

## **Employers For Childcare: Written Evidence**

### **Treasury Committee Inquiry: Childcare policy and its influence on the economy**

#### **Executive summary**

1. Working parents value the role childcare plays in their lives where it promotes their child's development and enables them to access work. They want to be able to make the right choice about childcare that suits their family's needs. However, the cost of childcare can:
  - prevent families from having the choice they want
  - act as a barrier to employment
  - place a significant financial burden on families and
  - impact negatively on family well-being.
2. An effective childcare infrastructure positions childcare as an enabler rather than a barrier to work generating enhanced labour productivity through allowing parents not just to enter the workplace, but to access employment that pays, that is appropriate to their level of skills and experience, and that impacts positively on their mental health and well-being. Childcare is a key tool in enabling parents to progress in the workplace and to access training and development opportunities.
3. Working parents must have access to financial support which, in turn, requires clear and effective communication of information on what support they are entitled to.
4. Childcare Vouchers must be kept open to new entrants to ensure working parents can access financial support that is best suited to their needs. Otherwise, there is a risk the balance of support will tip against it being in the best interests of a family for a parent to enter or remain in the workforce.
5. Cost is a key issue, but there are others. An effective childcare infrastructure means one that is affordable, accessible, high quality, flexible and available to children of all ages, those with a disability, and those living in a rural location.
6. Childcare must be available at hours that suit the needs of working parents, particularly in light of changing and evolving patterns of work.

7. To improve labour productivity, and not just facilitate access to the workforce, dependable and high quality childcare must be available in tandem with flexible and family friendly employment where the business case for offering policies which help employees reach a suitable work-life balance is recognised by employers. Employers have a vital role to play in promoting financial assistance and in-work benefits to staff.

### **Introduction to Employers For Childcare**

8. Employers For Childcare is a charity established to support parents with dependent children to get into work and to stay in work.<sup>1</sup> We campaign to address barriers preventing parents from entering into, and staying and progressing in, the workforce by addressing childcare as a social, economic and labour market issue.
9. Each year we undertake research which provides us with the evidence to campaign on these issues. We track the cost of childcare and the impact it has on families, both financially and in terms of their well-being, through annual Childcare Cost Surveys.<sup>2</sup>
10. Our Family Benefits Advice Service offers free, confidential and impartial guidance to parents, employers and childcare providers across the UK. Our Advisers carry out thousands of personalised benefits checks and calculations annually to ensure parents are claiming all the financial help they are entitled to. Last year, we helped over 10,400 parents and identified more than £14.8 million of savings for families who contacted us for support.<sup>3</sup>
11. Through our work with families, employers and childcare providers we have gathered the experience, knowledge and evidence which informs our response to this Inquiry.

### **Childcare policy and its influence on the economy**

12. Our economy will be stronger if we have a highly skilled, dedicated workforce which is supported by a strong and robust childcare infrastructure. Without access to childcare parents cannot work, skilled workers leave the workforce or work in lower paid, lower hours jobs, and access to training and education is limited.
13. While childcare is often portrayed as an enabler to work, in reality it can be a barrier. For some parents, the cost of childcare means that it does not pay to work while for others,

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<sup>1</sup> Employers For Childcare is funded through the activities of a social enterprise Childcare Voucher company

<sup>2</sup> <https://www.employersforchildcare.org/charity/reports/>

<sup>3</sup> <https://www.employersforchildcare.org/report/social-impact-report-2/>

paying a significant proportion of household income to childcare leaves them financially insecure and at risk of, or experiencing, in-work poverty. 103,400 children in Northern Ireland live in poverty and the majority, 61%, live in households where at least one parent is working.<sup>4</sup>

14. Cost is not the only issue. Many parents tell us they can't find the childcare they need, particularly childcare that facilitates working shift patterns, nights and weekends. There are also additional concerns for parents who have a child with a disability.<sup>5</sup>
15. This inquiry provides an opportunity to reinforce access to childcare as an enabler to parental employment and economic development.

