



HM Government

Post Implementation Review Tax-Free Childcare (TFC) policy



February 2021

OFFICIAL

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1. Introduction

Budget 2013 announced a new childcare scheme, Tax-Free Childcare (TFC), to improve access to childcare, assist working families with their household budgets and help more parents go to work, or work more, if they want to. TFC was launched in April 2017 through a phased roll out by child age¹ which completed in February 2018. The Government committed in the 2017 Impact Assessment² to review the success of the policy for this scheme after two years, once delivery had completed across the UK for all age groups. The objective of the review is to assess whether TFC is delivered effectively and supports working families as intended.

This Post Implementation Review (PIR) into TFC fulfils the Government’s commitment to review the success of the scheme. It sets out the Government’s views on the effectiveness of the policy by assessing it against a series of performance indicators identified in the 2017 Impact Assessment and listed below. These examine the extent to which the legislation and policy is working and evaluate whether Government intervention is required to improve the policy. The review is focussed on the time period from April 2017 – March 2020, prior to the coronavirus pandemic impacting access to and the delivery of childcare across the UK. This report, does not, therefore, consider the impacts of the pandemic on TFC. Information on action to support parents in receipt of TFC during the pandemic can be found on [gov.uk](https://www.gov.uk).

1.1 Performance Indicators

Six performance indicators identified in the Impact Assessment to monitor the performance of TFC will be examined:

- a. Parent take up
- b. Positive parent experience
- c. Positive childcare provider experience
- d. Positive reputation of TFC
- e. Minimise error and fraud within TFC

¹ Tax-Free Childcare Roll-out Dates by Age of youngest Child

Age	0 to 3	4	5	6 to 8	9 to 11
Date eligible	21 – Apr -17	Jun 17	24 Nov 17	15 Jan 18	14 Feb 18

Families with a disabled child up to age of 16 were able to sign up in Apr 2017.

² [Impact Assessment](#)

f. Efficient service providing good value for money

Through examining performance against these indicators, this report will establish to what extent the policy:

1. has achieved its original objectives;
2. whether the objectives remain appropriate;
3. whether they are still required and the best options for achieving those objectives; and
4. whether they could be achieved in another way which involves less onerous regulatory provision to reduce the burden on parents, childcare providers, local and central government and/or increase overall customer satisfaction and improve labour market participation.

1.2 Facts and Figures

Tax-Free Childcare (TFC)

Fact and Figures



An estimated **1.3m** families in the UK were eligible for TFC in March 2020

Government spent **£236m** 'topping up' parents' accounts by 20% in 2019-20 compared to **£32m** in 2017-18

218,000 parents used TFC for **258,000** children in March 2020



TFC provides parents with flexibility in their careers, enabling them to change employers. It is available to all employees and the self-employed, unlike childcare vouchers



Take up rate is highest in the **South West** of England and lowest in **Wales** (March 2020)



1.7m users clicked through to www.childcarechoices.gov.uk from September 2018 - March 2019



Estimated error and fraud is below **1%** of government paid top-up



68% of users accessed www.childcarechoices.gov.uk using a mobile device from April 2017-March 2020

TFC is the tipping point in some **parent's decisions** to go back to work or not.



Customer satisfaction levels increased by **20%** since 2017. From December 2019 – March 2020, customer satisfaction reached **90%**.



Families reported a positive impact on family employment. **33%** reported they had been able to stay in work, **25%** reported an increase in working hours and **11%** reported that they are able to work more days in the week due to TFC.

2. Policy Objectives

2.1 TFC aims to provide working families with support for their childcare costs and along with other initiatives supports Government's aim to provide high quality, affordable childcare to improve children's life chances. Childcare costs can be a barrier preventing parents (particularly mothers) from working. This is highlighted in research carried out by IFF Research cited in this review and in the Government's Gender Equality Roadmap.³

2.2 The scheme intends to help parents work, return to work, and work more when they want or need to, encouraging labour market participation. It also helps Government realise other objectives such as preparing younger children for formal education through funding high-quality childcare and provides support to parents of school-aged children with the costs of childcare until children are aged 11 or under, or 17 years old for disabled children.

2.3 TFC aims to provide fair access to support with the costs of childcare. The scheme replaces childcare vouchers, which closed to new entrants in October 2018 and are granted per parent rather than per child and only by some employers. TFC is a fairer scheme, as it broadens access to childcare to all families who meet the eligibility criteria, whether they are self-employed or an employee regardless of who their employer is. TFC is also paid per child rather than per parent, so lone parent households get the same support as those with two parents. Parents with younger children, multiple children and/or disabled children who have higher childcare costs could receive higher benefits using TFC compared to childcare vouchers depending on their individual circumstances.

2.4 TFC aims to assist working families with their household budgets. As detailed in paragraph 3.1, TFC 'top-up' contributes 20% towards parents' childcare costs, so this money previously used on childcare can now be used to cover other family expenses.

³ [Gender equality at every stage: a roadmap for change](#)

3. Policy background

TFC is legislated in the Childcare Payments Act 2014, the Childcare Payments (Eligibility) Regulations 2015 and the Childcare Payments Regulations 2015. TFC is available to eligible working parents across the UK with children aged 11 or under, or for disabled children until they are aged 17, as their childcare costs can stay high throughout their teenage years.

TFC was introduced to broaden access to childcare to all families who meet its eligibility criteria, whether they are employees or self-employed regardless of who their employer is and is one of a range of government offers of support for childcare costs. These are:

UK wide offers

- Support through Employer Supported Childcare (ESC), including [childcare vouchers](#), are only available to parents who are already in receipt of them. They must remain with their employer to continue to receive this support. Employees can agree to sacrifice up to £55 a week or up to £243 a month from their pre-tax salary for vouchers redeemable at any approved childcare provider. The employee makes tax and National Insurance (NI) savings and employers can save up to 12.8% on NI. TFC was brought in to replace childcare vouchers; for parents already on the scheme, using childcare vouchers may disincentivise them from finding out if TFC may help them more. This is explored further on page 51.
- Childcare support through [Universal Credit \(UC\)](#). Parents across the UK can claim back up to 85% of their childcare costs depending on their income levels; this benefit is gradually replacing tax credits.
- [Working Tax Credit](#). Working parents already receiving this offer across the UK can receive support of up to 70% of their childcare costs depending on their eligibility.

England only offers

- [30 hours free childcare](#). (38 weeks of the year during school term time) for working parents in England with 3 and 4-year-old children
- [15 hours free childcare](#). A universal offer for all families in England with 3 and 4-year-old children (38 weeks of the year)

- [15 hours free childcare](#) for disadvantaged two-year olds. This offer supports low income families in England receiving government support, for example Universal Credit or if the child has a special educational need.

Scotland only offer

- [Early Learning and Childcare](#) (ELC). Funding for parents in Scotland that provides support to all 3 to 4 year olds and eligible two year olds. This scheme has recently announced an expansion to increase the funded entitlement from 600 hours a year to 1,140 hours a year, equivalent to 30 hours per week during school term time.

Wales only offer

- [Welsh Government's Childcare Offer](#). This supports eligible working parents of 3 to 4 year olds to claim up to 30 hours of combined early education (universal element) and Government-funded childcare for 48 weeks of the year.

Northern Ireland offers

- [Northern Ireland](#) universal offer. This is for up to 22 hours for 38 weeks of the year for children aged 3 to 4 years old in their pre-school year. The admissions criterion is set by each setting which usually has low income families as a priority however the criteria is determined by the childcare setting and not the Northern Ireland government.

Parents can get TFC at the same time as 30 hours free childcare in England and the Scottish and Welsh childcare offers if they are eligible for both. However, parents are not able to receive TFC at the same time as claiming Working Tax Credit, Child Tax Credit, Universal Credit or childcare vouchers.

An independent review into TFC carried out in November 2019 by the Infrastructure Projects Authority (IPA) recognised that

“customers can struggle to find the mental and physical time and energy to comprehend what childcare offers are available, which ones they are eligible for, how the offers are changing over time and how easy they are to take advantage of”.

Additionally, the Welsh government also reported confusion amongst schemes, whilst evaluating the childcare offers in Wales, (including UK wide schemes)⁴. *“Confusion in*

⁴ https://gov.wales/sites/default/files/statistics-and-research/2020-02/evaluation-of-the-early-implementation-of-the-childcare-offer-for-wales-year-two_0.pdf

communication passed to parents suggests a need for clearer information in relation to how various schemes work together”.

The complex childcare landscape can result in confusing customer journeys, missed opportunities to claim support with costs and different payment methods and timings of childcare payments if claiming Universal Credit, which is different to other schemes.

Understanding and accessing Government offers of support for childcare can be a complex journey for parents. There are a range of offers, depending on the age of the child/children, the financial circumstances of the family and the part of the UK in which they live. Some offers may be used in combination, others may not. Eligibility criteria vary depending on the specific childcare offer and many organisations (such as central, local government, devolved administrations and some employers and commercial partners) are involved in setting and delivering each offer.

However, steps have been taken to improve information and digital journeys for parents on the childcare offers across government. These are:

1. Step by step guides on gov.uk for each childcare offer.
2. Development of the Childcare Choices website, bringing all the childcare offers together in one place for parents, with continuous improvements to functionality and services available for parents.

Additionally, the Childcare Service for TFC and 30 hours free childcare has brought greater clarity for customers by:

3. Issuing a welcome message to each customer upon successful application for TFC or 30 hours free childcare.
4. Sending re-confirmation reminders via email or text message every three months to customers.
5. Making clear during the TFC online application/reconfirmation journey of the implication of having TFC support in relation to claiming tax credits or Universal Credit.

Improvements were made to the Childcare Service following technical difficulties at the start of the scheme, which are further detailed in chapter 8.

This report will evaluate customers' experience of using TFC, taking into consideration the improvements that have been made. The analysis will be considered with the wider childcare landscape and range of childcare offers across government, some of which are specifically targeted and closed to new entrants.

3.1 Tax-Free Childcare (TFC) - How it works

Working parents across the UK apply for TFC through the online Childcare Service on GOV.UK, managed by HMRC in partnership with National Savings and Investments (NS&I). They can also apply for [30 hours free childcare](#) offered in England through the Childcare Service in a single online customer journey. Parents who are unable to access digital channels can make an application over the phone with a Customer Service Advisor.

To be eligible for TFC a parent and their partner (if they have one) must each earn at least the national minimum wage for 16 hours a week but have an income of no more than £100,000 per year⁵. Parents may still be eligible if their partner is working, and they get Incapacity Benefit, Severe Disablement Allowance, Carer's Allowance or Contribution-based Employment and Support Allowance. Parents must also meet certain immigration status conditions, and parents applying for TFC cannot be in receipt of other (disqualifying) types of childcare support such as Working Tax Credit, Child Tax Credit, Universal Credit or childcare vouchers.

