor or dentist if they are:

- studying a five or six-year undergraduate course (students can apply from year 5);
- studying a three or four-year graduate-entry course (students can apply from year 2);
- a returning NHS Bursary student that started their course before 1 August 2017.

As part of the extra allowances available through the NHS bursary, there is a Childcare Allowance for students who are also parents. Students may be eligible if:

- they get an NHS Bursary
- have children that are financially dependent on them under 15 (or under 17 if the child has special educational needs)

¹²⁶ Student Finance England, [Full-time Parents' Learning Allowance](#) (accessed 12 September 2023)

- use an approved or registered childcare provider.

The amount students can get depends on their household income and how many children they have in childcare. The maximum Childcare Allowance for the 2023 to 2024 academic year is:

- up to £188.90 a week for one child, or up to 85% of their costs (whichever is less);
- up to £323.85 a week for two or more children, or up to 85% of their costs (whichever is less).

More information is available on the NHS Business Services Authority website at [Childcare Allowance](#).¹²⁷ Medical and dental students eligible for the NHS bursary may also be eligible for the NHS-funded [Dependent's Allowance and Parent Learning Allowance](#).¹²⁸

NHS Learning Support Fund Parental Support for healthcare students

The [NHS Learning Support Fund](#) is available to students on certain pre-registration undergraduate or postgraduate healthcare courses, including midwifery and nursing, if they are starting and continuing their course from 1 September 2020.¹²⁹

Eligible students attending a full-time pre-registration healthcare course can claim a set amount of £2,000 per academic year in Parental Support (formerly Child Dependants Allowance). This is available to students who have parental responsibility for a child who is either under the age of 15 years, or under 17 years if the child is registered with special educational needs.

More information is available on the NHS Business Services Authority website at [Parental Support](#).¹³⁰

Postgraduate social work students Childcare and Parents' Learning Allowances

Childcare Allowance

Postgraduate students in receipt of a Social Work Bursary may be eligible for [Childcare Allowance](#) if they have dependent children aged under 15 (or aged under 17 for children with special educational needs) who are attending registered childcare.

¹²⁷ NHS Business Services Authority, [Childcare Allowance](#) (accessed 12 September 2023)

¹²⁸ NHS Business Services Authority, [NHS Bursary Students](#), see 'extra allowances' (accessed 12 September 2023)

¹²⁹ See NHS Business Services Authority, [NHS Learning Support Fund \(LSF\)](#) for eligible courses.

¹³⁰ NHS Business Services Authority, [Parental Support](#) (accessed 12 September 2023)

The maximum Childcare Allowance for the 2023 to 2024 academic year is:

- up to £155.25 a week for one child, or up to 85% of their costs (whichever is less);
- up to £266.15 a week for two or more children, or up to 85% of their costs (whichever is less).¹³¹

Parents' Learning Allowance

Postgraduate students in receipt of a Social Work Bursary may be eligible for Parent's Learning Allowance if they have a dependent child or children aged under 19.

The maximum allowance in the 2023/24 academic year is £1,573.

Alternative support

University financial support

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

Students should speak to their provider's Student Services department or students' union to understand what support might be available.

Charitable trusts

Students can apply to educational trusts and charities for small amounts of funding if they meet an organisation's eligibility criteria. This process is explained in a [document published by London Metropolitan University](#) (PDF).

Organisations such as [Turn2Us](#), [Family Action](#), and [Funds Online](#) have searchable online databases of grants. The [National Zakat Foundation](#) may support Muslim students who do not feel able to access student finance because of their faith.

See the Commons Library constituency casework article [Cost of living support for students](#) for more information.

¹³¹ NHS Business Services Authority, [Your guide to the Social Work Bursary 2023/24 \(PDF\)](#), June 2023, p10

4.2

Further education

Learner Support

Help with childcare costs for further education students aged 20 or older is provided through [Learner Support funds](#), which are administered by individual providers. This funding can help to pay for childcare with an [Ofsted-registered childcare provider](#)

Each learning provider will have its own application process. The amount of funding available will vary with each scheme and an individual's circumstances.

More information is available on GOV.UK at [Learner Support](#).¹³²

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:

- £180 per child per week if they live outside London
- £195 per child per week if they live in London

Childcare payments go directly to a student's childcare provider. More information is available on GOV.UK at [Care to Learn](#).¹³³

¹³² GOV.UK, [Learner Support](#) (accessed 12 September 2023)

¹³³ GOV.UK, [Care to Learn](#) (accessed 12 September 2023)

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