### **How can access to childcare improve labour productivity?**

16. To improve labour productivity, dependable and high quality childcare must be available in tandem with flexible and family friendly employment where the business case for offering policies which help employees reach a suitable work-life balance is recognised. Employers have a vital role to play in promoting financial assistance and in-work benefits to their employees. Parents who are aware of the financial assistance available to them are more likely to be able to afford to stay in work, which is of benefit to the employer. Working parents have the right to request flexible working. Employers can promote this right and support employees who wish to change their working patterns. Employers could also be further encouraged to implement workplace nurseries as the provision of on-site childcare can be hugely beneficial for working parents.
17. Employers For Childcare has published research based on a survey of over 4,200 parents in Northern Ireland, highlighting the difficulties parents face in combining work with family commitments and showing that there is still much work to be done by employers and Government to help working parents create a suitable work-life balance.<sup>6</sup>
18. Childcare must also be available in such a way as to genuinely facilitate employment including for those parents working atypical and unconventional hours, particularly as patterns of work evolve. Of the 4,800 parents who responded to Employers For Childcare's

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<sup>4</sup> <http://www.niccy.org/media/2904/niccy-child-poverty-briefing-october-2017.pdf>

<sup>5</sup> <https://www.employersforchildcare.org/report/childcare-for-all/>

<sup>6</sup> <https://www.employersforchildcare.org/report/striking-the-balance-the-impact-becoming-a-parent-has-on-working-life-employment-and-career/>

*Childcare Cost Survey 2017 (due for publication)*, and who reported they are not currently accessing the childcare they require, a number of reasons were given. By far the most popular, given by 65%, is the cost of childcare in their area. The next most popular reasons, each given by 21% of parents, are a lack of suitable childcare and opening hours of childcare.

<b>What is preventing you from accessing the childcare you require?</b>	<b>Percentage</b>
Cost of childcare in area	65%
Opening hours of childcare in area	21%
Lack of suitable childcare	21%
Location of childcare in area	11%
Quality of childcare in area	8%
Specific needs of a child	3%

### **Lack of access to affordable childcare impacts on ability of parents to enter into employment**

19. The inability to access affordable childcare acts as a barrier to parental employment leading parents to reduce their hours, change their pattern of work, or leave work altogether, impacting on immediate financial well-being and longer-term career prospects. Employers For Childcare’s *Childcare Cost Survey 2017 (due for publication)* found that **63% of households reported a change in working patterns** for one or both parents including:
- a. Reducing working hours or leaving work altogether.
  - b. Changing the pattern of working hours.
  - c. Working full-time, but at a financial loss.

20. Again, the reason given by most respondents was the **cost of childcare** (42%). Some quotes from parents:

*“I’d love to work but cost of childcare means it’s not worth my while. That’s disappointing to me because I feel like I could be making a contribution to society as well as bringing up my children and I would enjoy it too.”*

*“My wife is a Qualified Civil Engineer and would love to go back to work but it’s just not cost effective to do so.”*

*“I love my career; I worked hard at university to get a good job but I feel that I have little choice but to leave work/significantly reduce my hours because it simply isn’t worth our while for me to work and have pretty much all my wages go on childcare.”*

## Reasons for poor take-up of Tax-Free Childcare compared to initial Government projections

21. There have been well-documented **issues with the infrastructure** that delivers Tax-Free Childcare and, while some have been resolved, others continue to impact on parents. One parent contacted Employers For Childcare in January 2018:

*The parent was asked by HMRC to participate in a Tax-Free Childcare trial and told that she would have to opt out of Childcare Vouchers. On applying for Tax-Free Childcare the parent was told initially that she was not eligible. She was surprised, given that she had been contacted by HMRC and urged to participate in the trial. She submitted a mandatory review application and, while successful, a delay meant that she did not receive support with her childcare costs for a period of two months. After three months on the scheme, she was required to submit an eligibility re-confirmation form. Once again, she received notification that she was ineligible. On requesting another mandatory review, the parent was informed that HMRC's records showed her husband was in receipt of income from property and that his income was too high for the family to be eligible. This information was, however, inaccurate. She was told that the only way for her application to be reconsidered was to have her husband's accountant write to HMRC to confirm that the information held was incorrect. Instead, because of the ongoing issues she had experienced, the parent decided to leave Tax-Free Childcare and seek to return to Childcare Vouchers.*