Eligible parents can open an online childcare account and for every £8 they pay in, government will add £2, up to a maximum of £2,000 per child each year, until they are aged 11 or under, or £4,000 for a disabled child until they reach 17 years old.

Parents eligible for TFC must reconfirm their eligibility every three months to benefit from the scheme. This means that parents must sign back in to the Childcare Service on gov.uk and confirm that their details are up to date every three months. Reminder emails and text messages to mobiles are sent to parents four weeks and two weeks before the reconfirmation deadline to prompt them to reconfirm.

Parents use their TFC funds to pay for qualifying childcare, as long as their childcare provider is signed up for TFC and registered with the relevant regulator. Parents can check if a childcare provider is approved or search for one in:

- England through Ofsted
- Wales through Care Inspectorate Wales
- Scotland through the Scottish Care Inspectorate
- Northern Ireland through the local early years team register






⁵ Tax-Free Childcare eligibility criteria on gov.uk <https://www.gov.uk/tax-free-childcare>

4. Research and Analysis

This section examines the performance of Tax-Free Childcare (TFC) against the following performance indicators:

1. Parent take up of TFC
2. Positive parent experience
3. Positive childcare provider (CCP) experience

HMRC commissioned research to understand parents' and providers' experiences of the Childcare Service, TFC and 30 hours free childcare. This research ⁶was carried out by IFF Research in five stages from September 2017 to November 2019. Findings from the Department for Education's 2019 childcare and early years survey of parents in England ⁷also contributed to understanding parental perception and awareness of TFC.

Key Findings from Research & Analysis	
Parent and Childcare Provider experience of TFC	Barriers to accessing the scheme
<p>Customer satisfaction parents increased from 63% in September 2017 to 83% at the final survey in November 2019.</p>  <p>Customer satisfaction reported by childcare providers increased from 45% in September 2017 to 68% at the final survey in November 2019.</p>	<p>Lack of understanding and awareness have been identified as key barriers to take up of TFC.</p>  <p>50% of parents surveyed, who were aware of TFC had not applied for it, because they did not think they were eligible.</p> 
TFC take up	
<p>The number of children aged 5 and above with used TFC accounts is substantially lower than those aged 0 - 4</p> 	<p>Take up of TFC is lowest in Wales and highest in the South West</p> 

⁶ HMRC Customer Service Experience Survey www.gov.uk/childcare-parenting/financial-support-for-childcare#research_and_statistics

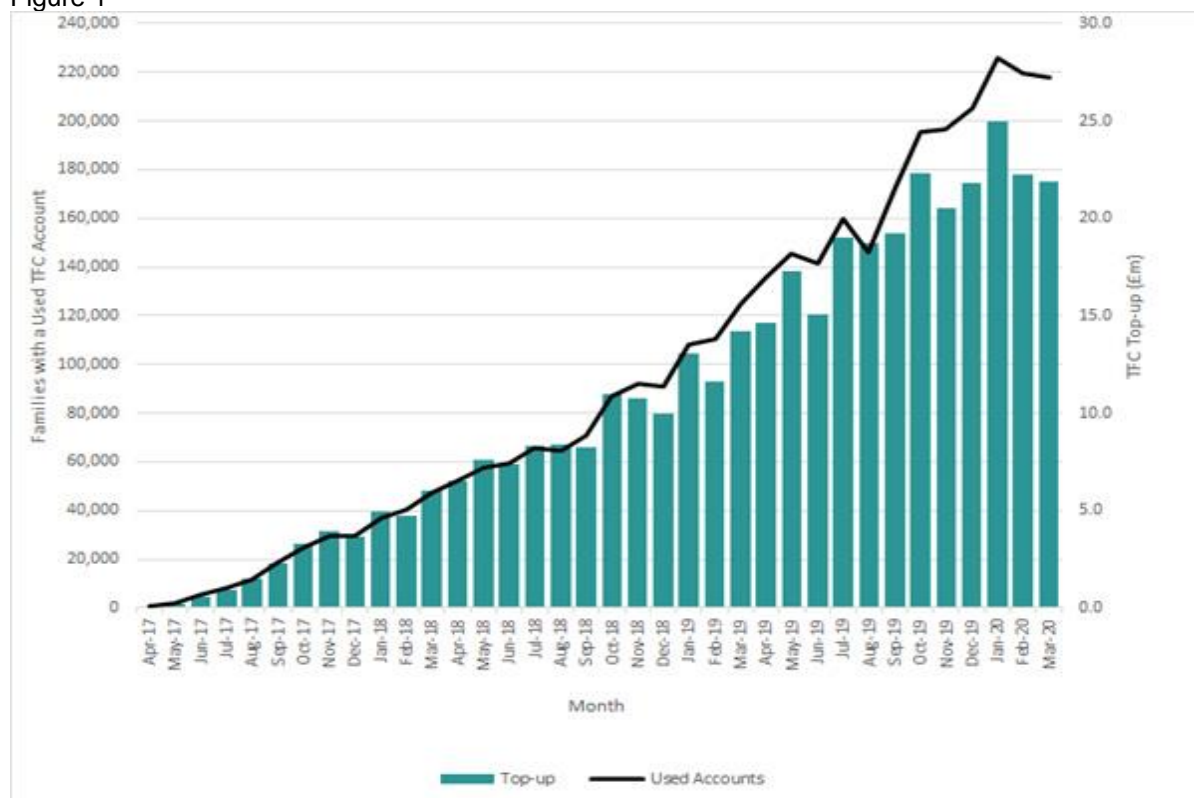
⁷ [Childcare and early years survey of parents: 2019](#)

4.1 Parent Take Up of Tax-Free Childcare (TFC)

An estimated 1.3 million families have qualifying childcare and are eligible for TFC ⁸. In March 2020⁹, 218,000 families used TFC for 258,000 children. This is compared with 125,000 families for 151,000 children in March 2019. Figure 1 shows how account usage has grown since the phased roll-out of TFC from April 2017 to February 2018.

1: Total number of used Tax-Free Childcare accounts (as of end of each month)

Figure 1



Take-up of TFC has been lower than originally forecast. The original autumn 2017 Government Budget forecast 870,000 families using TFC by March 2023. However, the latest OBR forecast (spring 2020) suggests there will be 690,000 families using TFC by March 2025 when the system is expected to be in steady state. ¹⁰

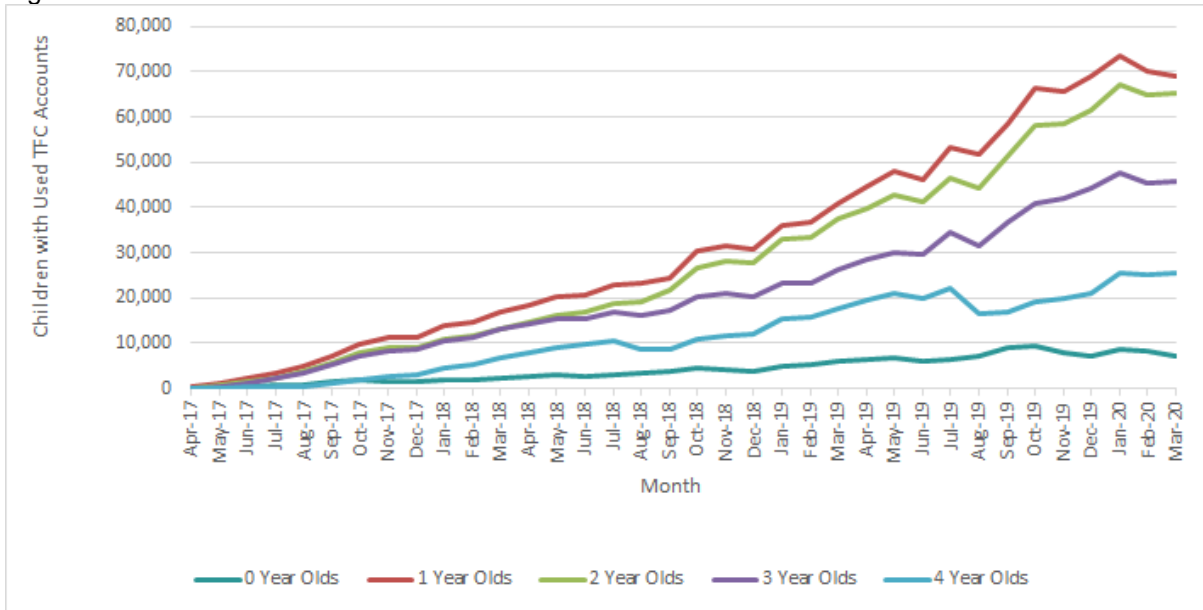
⁸ Estimates are derived from the Family Resources Survey <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201718> and are subject to change. The estimate of 1.3 million families with qualifying childcare has been revised from 1.5 million previously published following updates to survey data and methodological improvements.

⁹ TFC statistics are published each quarter. The March 2020 official statistics can be found here <https://www.gov.uk/government/statistics/announcements/tax-free-childcare-statistics-march-2020>

¹⁰ The small dip in take-up in March 2020 compared to February 2020 is likely to be due to COVID-19 which began to have an impact on use of TFC in mid-March 2020

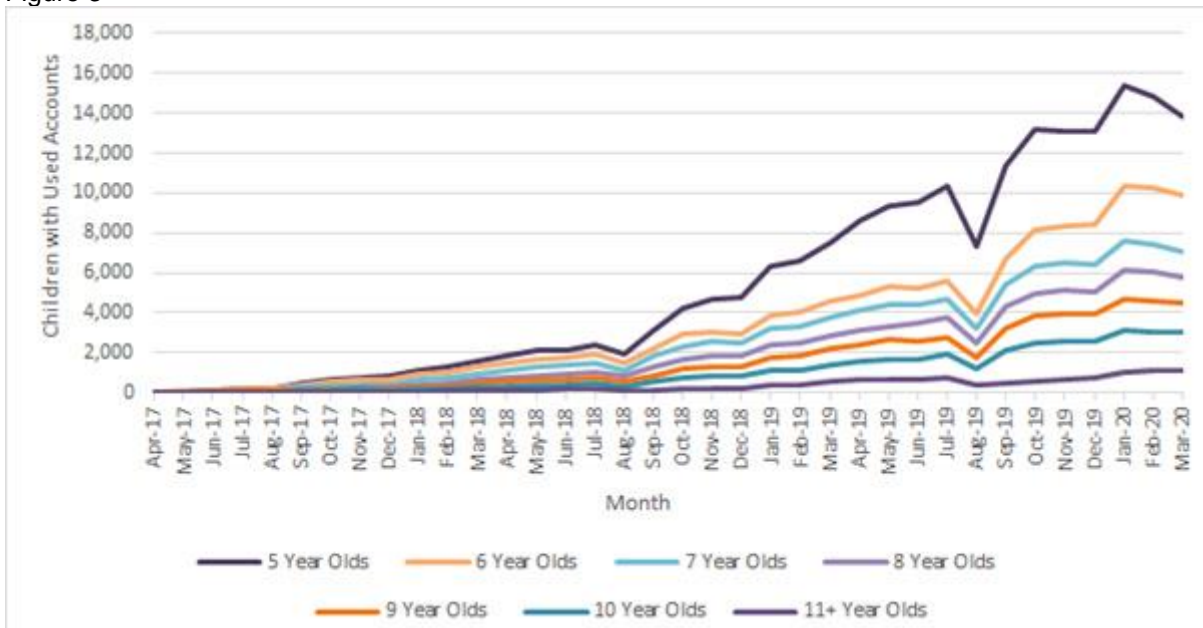
2: The number of used accounts by 0 – 4 year olds

Figure 2



3: The number of used accounts by 5 – 11 year olds

Figure 3



The age group with the highest number of used TFC accounts is currently parents of 1 year olds, with a total of 69,000 in March 2020. This is followed by 2 year olds with 65,000 used accounts in March 2020. The take-up rate in March 2020 is 33% for children aged 0-2 and 21% for children aged 3-4. Excluding 0 year olds, as age increases, the number of children using a TFC account reduces.

