



Briefing in advance of CPAG in Scotland's Early Warning System seminar on universal credit and childcare

The Early Warning System was developed by CPAG in Scotland to collect and analyse case evidence about how changes to the benefit system are affecting the wellbeing of children, their families and the communities and services that support them. The case studies are helping us develop an in-depth understanding of the impact of changes to the benefit system and to identify how policies and services in Scotland can continue to contribute to the delivery of better outcomes for children.

Universal credit is replacing the support that families get to pay their child care costs through tax credits. Families already receiving tax credits do not have to do anything just now and will remain on tax credits until they are transferred to universal credit sometime between 2019 and 2022. However, people making a new claim for tax credits (or one of the other benefits that are being replaced by universal credit*) living in one of the areas where universal credit is available to families, may have to claim universal credit.

What is universal credit?

Universal credit is a new benefit for people of working age who are in or out of work. It can include money for adults, children, housing costs and childcare. Claims are made and maintained online and it is paid monthly.

*The benefits being replaced by universal credit are: child tax credit; working tax credit; income support; income-based jobseeker's allowance; income-related employment and support allowance and housing benefit. Other benefits such as child benefit, will not be replaced by universal credit

How is universal credit different to tax credits?

There are many positives in relation to childcare:

- There is no minimum hours of work requirement, however for couples, both partners must work with limited exceptions.
- The maximum help available for childcare costs is 85%, an increase from 70%. The maximum available for one child is £646.35 a month and for two or more children £1108.04 a month.
- If you have an offer of a job starting within a month, you can claim for your childcare deposit, advance and retaining fee. Universal credit is paid in arrears, but you can request a budgeting advance.

- Childcare costs are to be reported and evidenced on a monthly basis and should be included with the following payment of universal credit. Late reports may be accepted in some cases.
- You can claim childcare costs in the month after stopping work, to allow a chance to find another job without losing the childcare place.

However, families making a new claim for universal credit will wait at least six weeks before they receive their first payment.

In other words, universal credit is less generous than tax credits and many families will find themselves worse off than they would have been if they were able to claim tax credits. For example:

A couple who are looking at Mum returning to work have calculated that they will be £200 a month worse off on universal credit than they would have been if they would be on tax credits, which may mean that she will not be able to return to work part-time unless she works evenings and weekends when Dad can look after their children. #8195

Families who are transferred to universal credit from tax credit should not find themselves worse off as they will be paid at the same rate, however they may lose this protection if they have a change of circumstances.

More demand for childcare?

People working part time and claiming universal credit may be expected to increase their hours or to increase their wages so they are earning the same as someone who is working full time for the national minimum wage.

From April 2017 parents in receipt of universal credit, who are not prevented from working by disability or caring responsibilities for a disabled person, will be expected to prepare for work when their youngest child turns two and to look for work when their youngest child turns three.

Parents who are deemed not to be taking steps towards these requirements may have a sanction applied reducing their universal credit.

How is universal credit affecting families?

Case studies gathered by the Early Warning System suggest that the roll out of universal credit has been troubled leaving many families facing financial hardship. For example:

A young couple with two small children have been left with very little income for five months and substantial rent arrears as they were repeatedly incorrectly advised that they were not entitled to universal credit. Initially their claims were not accepted and they were advised to claim tax credits, but this was refused as the couple live in an area where families have to claim universal credit. After three months a claim was accepted but immediately erroneously closed. There are no grounds for backdating universal credit for the three month period

before the claim was accepted. Up until now the clients have relied on family assistance but now have no money. #11329

A lone parent with three children is having ongoing problems with her universal credit due to assumed administrative errors:

- she did not receive the help with her housing costs that she was entitled to for three months
- following the birth of her third child she was not awarded the extra amount of universal credit from the right date
- she has had wildly varying deductions (£16-£96) applied to her award with no explanation as to why. #Mii175

Where is universal credit?

In most parts of Scotland you can only claim universal credit if you are a single jobseeker. However anyone, including families with children, who are in or out of work, can claim universal credit in the following areas:

- East Lothian
- Highland (Inverness jobcentre only)
- East Dunbartonshire
- Inverclyde
- Midlothian

The table below states when universal credit will become available to families in other areas.

Date	Local authority area	Date	Local authority area
June 2017	Clackmannanshire Stirling	March 2018	Aberdeenshire Falkirk Scottish Borders
October 2017	Highland (other Jobcentres)	April 2018	North Lanarkshire Perth and Kinross Moray
November 2017	Angus Dundee North Ayrshire	May 2018	Argyll and Bute Eilean Siar Orkney Islands Renfrewshire Shetland Islands
December 2017	Fife	June 2018	Aberdeen City City of Edinburgh East Renfrewshire West Dunbartonshire
February 2018	Dumfries and Galloway South Ayrshire West Lothian	September 2018	Glasgow City

*Note that the exact area covered is determined by postcodes rather than local authorities

Early Warning System seminar – Monday 27th March

CPAG in Scotland's Early Warning System seminar on Monday 27th March will provide an opportunity to consider the impact of universal credit on childcare services and the families that use them.

As noted above, headline impacts are likely to include:

- an increased demand for childcare
- some families will be worse off than they would have been on tax credits
- long waits for the first payment of universal credit
- issues with the administration of universal credit
- families experiencing difficulties paying for their childcare

The Early Warning System seminar will provide the opportunity to discuss what community and home-based childcare services can do to prepare for the roll out of universal credit and to support the families affected.