22. Some parents have been given incorrect advice from HMRC. In particular, parents have been told that they must leave Childcare Vouchers in order to access 30 hours free childcare. The Childcare Choices website has also prevented parents with Childcare Vouchers from accessing 30 hours free childcare. This issue is further compounded by the fact that parents who have left Childcare Vouchers because of this incorrect advice are prevented from re-joining. One parent's experience, reported to Employers For Childcare in December 2017, is set out below:

*Anne used Childcare Vouchers alongside 30 hours free childcare to help cover her childcare bill. When reconfirming her eligibility for 30 hours free childcare online the system informed her she would have to confirm she was not in receipt of Childcare Vouchers. Anne was concerned about losing eligibility for 30 hours free childcare and, as a result, officially cancelled her Childcare Vouchers through her employer. She was unaware that the information provided by HMRC was incorrect and that she did not have to do this. She was under pressure from HMRC, on a short timescale due to the impending holidays, to provide the information requested, and conscious of the possible consequences – stated on the application form – should she provide inaccurate information. As a result, Anne lost access to a form of financial support with the cost of childcare to which she is entitled.*

23. While HMRC's policy team has advised that this issue is resolved, Employers For Childcare has called the Tax-Free Childcare helpline on a regular basis to receive an update and continues to be told the issue remains with no timeframe for it to be fixed. Either the issue has not yet been resolved or the helpline staff have incorrect and out-of-date information, indicating a severe lack of communication within HMRC and a strong risk that families who

use the helpline may not be receiving accurate information. A record of calls, made by Employers For Childcare, is set out below:

- **18, 19 December:** Advised HMRC working to resolve the issue in the next 20 working days. A workaround was provided.
- **21 December:** Advised that the technical department hoped to have the issue fixed for the next round of reconfirmations, before Easter.
- **27 December:** Advised that no timescale can be given for rectification of the technical glitch.
- **4, 9 and 12 January:** Advised that the problem is still acknowledged, workaround continues to be offered, and there is no timetable for resolution.
- **15 January:** Advised that the problem is still acknowledged, the workaround continues to be offered, and there is no timetable for resolution. Told that Tax-Free Childcare is now available for children up to age nine.
- **17, 19, 22 and 23 January:** Advised that the problem is still acknowledged, the workaround continues to be offered, and there is no timetable for resolution.

24. Despite the technical issues outlined, the key reason for the poor take up of Tax-Free Childcare, identified by the families Employers For Childcare works with, is simply that it is **not the best form of support for all families**. Many are choosing to access another scheme which is providing them with more support and a greater reliability.
25. Other forms of financial support, which cannot be accessed alongside Tax-Free Childcare, provide greater benefits for many working families. Of **5,115 parents Employers For Childcare has assisted (to January 2018), 66% have been better off on Childcare Vouchers and/or Tax Credits** rather than on Tax-Free Childcare.
26. The tables at **annex 1** set out clear evidence of this based on calculations of support families are likely to receive in different scenarios. Families on lower or middle incomes are more likely to benefit from Childcare Vouchers or Tax Credits. It is families with the highest childcare costs, and on higher incomes, who are likely to benefit from Tax-Free Childcare.
27. Childcare Vouchers can be used alongside Tax Credits or Universal Credit, supporting lower income families' transition into employment or onto higher earnings. Conversely, if a family claims Tax-Free Childcare they lose all eligibility for Tax Credits or Universal Credit.
28. The collated information in the tables at annex 1 are reinforced by case studies which, while anonymised, are based on actual callers to Employers For Childcare's Family Benefits Advice Service. These case studies are available at **annex 2**.