The number of children aged 5 and above with used TFC accounts is substantially lower than those aged 0 - 4, take up for this group is 5% in March 2020. 45,000 children aged 5 and above used a TFC account in March 2020.

One likely factor is that parents of children of school age generally have lower childcare costs and are subsequently less incentivised to take-up TFC. Another reason is that many schools use external companies (payment agents) to provide online payment services to parents, for example, for school trips, lunches and breakfast and after school clubs.

Currently TFC does not allow payments to school payment agents. However, [Budget 2020 announced](#)¹¹ that the government is making it easier for parents of up to 500,000 school-age children to across the UK to access TFC for the first time, by being able to pay through an external payment agent for clubs at their child's school. The Budget Measure will invest in a technical and operational change enabling this to happen for the first time.

Accounts which made a payment by region

As a proportion of all eligible families for TFC with qualifying childcare, the U.K. estimated take-up rate in March 2020 was 24%. Regional TFC use and take-up varies by region, as shown below.

4 TFC Use and Take-up by Region March 2020

Figure 4

Geographical region	Families that are eligible for TFC with qualifying childcare ¹²	Families with Used Accounts 2019/20	Estimated take up rate ¹³
United Kingdom	1,330,000	315,040	24%
England	1,120,000	279,615	25%
North East	40,000	10,135	25%
North West	170,000	38,830	23%
Yorkshire and The Humber	110,000	26,465	24%
East Midlands	100,000	24,155	24%
West Midlands	100,000	27,180	27%
East of England	130,000	32,555	25%
London	180,000	38,760	22%
South East	190,000	51,445	27%
South West	100,000	30,090	30%
Wales	70,000	9,810	14%

¹¹ March Budget 2020 <https://www.gov.uk/government/publications/budget-2020-documents/budget-2020>

¹² The number of families that are eligible for TFC in each region is an estimate, based on information from the Family Resources Survey <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201718>. The number of families with used accounts come from HMRC TFC data and is available in the TFC Official Statistics.

¹³ Estimated take up rate is calculated as Families with Accounts / Families eligible for TFC with qualifying childcare.

Scotland	110,000	16,845	15%
Northern Ireland	30,000	5,900	20%

Use of TFC tends to be greater in regions with higher populations, such as London and South East England. However, the estimated take-up rate is highest in the South West of England at 30% and lowest in Wales (14%) and Scotland (15%).

4.2 Families using Tax-Free Childcare (TFC)

The quarterly TFC statistics release of May 2020¹⁴ shows that as of March 2020 there were 30,000 families with at least one self-employed parent using a TFC account compared with 19,300 families at the same time the previous year. The number of families with a self-employed parent using a TFC account to pay a childcare provider has been increasing since the scheme was introduced in April 2017.

There were 1,700 TFC accounts being used for a disabled child as of March 2020¹⁵, compared to around 900 accounts in March 2019. Whilst the number of parents who are using a TFC account for a disabled child has doubled, the proportion of children who use TFC and have a disability is 0.7% and this has remained stable since October 2017.

As of March 2020, there were 9,700 single parents using a TFC account for 10,900 children. The number of single parents using a TFC account to pay a childcare provider has been increasing since the introduction of TFC. The childcare and early years survey of parents: 2019 in England¹⁶ showed that single parents who worked were one of the most likely groups to be aware of the scheme (38%) amongst parents with a child aged 0 to 4, after families where both parents were in work (52%). However, single parents who were out of work with a child aged 0 to 4 were amongst the least likely to be aware of the scheme (21%), ranking just before families where both parents were out of work (18%).

“The childcare and early years survey of parents: 2019¹⁷” in England also found that amongst working families with a child aged 0 to 4 years old, 13% had opened a TFC childcare account. This was a rise from 8% when the childcare and early years survey of parents: 2019 in England was conducted in 2018. Almost all families (86%) who had opened an account had paid in money, and almost all of those who had deposited funds (95%) had paid a childcare provider from their account.

¹⁴ TFC statistics are published each quarter. The March 2020 statistics can be found here <https://www.gov.uk/government/statistics/announcements/tax-free-childcare-statistics-march-2020>

¹⁵ <https://www.gov.uk/government/statistics/announcements/tax-free-childcare-statistics-march-2020>

¹⁶ Findings from childcare and early years survey of parents in England: 2019 <https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2019>

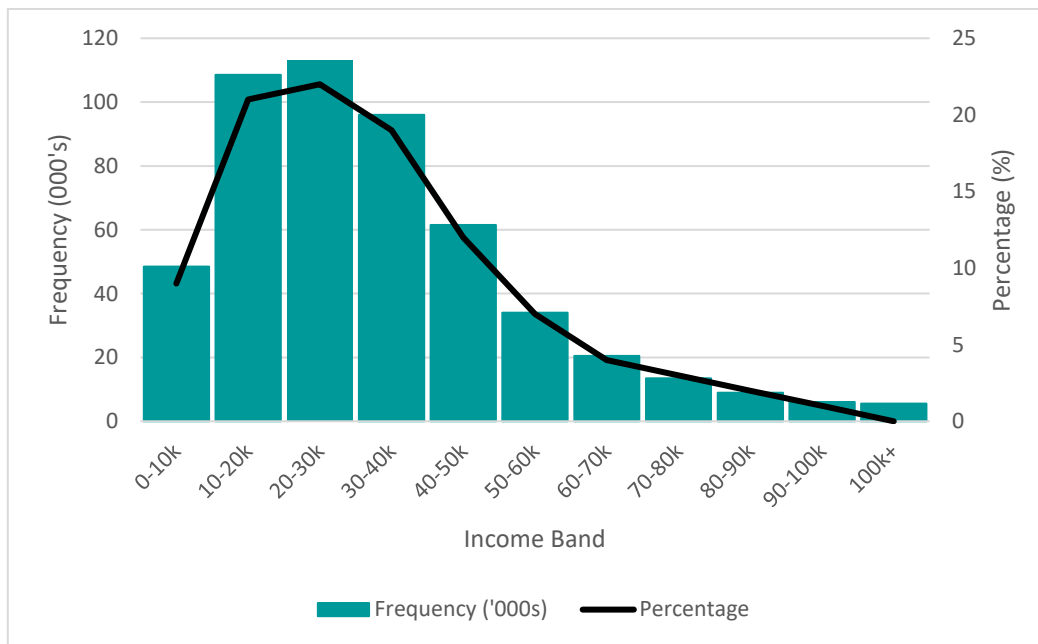
¹⁷ <https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2019>

4.2.1 Income distribution

The income distribution of the TFC population that receive income from an employer and are in the PAYE system for 2019-20 is shown in Figure 5 for individuals and Figure 6 for families¹⁸.¹⁹ The charts therefore exclude parents that only receive self-employment income, and other forms of income. This is because this income data will not be available until 2022.

5. PAYE Income distribution for 2019-20 Tax-Free Childcare - Individuals

Figure 5

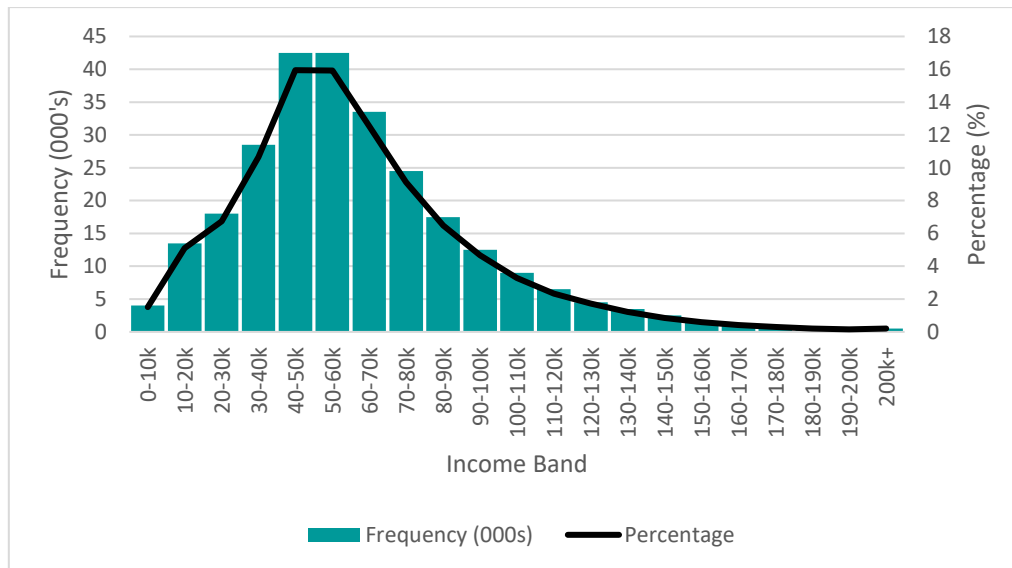


¹⁸ This includes all individuals that appear in Pay as You Earn (PAYE) schemes where their child has used TFC at any point during 2019-20 tax year, this may include people who have fallen out of eligibility for TFC throughout the year. Income data comes from HMRC RTI information. Income from other sources is not included.

¹⁹ Families where all adults have employment income are shown. If one or both parents have no employment income, are not included in figure 5. Income from other sources is not included.

6. PAYE Income distribution for 2019-20 Tax-Free Childcare -Families

Figure 6



Average PAYE taxable income is £29,000 for individuals and £54,000 for families²⁰.

Targeting working families has been achieved with income ranging across the distribution.

