

# Freedom of Information request 2703/2013

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## Information request

*I would like to request the calculations which underlie the decision outlined in the statement made by the economic secretary to the treasury Sajid Javid on childcare on March 13 2013. Specifically:*

- The decision to provide £200 million of funding within Universal Credit which is the equivalent of 85 per cent of childcare for households where the lone parent or both earners in a couple pay income tax, in particular what assumptions have been made regarding take up of this entitlement?*
- Any department calculations which have been done to estimate how much it would cost to increase the support for childcare under Universal Credit to 85 per cent for all parents who are working regardless of whether or not they pay income tax.*

## DWP response

The cost of Universal Credit (UC), including childcare support, is estimated using the Department's Policy Simulation Model (PSM). This model is used to cost both the current system of benefits and tax credits, and the policy rules of UC. This approach has been agreed with the OBR (Office for Budget Responsibility) and is consistent with the 2012 Autumn Statement and Budget 2013.

### Assumptions made regarding take up of childcare support in Universal Credit

We understand you want more information about calculations. Whilst we cannot share the underlying data (which is at a personal level), we have set out here the key steps in the process of modelling childcare support:

- Our Policy Simulation Model is based on data from the Family Resources Survey, which we enhance by adding in data on childcare costs from the Childcare and Early Years Survey of Parenting (CEYSP). This is the most reliable source of data on childcare usage and costs.
- We then model the childcare costs incurred by individual families based on their characteristics and the probability of receiving formal childcare.

- We then model eligibility for support for childcare costs in both the current system of benefits and tax credits, and the policy rules of UC, as part of more extensive modelling of the benefit systems as a whole. This modelling includes the proportion of childcare costs covered, and the caps on the level of support (dependent on number of children).
- Finally we weight the resulting caseloads to ensure our model of the current benefit system matches current levels of childcare support.
- In effect, we estimate that 200,000 families would receive support for 85 per cent of childcare costs under Universal Credit (where the lone parent or both earners in a couple pay income tax). This estimate is rounded to the nearest 100,000 families.

Under our model of Universal Credit, we take the weighted caseloads as described above and assume all those who take up their UC entitlement will receive the childcare element of UC. This does not change if we change the percentage of childcare costs supported within UC. More information on take-up of Universal Credit in general can be found in the most recent Universal Credit Impact Assessment (published December 2012), which can be found at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/174996/universal-credit-wr2011-ia.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/174996/universal-credit-wr2011-ia.pdf)

#### The cost of increasing childcare support in UC to 85 per cent for all working parents

The Government announced that it will spend an additional £200 million on childcare support through universal credit, which is equivalent to providing support for 85% of childcare costs for families qualifying for the universal credit child care element where the lone parent or both earners in a couple pay income tax. This will be introduced from April 2016.

Covering 85% of childcare costs for all families in receipt of Universal Credit is estimated to cost around a further £200m (above the additional £200 million already announced).

All figures refer to Universal Credit in steady-state when migration has been completed and universal credit has been fully rolled out.