29. The [Department for Education's Childcare and early years survey of parents 2017](#) records the mean weekly figure paid on childcare by a family, where both parents are employed, as **£73 or £3,796 per annum**. The maximum annual saving for this family under Tax-Free Childcare is £759.20. The maximum annual saving using Childcare Vouchers is £1,866.
30. Employers For Childcare's *Childcare Cost Survey 2017 (due for publication)*, finds the average spend on childcare in Northern Ireland, per family, is £135 per week, £7,020 per year. The maximum saving under Tax-Free Childcare is £1,404 per annum compared to £1,866 using Childcare Vouchers.<sup>7</sup>
31. Tax-Free Childcare support stops at just 11 (unless the child has a disability). There is no specified legal age to leave a child alone in the UK and many parents still require childcare for older children. This is particularly useful for parents with older children that gain from the enrichment of afterschool and school holiday activities. Childcare Vouchers extend support to children up to age 15.
32. There is also an issue with awareness of the Tax-Free Childcare scheme and, more broadly, awareness that parents may be entitled to financial support with childcare costs. In Employers For Childcare's *Childcare Cost Survey 2016*, 69% of parents indicated that they were not aware of the Government's plans to introduce this scheme. In the *2017 Childcare Cost Survey*, 13% of parents were unaware of the scheme, a further 30% indicated that they have a poor understanding of it and 16% have an understanding that is insufficient for their needs. While this highlights awareness of the scheme has increased, just 41% of parents indicate they have a full or sufficient understanding.<sup>8</sup>

### **Do not close Childcare Vouchers to new entrants**

33. The Childcare Voucher scheme is due to close to new entrants from April 2018. This will stop new parents from accessing the scheme, as well as existing users who were to lose their job or change jobs for any reason. More than 116,000 people across the UK have signed a petition to keep Childcare Vouchers open to new entrants alongside Tax-Free Childcare. On Monday 15 January a Westminster Hall Debate heard strong arguments put forward in

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<sup>7</sup> In England some parents are eligible for free childcare hours not available in Northern Ireland. Figures are not directly comparable across regions.

<sup>8</sup> Fieldwork was undertaken May-July 2017. Roll-out of Tax-Free Childcare commenced April 2017.

favour of retaining both schemes to provide a package of support giving parents the option of which scheme is best for them.

34. Employers For Childcare argues that it would be short sighted to continue with plans to close this scheme while there is an ongoing Treasury Committee Inquiry, one of the terms of which is to consider the interaction of different forms of support for childcare, including Childcare Vouchers. Currently, employers and staff are in a limbo of uncertainty regarding whether Childcare Vouchers is actually going to close given that the legislation required to close the scheme has not yet been laid. Through our work with employers we know many are still not aware of the deadline and have not communicated to staff who may benefit to take action in time to join. Many employers would need to account for the necessary salary sacrifice in their February payrolls, with the rest accounting for it in March.
35. Childcare Vouchers are a key tool in employer and employee engagement, improving labour productivity. They help working parents to manage costs, and are a vehicle fostering engagement between employers and staff on the pressure of combining childcare and work.
36. A further concern relates to staff employed by the NHS, some of whom are required to rotate between Health Trusts at regular intervals. HMRC guidance is clear that an employee who rotates between Trusts, and uses Childcare Vouchers, is treated as having left one employer's scheme and joining another each time. Currently, this does not pose a problem as they can join a scheme as a new entrant. Should Childcare Vouchers close to new entrants, staff who subsequently rotate will lose access.
37. Employers For Childcare welcomes the introduction of Tax-Free Childcare and promotes it to families who will benefit. We are gravely concerned however for the parents we, as a charity, know are likely to lose out should Childcare Vouchers close to new entrants and, as a result, will question the viability of working.