Over half of individual adults claiming TFC have PAYE employment income between £0 - £30,000; most families have PAYE employment income between £30,000 - £60,000.

4.2.2 Barriers to take-up of Tax-free Childcare

HMRC commissioned research to better understand and explore the barriers which prevent some eligible parents from applying for and using TFC. The research took the form of a telephone survey, which was conducted between April and June 2019, with 480 parents who had either applied for Tax-Free Childcare (TFC) but not used their account, applied for 30 hours but not TFC or who were eligible but had not applied for the scheme²¹ along with 25 follow-up discussions²².

The research found several barriers which had prevented eligible parents from applying for TFC and embarking on the TFC customer journey. One of these was a lack of awareness of

²⁰ Median taxable earnings across all PAYE records for an individual or family during 2019-20. This does not include those who are self-employed, or families where one or both adults are self-employed.

²¹ Breakdown of sample: 110 parents who had applied for TFC but not used their account, 110 parents who had applied for 30 hours free childcare but not TFC, and 260 parents who were eligible but had not applied for the scheme.

²² Full report Tax-free childcare: barriers to sign up and use <https://www.gov.uk/government/publications/tax-free-childcare-barriers-to-sign-up-and-use>

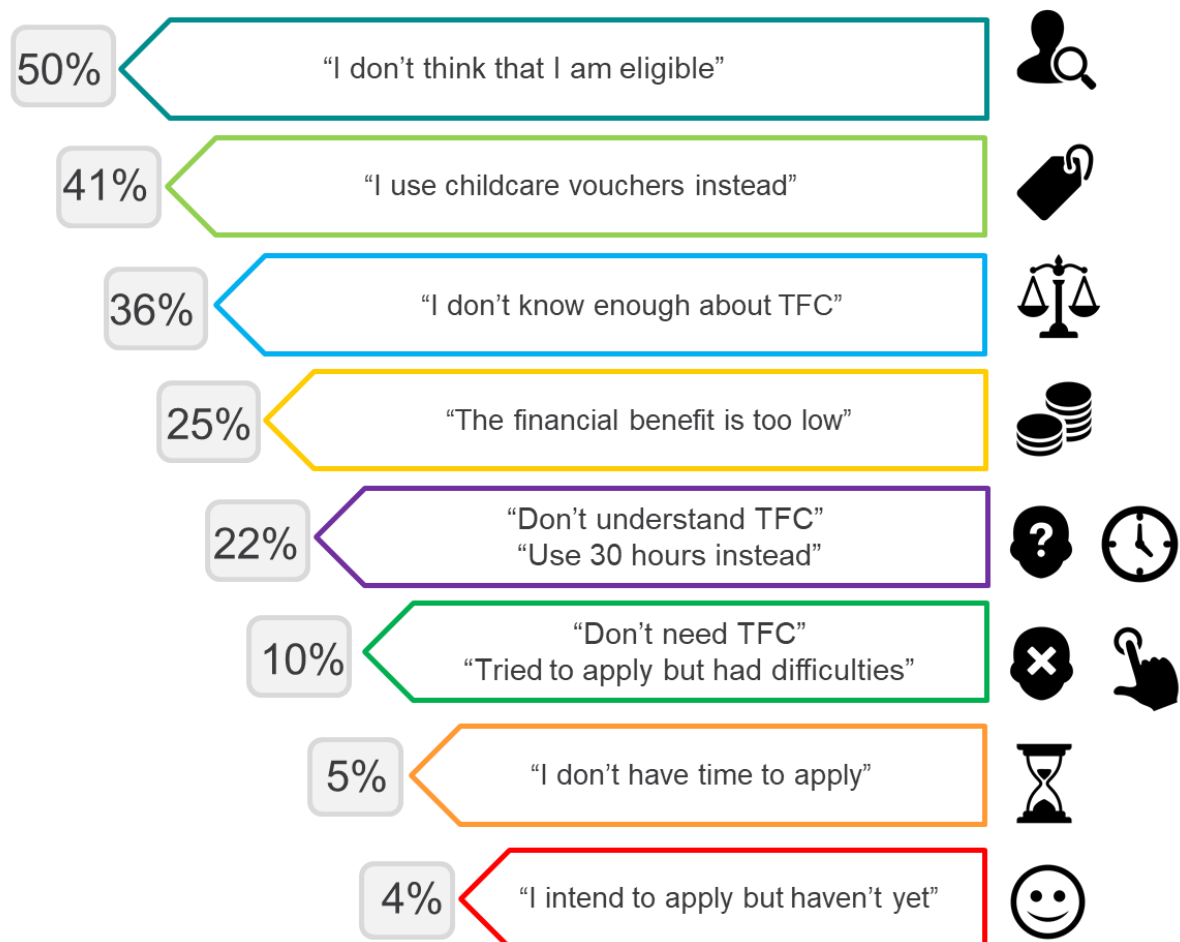
TFC amongst potentially eligible parents, who reported not hearing of the scheme prior to participating in the research.

For eligible parents who were aware of TFC prior to the survey, the following were reported as barriers preventing them from applying for the scheme:

- i) *A lack of understanding of the key aspects of TFC.* This includes how it works and how it differs from/interacts with other government support, as well as eligibility criteria. 43% of parents incorrectly assumed their income or their partner’s income was too high.
- ii) *Parents feel adequately supported by other childcare schemes.* Some parents from the follow-up discussion perceived that they were better off using other types of provision or didn’t see the benefit of switching to TFC.
- iii) *Perception that the financial incentive to use TFC is too low.* This reason was reported as a barrier, particularly for parents who used fewer hours of childcare per week.

7: Barriers to take-up for eligible parents who were aware of TFC but had not applied to the scheme

Figure 7



Parents suggested that TFC take-up could be encouraged by clearly communicating eligibility criteria and benefits of the scheme as the main message through a range of channels. Most parents who were aware of TFC had reported hearing about the scheme from word of mouth (40%), and some parents cited schools and childcare providers as some of the best ways to raise awareness of TFC, as well as through the general media.

From the 2019 childcare and early years survey of parents in England²³, 28% of parents with a child aged 0 to 4 years old who had not applied for TFC reported that they either ‘definitely’ or ‘probably’ would apply for the scheme in the future. However, for those who did not intend to apply, the main reasons for not doing so related to factors which meant they were ineligible for the scheme, such as they claimed tax credits instead (23%), they (or their partner) were not in work (18%) or because they did not use formal childcare (12%).

4.3 Positive parent experience

This performance indicator examines parents’ responses in respect of “providing a good customer journey”. This analysis is based on findings from the Customer Experience Survey²⁴, which tracked the experiences of both parents and childcare providers throughout the early stages of the national rollout of TFC across five research stages. The first stage of the research began in September 2017 and the final stage took place during November 2019²⁵. The section analyses parents’ overall experiences of the Childcare Service, through which they apply for and use TFC.

Since the survey began in September 2017, parent’s overall experiences of applying for and using TFC through the online portal on GOV.UK have improved over time, which is primarily due to service improvements, which are detailed in chapter 8 (an efficient service providing good value for money). In September 2017, 63% (of 4,752 parents who took part in the

²³ Findings from Childcare and early years survey of parents in England: 2019
<https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2019>

²⁴ The Customer Experience Survey measured parent and provider experiences of the childcare service over 5 periods of time between September 2017 and November 2019. The overall report can be found here
www.gov.uk/childcare-parenting/financial-support-for-childcare#research_and_statistics

²⁵ The number of parents who completed the survey was as follows:
4,752 at wave 1; 1,886 at wave 2; 1,464 at wave 3; 1,236 at wave 4; 1,020 at wave 5.

survey) reported a positive overall experience compared to 83% (of 1,020 parents who took part in the survey) in the final survey conducted in November 2019.

4.4.1 The application process

Parents' satisfaction with the application process has been relatively stable since the Customer Experience Survey was first conducted in 2017. From the most recent survey, delivered in November 2019, 77% of parents reported that they were satisfied with the application process, and 76% perceived the application for TFC as being easy, which was a small increase from the first survey of 66%.

4.4.2 Using the service

By the final iteration of the Customer Experience Survey, conducted in November 2019, 96% of parents reported logging back into their online childcare account and 98% reported that they had reconfirmed their eligibility. From September 2017 to November 2019, parents increasingly reported using the online childcare account features to manage their childcare costs, demonstrating their engagement with the scheme. See Figure 8 below for the breakdown of usage.

8: Reported usage of childcare account for parents who had applied for TFC and logged back into their account.

Figure 8



**figures based on parents' self-reported behaviour from an online survey and are not necessarily reflective of actual behaviour*

4.4.3 The Childcare Service helpline

Parents who experienced an issue using their online account called the childcare services helpline. The proportion of parents who were asked about TFC and reported contacting the helpline had reduced from 36% in September 2017 to 28% at the final survey in November 2019. Of those who had called the helpline within the last 3 months of the final survey, 57% of parents using TFC had only made one call. 61% of parents using TFC reported having their queries to the helpline resolved in full, whilst the remaining 39% reported their query was not fully resolved.

4.4.4 Reported issues within the survey sample

At the final survey in November 2019, some parents (7%) who were using TFC continued to report difficulty logging into their online account. Some parents from the overall sample felt that the log-in process was too complicated (32%), followed by there being too many steps or security questions (28%). Technical issues continued to be experienced by a minority of parents, though this proportion had significantly decreased from 28% when the question was first asked to parents in Spring 2018 to 7% of parents at the most recent survey in November 2019. The most commonly reported technical issue was accessing the account. Only a small number of customers in the final survey in November 2019 found the payment process 'difficult' (9%). Parents reported that their payments went through later than they expected (31%). 42% of parents thought that their payments would reach the childcare provider within 2-3 working days²⁶.

Further detail on complaints is featured in 'The Customer Experience' section in chapter 8 (an efficient service providing good value for money) of this report, which provides a broader insight of all reported issues in contrast to the survey sample.

4.4 Positive Childcare Provider Experience

This performance indicator examines a second element of "providing a good customer journey", childcare provider experience. The analysis is based on findings from the Customer Experience Survey²⁷, which tracked the experiences of both parents and childcare

²⁶ In August 2019 HMRC enhanced faster payments, whereby they are cleared within one working day, providing assurance to parents in paying their provider punctually and resulting in a more accessible and stable customer journey.

²⁷ The Customer Experience Survey measured parent and provider experiences of the childcare service over 5 periods of time between September 2017 and November 2019. The overall report can be found here www.gov.uk/childcare-parenting/financial-support-for-childcare#research_and_statistics

providers throughout the early stages of the national rollout of TFC across five research stages²⁸. The measures are grouped by childcare providers' overall experience of using the Childcare Service for their childcare setting, when they signed up and managed payments made by parents using the TFC scheme, followed by their use of the helpline and complaints.

4.5.1 Overall experience of the Childcare Service, in respect of Tax-Free Childcare (TFC)

Similar to parents using the scheme, childcare providers' overall positive experiences of using TFC through the online childcare service increased from 45% when the survey began in September 2017 to 68% at the final survey in November 2019.

4.5.2 The sign-up process

Most childcare providers found the sign-up process to TFC easy (76%), however 17% of providers reported experiencing issues when signing up. One of the main reasons for this was the requirement for childcare providers to have a unique taxpayer reference (UTR). HMRC removed the UTR requirement from the sign-up process in March 2020.

4.5.3 Using the service

The experiences of childcare providers who have signed up to TFC have improved over the course of the Customer Experience Survey. At the final survey, which took place in November 2019, most providers had received a TFC payment in the last 3 months (79%) and found it easy to reconcile payments for an individual child (66%), this is compared to 37% and 54% respectively at the initial survey in September 2017.

4.5.4 The helpline

The proportion of childcare providers who have contacted the helpline has remained relatively stable throughout the Customer Experience surveys conducted between September 2017 and November 2019. At the first survey in September 2017, the most common reason for doing so, apart from calling for multiple issues (46%), was due to

²⁸ The number of childcare providers who completed the survey was as follows: 985 at wave 1; 742 at wave 3; 737 at wave 5.

difficulty with the sign-up process (43%). By the final survey, which began in November 2019, the most common reason was to find out more information on behalf of a parent (35%). After calling, most childcare providers at the final survey (62%) reported having all their queries fully resolved. 81% of childcare providers rated their experience of the helpline as positive in November 2019, a 20% increase from 61% when childcare providers rated their experiences at the first survey in September 2017.

4.5.5 Reported issues within the survey sample

At the final survey, conducted in November 2019, 18% of childcare providers had experienced issues receiving a TFC payment, with the most common reported issue being that they did not receive their payment on time (56%). This has remained consistent since the first survey which began in September 2017.

In August 2019 HMRC enhanced faster payments, whereby they are cleared within one working day, providing assurance to parents in paying their provider punctually and resulting in a more accessible and stable customer journey. Service enhancements are discussed further in chapter 8.

5. Impact of Tax-Free Childcare (TFC) on labour and childcare market

This section explores the impact of TFC on parents' decision-making when deciding to work or work more when they have childcare responsibilities. It also gives some insight into the wider childcare landscape and labour market.

Findings from the 2019 Childcare and Early Years survey in England found that around three quarters (76%) of children aged 0-4 had used some form of childcare during term time, equating to 1.9 million children²⁹. Formal childcare through a registered provider has remained stable (64% in 2019) throughout the time period. However, the ease of meeting childcare costs has had fluctuations for this age group over time in England. Just over a quarter of parents (27%) found it difficult or very difficult to meet their childcare costs, a rise from 2018 (23%), but lower than in 2011-12 when a third (33%) of parents found it difficult to meet their childcare costs³⁰. The 2019 Childcare and Early Years survey in England³¹ also demonstrated that less than half (42%) of parents with a child aged 0 to 4 years old rated the affordability of their local childcare as good, a fall from 47% the previous year. Just over a third (36%) of parents rated the affordability of childcare as poor, in line with that from the previous year (34%).

5.1 Labour Impact

1. HMRC commissioned research exploring families' and childcare providers' perceptions of the impact of Tax-Free Childcare³². This research was carried out by Ipsos Mori between September 2018 and January 2019 and comprised of 60 in-depth interviews with parents and 40 with childcare providers. Findings indicated that whilst TFC reduced the cost of childcare, it may not be the wholesale driver to change parents' working patterns or decision making. However, it may influence the tipping point when parents were trying to balance affordability of childcare with work considerations. In most cases these decisions were to work more but, in some cases, families had decided to reduce their working hours.

²⁹ Childcare and early years survey of parents in England: 2019
<https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2019>

³⁰ Childcare and early years survey of parents in England: 2019
<https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2019>

³¹ Findings from Childcare and early years survey of parents in England: 2019
<https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2019>

³² Tax-Free Childcare perceptions of impact
<https://www.gov.uk/government/publications/tax-free-childcare-perceptions-of-impact>

Examples of the impacts seen:

1. TFC gave parents more flexibility than the previous voucher scheme. Many parents involved in this research who had experience of voucher schemes indicated that, unlike vouchers, TFC reduced their reliance on their employer for childcare. In effect, TFC gave them the flexibility to change jobs, without needing to consider losing support with their childcare costs when these making decisions.
2. TFC had a particular impact on shift workers. Most of the parents involved in this research who worked shifts could take on or refuse extra hours as needed.
3. TFC often facilitated discussions between parents around working patterns.
4. TFC helped to reduce reliance on informal childcare. There were examples of parents reducing their reliance on informal help, as a result of being able to afford more formal childcare with TFC.
5. TFC was the tipping point in some parent's decisions to go back to work or not. Where women saw their salary as equivalent to their childcare costs, TFC had incentivised them to go back to work in some cases. These parents felt that TFC gave them a financial incentive to work.
6. TFC may make high earners think twice about increasing their hours if they risked no longer being eligible.

5.2 Labour Market Participation

The five stages of the customer experience survey³³ asked parents who had used TFC what impact that support had had on their labour market participation.

Most families reported a positive impact on family employment; a third reported that they had been able to stay in work, 25% reported an increase in working hours and 11% reported that they are able to work on more days in the week.

Furthermore, six in ten parents reported that TFC had impacted on their changing working patterns either to a fair or great extent.

³³ Customer experience survey www.gov.uk/childcare-parenting/financial-support-for-childcare#research_and_statistics

5.3 Household and Government spend on TFC

Over the financial year from April 2019 to March 2020 government spend on TFC top-up totalled £236m. Overall, £385m has been spent on TFC top-ups since the scheme started in April 2017.

The average value of TFC top-up for each family who signs up depends on the age of the children in the family and the costs of their childcare. Those with the youngest children and the highest childcare costs get the most value from the scheme.

In 2019-20, the average monthly government top-up per child was:

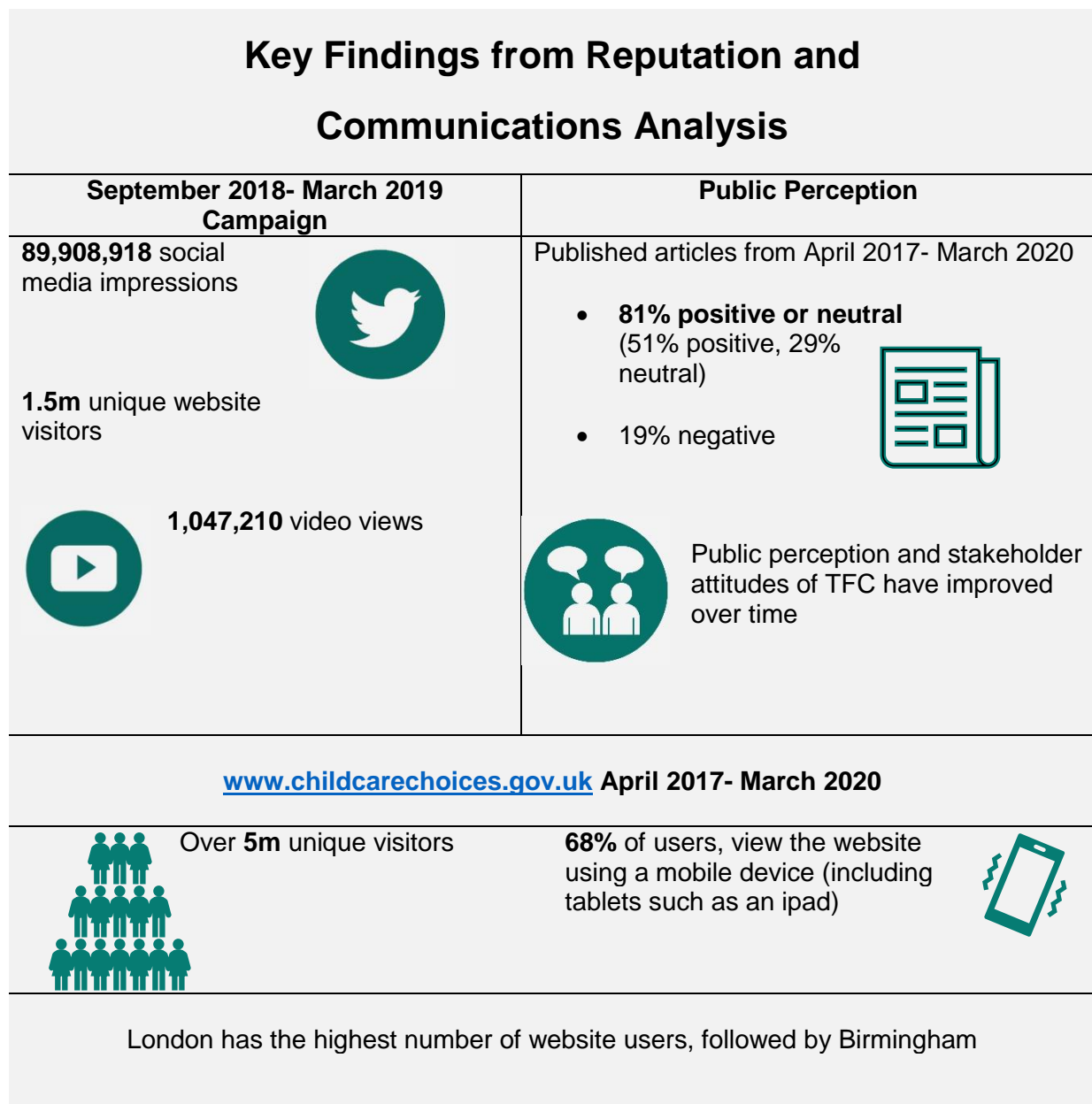
- £115 per year for a child aged 0-2
- £75 a year for a child aged 3-4 and
- £40 a year for a child aged 5 and above

Qualitative research³⁴ also ascertained that the impact of TFC on household finances varied depending on income, expenditure and wealth. For families with lower incomes, TFC helps childcare become more affordable. For families with higher incomes TFC support gave them more breathing space with their bills allowing for greater savings or money to spend with their family.

³⁴ Tax-Free Childcare perceptions of impact report <https://www.gov.uk/government/publications/tax-free-childcare-perceptions-of-impact>

6. Tax-Free Childcare (TFC) Reputation Analysis

This chapter examines the reputation and communication activities of TFC from April 2017 to March 2020. It provides an evaluation of communications and stakeholder activity across a broad range of communication channels and audiences. It also includes analysis of stakeholders' experiences, observations, beliefs, behaviours and attitudes, alongside the external media and digital analytics giving insight into different audience groups.