## **Conclusion: Recommendations for action**

38. **Recommendation 1:** Keep Childcare Vouchers open to new entrants, alongside Tax-Free Childcare, as part of a comprehensive package of support for working parents giving an opportunity to consider how the benefits of both schemes could be further integrated ensuring those most in need of support benefit and are able to contribute to the workforce.
39. **Recommendation 2:** Promote the role of employers in providing a working environment and culture within which staff feel able to ask for information, advice and support.
40. **Recommendation 3:** Raise awareness amongst parents, employers and childcare providers of the financial support parents may be entitled to, allowing them to make informed choices, and sources of information including organisations such as Employers For Childcare.
41. **Recommendation 4:** Quantify and explore the role of informal childcare provided by grandparents. Many parents who responded to our *2017 Childcare Cost Survey* commented on how grateful they are to grandparents for the support they provide, enabling parents to work, whether through offering flexibility to accommodate parents' working hours, or by cutting the cost of childcare to affordable levels. However, they also voiced concerns about the impact caring responsibilities can have on grandparents physically, socially and financially. As the pension age rises, it can be challenging for grandparents to leave work to care for grandchildren. If the childcare infrastructure better supported parental employment, this could enable more grandparents to stay in work if they choose to do so.
42. **Recommendation 5:** Consideration must be given not only to the cost of childcare but also to the availability of suitable childcare regardless of:
  - a. The age of the child.
  - b. Where the family lives (rural / urban).
  - c. Whether the child has a disability.
  - d. The working patterns of the parent.

## **Annex 1: Comparison of financial support based on income and childcare costs (overleaf)**

**Comparison of financial support offered to parents using Childcare Vouchers or tax credits, and parents using Tax-Free Childcare**

**Two parent household with one child**

**Model 1 (family with one child)**

Earnings<sup>1</sup>

Childcare expenditure	Either Childcare Vouchers (CCV) or Tax Credits (TC)			Tax-Free Childcare <sup>2</sup>		
	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>
£10,000	£7,987 (TC)	£9,298(TC)	£11,955 (TC)	£380	£759	£1518
£20,000	£3,888 (TC)	£5,198 (TC)	£7, 856 (TC)	£380	£759	£1518
£30,000	£607 (CCV)	£1,239 (CCV)	£3,756 (TC)	£380	£759	£1518
£40,000	£607 (CCV)	£1,239 (CCV)	£1866 (CCV)	£380	£759	£1518
£60,000	£607 (CCV)	£1,239 (CCV)	£1866 (CCV)	£380	£759	£1518
£80,000	£607 (CCV)	£1,239 (CCV)	£1866 (CCV)	£380	£759	£1518
£100,000	£797 (CCV)	£1,250 (CCV)	£1250 (CCV)	£380	£759	£1518
£150,000	£797 (CCV)	£1,250 (CCV)	£1250 (CCV)	£380	£759	£1518
£200,000	£797(CCv)	£1,250 (CCV)	£1250 (CCV)	£380	£759	£1518

**Single parent household with one child**

Earnings

Childcare expenditure	Either Childcare Vouchers (CCV) or Tax Credits (TC)			Tax-Free Childcare <sup>2</sup>		
	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>
£10,000	£7,177 (TC)	£8,488 (TC)	£11,145 (TC)	£380	£759	£1518
£20,000	£3,888 (TC)	£5,198 (TC)	£7,856 (TC)	£380	£759	£1518
£30,000	£608 (CCV)	£1,099 (TC)	£3,756 (TC)	£380	£759	£1518
£40,000	£608 (CCV)	£933 (CCV)	£933 (CCV)	£380	£759	£1518
£60,000	£625 (CCV)	£625 (CCV)	£625 (CCV)	£380	£759	£1518
£80,000	£625 (CCV)	£625 (CCV)	£625 (CCV)	£380	£759	£1518
£100,000	£625 (CCV)	£625 (CCV)	£625 (CCV)	£380	£759	£1518
£150,000	£623 (CCV)	£623 (CCV)	£623 (CCV)	Above income threshold for single parent households. Support via TFC would only be available to two parent households earning £100,000 each		
£200,000	£623 (CCV)	£623 (CCV)	£623 (CCV)			

The median income for the average UK household is £35,204

<sup>1</sup> Assuming earnings are evenly distributed between two parents in a two parent household

<sup>2</sup> Families claiming Tax-free Childcare are not allowed to claim universal credit or working tax credits

<sup>3</sup> Half national average expenditure on childcare per family according to DfE (December 2017)

<sup>4</sup> Average expenditure on Childcare per family according to DfE (December 2017)

<sup>5</sup> Twice national average expenditure on Childcare per family according to DfE (December 2017)