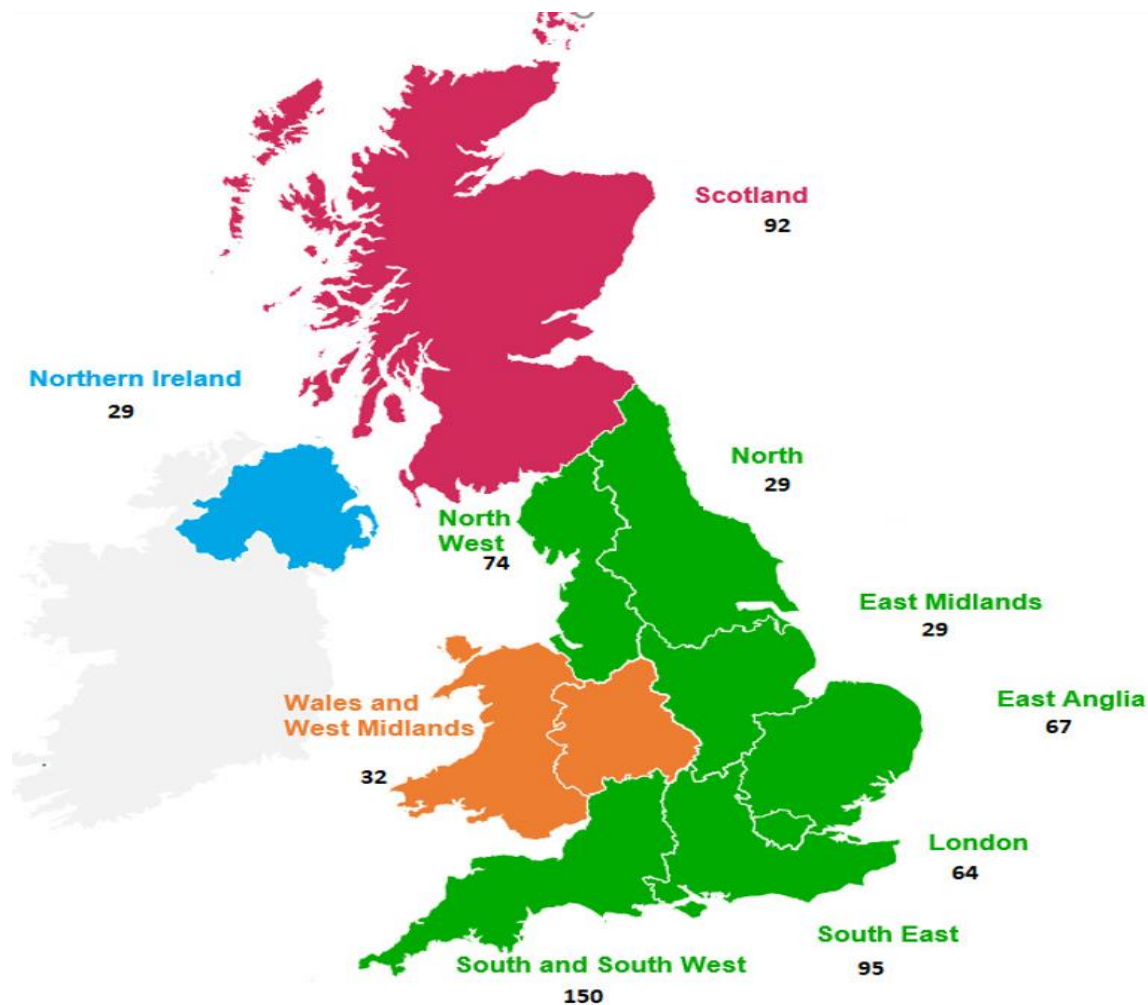


6.1 Media coverage

A total of 1,324 articles about TFC were recorded from April 2017 – March 2020; an average of 41 articles per month through a range of channels including national and local publications, online, television and radio. Some planned communications activity and media campaigns during this time were impacted by technical issues affecting delivery of TFC and by the 2019 General Election.

9: Regional breakdown of media coverage April 2017 – March 2020

Figure 9

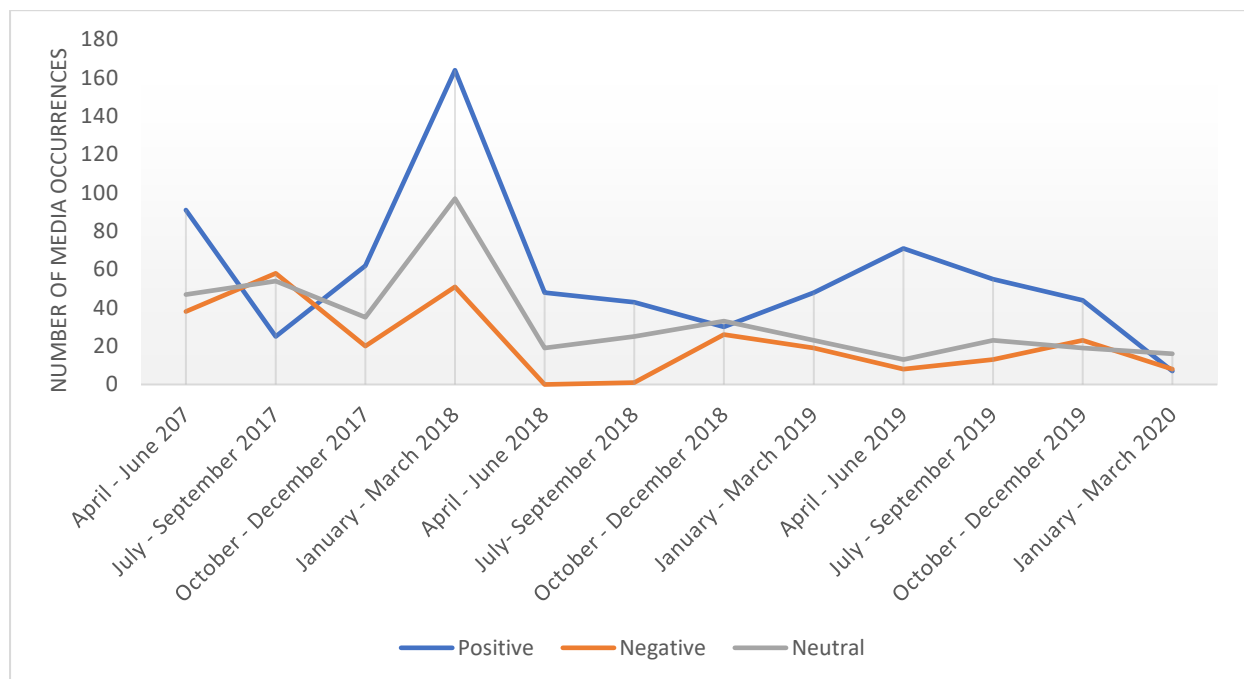


Since the launch of TFC 681 (51%) articles published across a range of channels have been positive, while 254 (19%) were recorded as negative with the remaining 29% recorded as neutral. Between April 2017 when the scheme launched until February 2018 when the scheme fully rolled out, significant technical issues prevented parents and childcare providers from applying and using the scheme easily and efficiently. These technical issues

generated negative media coverage which further damaged TFC’s reputation. The technical issues with the IT platform were addressed and since February 2018, the reputation of TFC has steadily improved, with customer satisfaction scores significantly increasing. Since December 2019, scores regularly achieve over 90%³⁵.

10: Media Impact Analysis April 2017- March 2020

Figure 10

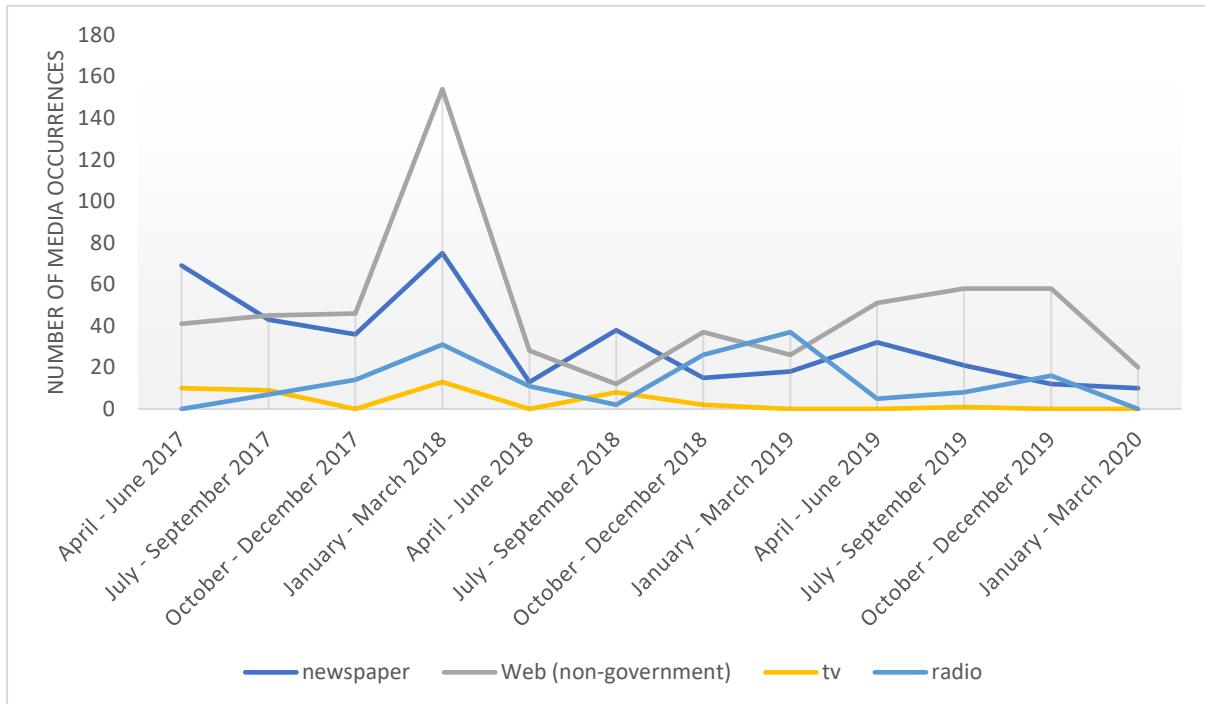


There was a significant increase in positive coverage (illustrated in figures 7 and 8) during the quarter January – March in 2018, due to promotional activity highlighting the scheme benefits as it was fully rolled out.

³⁵ Customer satisfaction analysis of using the childcare service has been carried out between April 2017-March 2020.

11: Media coverage by channel April 2017- March 2020

Figure 11



Traditional newspaper and digital content dominated coverage from April 2017 – March 2020. However, during the campaign period September 2018 – March 2019, radio advertising targeted at parents aged 25-44 years old to raise awareness of the scheme exceeded campaign targets and expectations, achieving an audience reach of 2,854 people and 13,777 digital clicks to the Childcare Choices website evidenced through communications analysis. Although successful in raising awareness, the campaign did not generate a significant increase in parental participation in the scheme.