Key	
Optimal Scheme	Suboptimal Scheme

Comparison of financial support offered to parents using Childcare Vouchers or tax credits, and parents using Tax-Free Childcare

Model 2 (family with two children)

Two parent household with two children

Earnings<sup>1</sup>

	Either Childcare Vouchers (CCV) or Tax Credits (TC)			Tax-Free Childcare <sup>2</sup>		
Childcare expenditure	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>
£10,000	£10,767 (TC)	£12,078 (TC)	£14,735 (TC)	£380	£759	£1518
£20,000	£6,668 (TC)	£7,978 (TC)	£10,636 (TC)	£380	£759	£1518
£30,000	£2,570 (TC)	£3,879 (TC)	£6,536 (TC)	£380	£759	£1518
£40,000	£607 (CCV)	£1,239 (CCV)	£2,437 (TC)	£380	£759	£1518
£60,000	£607 (CCV)	£1,239 (CCV)	£1866 (CCV)	£380	£759	£1518
£80,000	£607 (CCV)	£1,239 (CCV)	£1866 (CCV)	£380	£759	£1518
£100,000	£797 (CCV)	£1,250 (CCV)	£1250 (CCV)	£380	£759	£1518
£150,000	£797 (CCV)	£1,250 (CCV)	£1250 (CCV)	£380	£759	£1518
£200,000	£797 (CCV)	£1,250 (CCV)	£1250 (CCV)	£380	£759	£1518

Single parent household with two children

Earnings<sup>1</sup>

	Either Childcare Vouchers (CCV) or Tax Credits (TC)			Tax-Free Childcare <sup>2</sup>		
Childcare expenditure	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>	£1,898 <sup>3</sup>	£3,796 <sup>4</sup>	£7,592 <sup>5</sup>
£10,000	£9,957 (TC)	£11,268 (TC)	£13,925 (TC)	£380	£759	£1518
£20,000	£6,668 (TC)	£7,978 (TC)	£10,636 (TC)	£380	£759	£1518
£30,000	£2,679 (TC)	£3,879 (TC)	£6,536 (TC)	£380	£759	£1518
£40,000	£608 (CCV)	£933 (CCV)	£2,437 (TC)	£380	£759	£1518
£60,000	£625 (CCV)	£625 (CCV)	£625 (CCV)	£380	£759	£1518
£80,000	£625 (CCV)	£625 (CCV)	£625 (CCV)	£380	£759	£1518
£100,000	£625 (CCV)	£625 (CCV)	£625 (CCV)	£380	£759	£1518
£150,000	£623 (CCV)	£623 (CCV)	£623 (CCV)	Above income threshold for single parent households. Support via TFC would only be available to two parent households earning £100,000 each		
£200,000	£623 (CCV)	£623 (CCV)	£623 (CCV)			

The median income for the average UK household is £35,204

<sup>1</sup> Assuming earnings are evenly distributed between two parents in a two parent household

<sup>2</sup> Families claiming Tax-free Childcare are not allowed to claim universal credit or working tax credits

<sup>3</sup> Half national average expenditure on childcare per family according to DfE (December 2017)

<sup>4</sup> Average expenditure on Childcare per family according to DfE (December 2017)

<sup>5</sup> Twice national average expenditure on Childcare per family according to DfE (December 2017)

Key	
Optimal Scheme	Suboptimal Scheme

## Additional notes

- Tax-Free Childcare is available to those that are self-employed but Childcare Vouchers is only available via employers.
- Well over 20 million of the 30 million employed in the UK are employed by employers that offer Childcare vouchers.
- With the exception of East Riding of Yorkshire Council, every public sector organisation and large business offers Childcare Vouchers and 100s of new employers register every month.
- Tax-Free Childcare is only available while both parents are employed (in a two parent household) so if one parent loses their job, they lose all access to Tax-Free Childcare.
- In all scenarios we have assumed there are no disabilities in the household.
- Some families may be able to combine Childcare Vouchers and Tax Credits (or Universal Credit) and save more. This is not reflected in the tables which provide simple scenarios only.

## Annex 2: Case studies

The names in these case studies have been changed to anonymise them, however, they are based on actual callers to Employers For Childcare's Family Benefits Advice Service.