6.2 Social Media Analysis

The majority of neutral-to-positive coverage generated originates from government channels such as @educationgovuk (DfE) and @HMRCgovuk, with Twitter being used as the primary social media tool in campaigns, including a focus on encouraging working parents to check whether they are eligible for the policies via the Childcare Choices website. Additionally, local authorities and childcare providers have also frequently used Twitter to promote the policies, and/or have retweeted government tweets, to encourage their audience to action.

6.2.1 Social media campaigns

Since 2017- March 2020, several low-cost social media campaigns have been carried out for TFC, often jointly with 30 hours free childcare. An advertising campaign focussed on driving up awareness and participation rates of the scheme through the Childcare Choices website took place from September 2018- March 2019. This had significant impact, especially with parents in London and the South East.

- **‘Thousands of pounds can be saved’** Positive messages with high engagement in both press and social media included the savings of “thousands of pounds” on childcare bills. Although veering away from the factual and neutral content usually seen on governmental channels, this message effectively caught the attention of the target audience, leading to high retweets. Demonstrating a tangible financial benefit that parents can gain positively attracted them towards the policy.



- **‘Working parents’** Including the term ‘working parents’ gained higher engagement compared to coverage that simply told parents to check out the Childcare Choices website. As this is one of the eligibility criteria social media content creators learnt to consistently use this language in future campaigns.



- **‘Time’s running out’** Messages that had more impact included time sensitive campaigns, such as “running out of time to apply” (for 30 hours free childcare), and “check out Tax-Free Childcare”. These received higher retweets and impressions than other content. Both terms drove the target audience to action, the first as it emphasised a deadline and the second as it told people to go to the Childcare Choices website.



- **'Aged 5 or under?'** Targeted content, focussed on the opening of TFC for this age group during the rollout phase generated significant spikes in social media coverage suggesting that the increased engagement was due to context-specific policy announcements



- **Childcare choices website campaign September 2018 and March 2019**

The campaign had a target to deliver a minimum 1.5m eligible TFC customers to the Childcare Choices website between September 2018 and March 2019 and raise awareness of the scheme. The campaign exceeded targets by achieving:

Campaign Activity	Target	Result
Total unique website visits	1.5 million	1,804,016 (18%+)
Total social media impressions	89,908,918	155,464,007 (72%+)
Total click through to Childcare Choices website	836,039	1,779,141 (112%+)
Total video views	1,047,210	1,395,233 (33%+)

Over 25% of parents who took part in the campaign analysis recognised the campaign, with significant increased awareness and understanding of TFC especially among parents in the South of England. 82% of all parents asked were able to identify the correct messages of what the ad was trying to communicate.

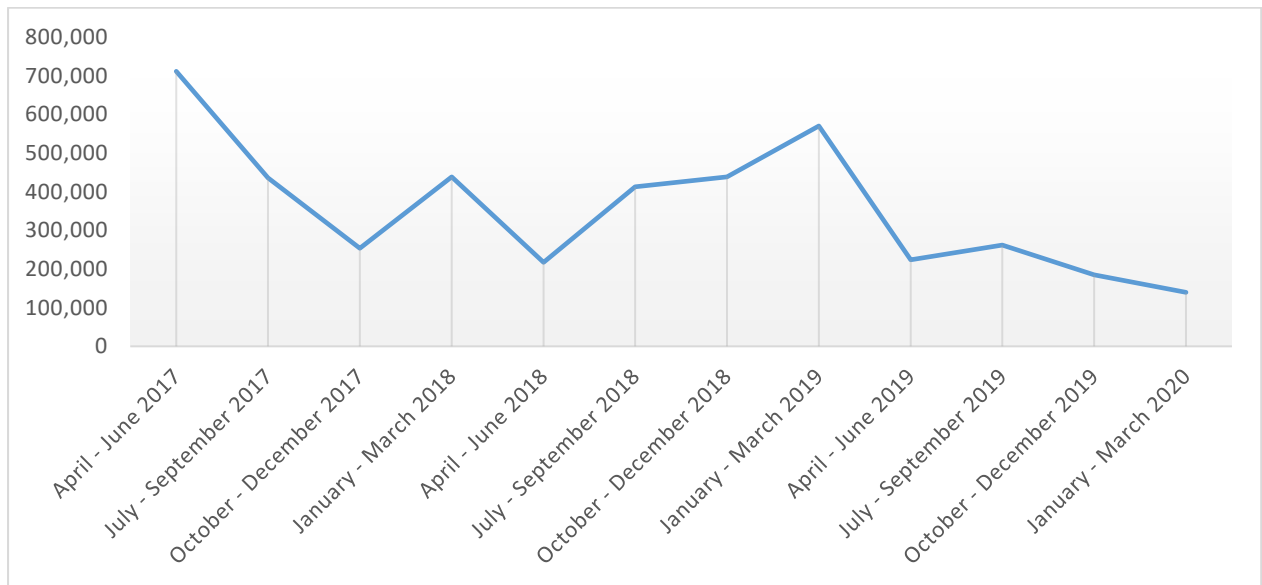
Radio was particularly effective at clearly communicating that parents can get up to £2,000 per child whereas digital ads (social and display) were better at communicating eligibility. Half of those parents asked said they took action as a result of the campaign, however perceptions of ineligibility amongst those parents were still a barrier of call to action, suggesting there is a lack of understanding of TFC.

6.3 Digital Analysis: www.childcarechoices.gov.uk

The childcare choices website was developed at the time that TFC launched to help parents determine which childcare offer was best for them. Over time unique visitors have increased and reduced on the site, depending on campaigns. During the campaign for the website (September 2018-March 2019), traffic steadily increased and then reduced with numbers sharply dropping off in the period immediately after the campaign.

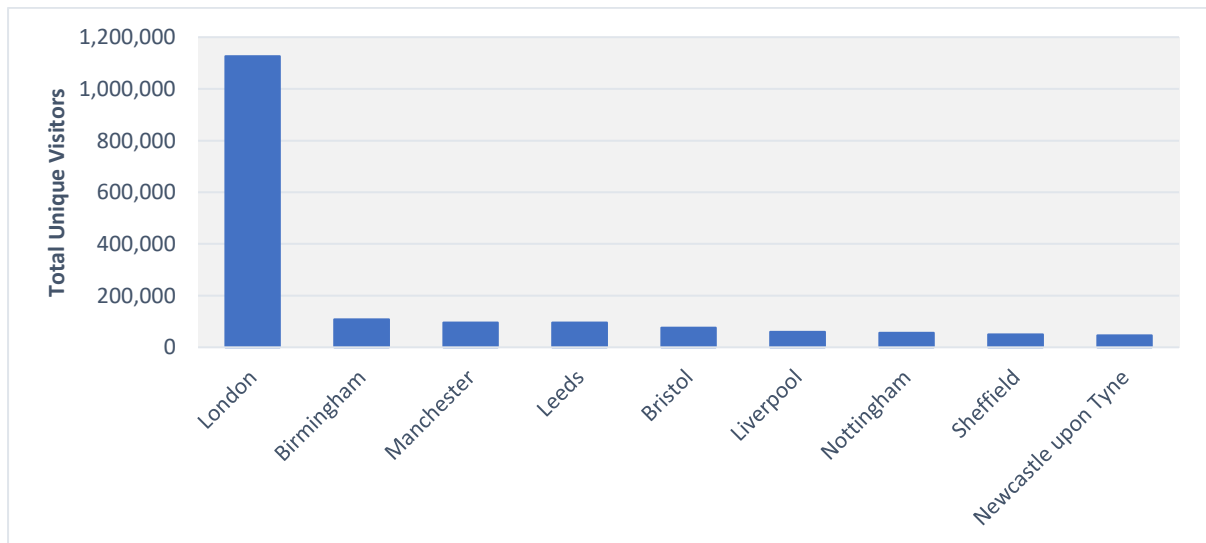
12: Unique visitors to Childcare Choices April 2017 - March 2020

Figure 12



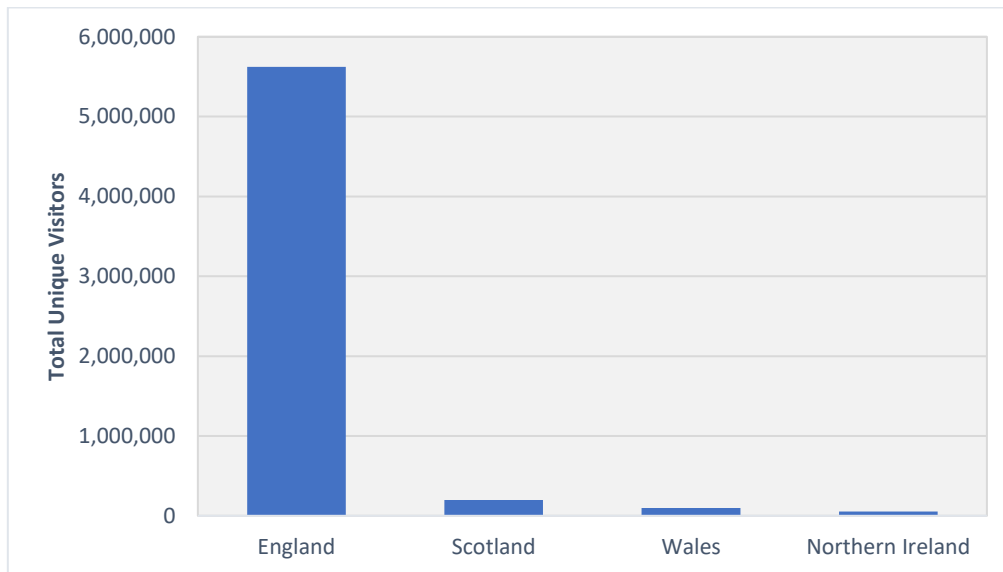
13: Unique visitors to Childcare Choices April 2017 - March 2020 by UK City

Figure 13



14: Total unique visitors to Childcare Choices April 2017 - March 2020 by UK Country

Figure 14



The charts (figures 13 and 14) illustrate, most parents who visit the site are in England. However, parents in the devolved nations are using the website; with Glasgow at 11th position with 36,166 unique users and Edinburgh at 13th position, with 31,306 unique users.

6.3.1 Device Analysis

68% of users to Childcare Choices come through mobile devices, including tablets and 32% from desktop users, who spend more time on site compared to mobile users. Users who came through 'Paid Search' marketing interacted with the site the most and had the longest time on the site compared to other media channels.

HMRC have identified improvements that may support better user experience, which are being considered for future development.