### Case study one

- Single parent with a disability
- One child with a disability, childcare costs of £1,387 per month
- Household income £27,000
- Better off on a combination of Childcare Vouchers and Tax Credits by £941.83 per month.

Brenda is single mum with a disability. She pays £1,387 per month for childcare for her disabled son. Brenda's income is £27,000. She meets the eligibility criteria for the 'Childcare Element' of Working Tax Credits and for Childcare Vouchers and Tax-Free Childcare.

Through Childcare Vouchers Brenda sacrifices £243 per month from her salary and saves £77.76. Brenda can claim help for the remaining £1,144 of childcare costs through Tax Credits. Brenda's Tax Credit award contains an Adult Disability Premium, a Child's Disability Premium, a Child's Severe Disability Premium and the Childcare Element and 30 hour Element of Working Tax Credits. Brenda receives £1,141 per month in Tax Credits. Through Tax-Free Childcare Brenda would add £1,109 to her account and claim £277.31 per month from the Government. She would not be eligible for any other support.

**Brenda is better off on a combination of Childcare Vouchers and Tax Credits by £941.83 per month.**

### Case study two

- Single parent household
- One child, childcare costs of £598 per month
- Household income £36,712
- Better off on a combination of Childcare Vouchers and Tax Credits by £35.74 per month.

Molly pays £598 per month for childcare for her son. Molly sacrifices the full Childcare Voucher amount, £243 per month and saves £77.76. Molly can claim help for the remaining £355 of childcare costs through the Childcare Element of Working Tax Credits and receives £77.58 per month. Due to this combination, Molly receives £155.34 per month towards her childcare costs. Through Tax-Free Childcare Molly would add £478 to her account and claim £120 from the Government.

**Molly is better off on a combination of Childcare Vouchers and Tax Credits by £35.74 per month.**

### Case study three

- Two parent household
- Four children, childcare costs of £1,603 per month
- Household income £30,747
- Better off on a combination of Childcare Vouchers and Tax Credits by £1,162.76 per month.

Rebecca and Dave work full-time and have four children. They pay £370 per week on childcare. One of their employers offers Childcare Vouchers. They are also eligible for the childcare element of Working Tax Credits.

Through Childcare Vouchers Rebecca sacrifices £243 from her salary and makes a monthly saving of £77.76. The couple claim help for the remaining £1,360 of childcare costs through the Childcare Element of Working Tax Credits and receive £1,406 per month. Due to this combination the couple receive £1,483.76 per month towards their childcare costs. Through Tax-Free Childcare the couple would add £1,283 to their children's accounts and claim £321 from the Government

**The couple is better off on a combination of Childcare Vouchers and Tax Credits by £1,162.76 per month.**

#### **Case study four**

- Two parent household
- Two children, childcare costs of £675 per month
- Household income £62,854
- Better off on a combination of Childcare Vouchers and Tax Credits by £20.30 per month.

Jane and Paul have two children and pay £156 per week on childcare. Their joint household income is £62,854 per annum, and they are not entitled to Tax Credits. Both can use Childcare Vouchers through their employer and salary sacrifice the full amount of £243 per month each, and make a monthly saving of £155.52. This works out as a saving of £1,866 per year. If the couple were to use Tax-Free childcare instead, their annual saving would be £1,622.

**Through Childcare Vouchers, the couple is better off by £20.30 each month.**

#### **Case study five**

- Single parent household
- One child, childcare costs of £693 per month
- Household income £9,500
- Better off on Tax Credits by £765 per month.

Nuala pays £160 per week on childcare for her daughter Victoria. Nuala works part time and is eligible for the childcare element of Working Tax Credits but does not earn enough to be eligible to join Childcare Vouchers. Nuala can put her full childcare costs of £693 per month through the Childcare Element of Working Tax Credits and will receive £903.75 per month (due to her income as well as her childcare costs). Through Tax-Free Childcare Nuala would add £554.40 to her daughter's account and the Government would top it up by £138.60 per month.

**Nuala is better off by £765 per month by putting all of her childcare costs through Tax Credits.**