1. Optimise the site for mobile users;
2. Reduce content where the 'call to action' is less obvious;
3. Create detailed tracking links which give further insight as to how adverts perform on the site.

6.4 Reputational influencers and stakeholder analysis over time

During the phased launch period, (April 2017 - February 2018) influencers were negative and did not encourage usage of the scheme because of the technical issues being experienced which prevented parents from applying for and using TFC effectively. Once the technical issues were resolved, influencers such as Money Saving Expert and the Money Advice Service shifted their tone and perception of the scheme through online reporting. In early 2019 Money Saving Expert started to regularly promote the scheme with a 'don't miss out' message. Regular messages now encourage parents to use the scheme and work out which childcare offer is best for them, telling parents what TFC can be used for and helps to raise awareness of it being for school children. *"You can use it for all sorts of childcare – including after-school clubs"* [Money Saving Expert](#)

6.4.1 Stakeholder feedback

Feedback has been regularly received from a diverse range of people and organisations, including: childcare providers, parents, local authorities, DWP work coaches, holiday clubs, and employers. Feedback has helped influence improvements to the Childcare Service and subsequently enhanced the reputation of the scheme. The Tax-Free Childcare Implementation Advisory Forum, including nurseries, representative groups (such as National Day Nursery Association), software businesses (such as Nannytax) and customer groups (such as Low Income Tax Reform Group) who all have an interest in childcare in the UK have helped influence and shape service improvements. The forum meets three times a year and has been instrumental in designing and improving how TFC works.

The improvements they have been involved with include:

- Improved speed of payments into and out of the childcare account, with greater automation.
- An online payment reconciliation tool for childcare providers, helping them allocate payments to the right child.
- Being able to pay tax and national insurance deducted from a nanny's salary to HMRC through the parent's childcare account.
- Changing the wording on childcare choices and gov.uk to help explain the scheme, such as the need to reconfirm.

HMRC also work closely with the devolved nations. Take up of the scheme in Scotland, Wales and Northern Ireland is lower than most other regions across England, which is in part due to the other childcare schemes available in those countries. However, many more

families in Scotland, Wales and Northern Ireland have been using TFC, in part due to the working closely with them through communications activities. From 2019/20 (1 April 2019 to 31 March 2020) 19,355 families used the scheme in Scotland, 13,705 in Wales and 6,645 in Northern Ireland, compared to 2018/19 (1 April 2018 to 31 March 2019), when respectively 9,700, 6,745 and 3,240 families used the scheme.

During the phased rollout of the service, stakeholders raised concerns, that mirrored the media coverage, due to the significant number of technical issues encountered with the service, which affected customers' ability to use it. However, as these operational service issues were gradually resolved, stakeholder perception gradually improved, in line with customer satisfaction and the reputation of TFC has significantly improved today, compared to 2017, when it was at its lowest.

Communication and stakeholder interventions, such as the national marketing campaign to raise awareness, products for childcare providers and improvements to the [childcare choices](#) website influenced the attitudes and behaviours of key influencers and stakeholders, shifting them from negative to neutral and in some cases to positively promoting and advocating the scheme. Stakeholders have also changed their behaviour over time and have become actively involved in promoting the scheme to their employees and how it works.

15 Communication and Engagement Interventions

The table below demonstrates the communication and engagement interventions carried out to improve the reputation of Tax-Free Childcare.

Figure 15

Identified issue	Actions Taken	Impact
A lack of awareness and understanding of the scheme.	A national marketing campaign (September 18 – 31 March 19) signposting parents to the Childcare Choices website too place.	Campaign advertising recall increased to 35% Awareness of Childcare Choices rose to 14%
Parents were confused by the different childcare offers available and were unsure how to access it.	Improved the website by changing the layout and level of information available. Increased information was made available on Childcare Choices to encourage participation and understanding of the scheme.	Unique visitors from 1st January – 31st March 2019 increased to 569,603.
Confusion between TFC and 30 hours.	Products such as the infographic of how schemes can be used	Use of TFC tends to be greater in regions with

<p>Customers have reported to stakeholders they need to use both 30 hours and TFC policy schemes.</p> <p>Stakeholders in Scotland, Wales and Northern Ireland thought TFC was only available in England.</p>	<p>together and step by step guides were developed highlighting the differences between the schemes, such as TFC is a UK wide scheme while 30 hours free is England only.</p> <p>An invitation was issued to childcare providers, including the devolved nations advising them to sign up, emphasising this is a UK scheme.</p> <p>The childcare choices website explains what scheme is available in which country in the UK.</p>	<p>higher populations, such as London and South East England, but take up of scheme has increased in Scotland (16,845 15%) Wales (9,810 14%) Northern Ireland (5,900 20%)</p>
<p>Reconfirmation of TFC</p> <p>Parents did not realise they needed to reconfirm to remain eligible to receive TFC</p>	<p>From August 18, emails were issued on a termly basis to customers encouraging them to login into their TFC account on GOV.UK.</p> <p>Text messages were issued from March 2018 encouraging parent's to login into their TFC account online to reconfirm their eligibility.</p> <p>Social media tools were made available to childcare providers to help them remind parents to reconfirm.</p>	<p>Complaints from customers and providers were reduced.</p> <p>Stakeholders, including childcare providers and local authorities are actively participating, by reminding parents to reconfirm every three months.</p> <p>The most recent email exercise (January 2020) helped 5500 more people use their account on GOV.UK</p>
<p>Parents think it is for pre-school children only.</p> <p>Parent perception of the Childcare Choices logo reinforces this.</p>	<p>We have improved the Childcare Choices website, following customer feedback and used social media to increase awareness that the scheme is for children under 12 and for disabled children under 17.</p> <p>We have issued emails quarterly to parents since August 2018 reminding them of the benefits of TFC, highlighting messages that TFC can be used for school aged children.</p>	<p>More families with children school aged children are increasing their usage of TFC</p>

7. Minimise error and fraud within Tax-Free Childcare (TFC)

This chapter examines how error and fraud is being successfully managed within TFC

Key Findings: Error and Fraud



TFC's estimated error and fraud is below **1%** of government paid top-up.



Real-time³⁶, upfront checks of parental applications and reconfirmations prevent error and fraud from getting into the scheme.

7.1 “Check Now, Pay Later” Compliance Design

TFC has been designed with automated upfront eligibility checks which allow for manual interventions; this combination prevents most error and fraud from entering the scheme. This can be described as “Check Now, Pay Later”.

Where possible parents' eligibility to receive TFC top-up is checked at initial application and rechecked every three months when they reconfirm their eligibility. If parents' details show they are ineligible for the scheme, their application/reconfirmation will be rejected or if more information is required to confirm parents' eligibility, the case is passed to the HMRC Childcare Service Operations team, who manage operational delivery of the Childcare Service, to obtain the additional details from parents needed to confirm their eligibility.

This “check now, pay later” approach; requires parents to deposit (80%) of their costs of childcare to receive (20%) top-up, capping maximum top-up amounts per quarter, and ensuring funds can only be spent with regulated childcare providers, significantly reduces the opportunity for error and fraud within the TFC system.

In terms of the numbers of applications or reconfirmations that have been rejected, as the Childcare Service administers both 30 hours and TFC, at the rejection stage, it is not always identifiable which scheme parents have applied for or if they have applied for both schemes. TFC was launched in April 2017 and 30 hours free childcare was launched in September

³⁶ the actual time a parent applies or re-confirms, error and fraud checks are made.

2017. From April 2017 to February 2020 over 330,000 initial application/reconfirmation attempts have been rejected for both TFC and [30 free hours childcare](#).

Some of these 330,000 rejected applications include parents who, having made a mistake on their initial application, have subsequently amended and have been granted access to TFC. But these robust upfront checks mean significant volumes of incomplete, inaccurate and thus ineligible submissions are prevented from entering TFC in the first instance.

Common reasons parents' submissions are rejected include HMRC's inability to confirm the details parents provide for their child(ren); children being too young or too old for TFC and/or 30 hours free childcare; and parents declaring receipt of other benefits (for example, Universal Credit) which disqualifies them for TFC. Applications may also be rejected because HMRC is unable to confirm parents who are employed at the time of the request and/or self-employment details; where parents' declared earnings/incomes fall outside minimum or maximum income limits; or where applicants do not hold the appropriate immigration status.

Confirming eligibility each quarter also removes the need for TFC to deal with any formal year-end reconciliations and/or change of circumstances (common issues in the welfare system). This approach to error and fraud is in line with TFC's alignment to HMRC's strategic³⁷ Promote-Prevent-Respond Compliance principles.

7.2 Compliance Campaigns and Referrals

TFC primarily aims to prevent error and fraud upfront (check now, pay later). At times, however, additional compliance checks are needed to validate parents' declared eligibility, and also check they are spending TFC funds correctly. From the start of the scheme, a small dedicated TFC Compliance team was established, working closely with other HMRC compliance staff working on tax credits and Child Benefit. The team reviews parents' details and transactions and looks for signs of any potential error and fraud that were not picked up by automated checks. Using HMRC compliance risking systems which can compare the details of parents' TFC applications to other HMRC and Government-held data, the TFC Compliance team monitor each of the main risk areas to look for any cases that might require further investigation (in order to verify parents' eligibility or spending). These include:

³⁷ HMRC strategy - <https://www.gov.uk/government/publications/hmrc-strategy/our-strategy>

- **Universal Credit** – checks are made against Department of Work and Pensions systems to look for any parent who has a live Universal Credit award in payment and is using TFC.
- **Undeclared partners** – where all single-person TFC applications are reviewed to check no undeclared ineligible second adult is in the applicant’s household (which would render the TFC application invalid).
- **Income/Employment** – checks are made against other HMRC’s PAYE and Self-Assessment systems to confirm parents’ employment status and earnings tally with the details parents declare when applying or reconfirming each quarter.
- **Immigration** – checks are made against Home Office systems to confirm all non-EEA applicants have the necessary “recourse to public funds” which entitles them to claim TFC.
- **Childcare vouchers** – based on referrals received by the team, individual checks are made against HMRC-held PAYE data to check parents are not also benefitting from ongoing childcare voucher arrangements.
- **‘Outlier’ transactions** – the Compliance team review all TFC transactional details to look for anomalous spending incidences and/or patterns that may suggest childcare spending might have been over-inflated and/or invented.
- **Prohibited payments** – not all spending with childcare providers counts as qualifying childcare in TFC. The Compliance team therefore look for any non-qualifying (i.e. prohibited) transactions – for example where parents of children over 5 have paid for school fees rather than wrap-around childcare.

A referral process is in place to enable TFC operations staff to forward any cases to the TFC Compliance team that may involve non-compliance issues. From the launch of the scheme until February 2020 over 8000 referrals have been sent to the Compliance team. Most checks concluded that the parent remained eligible for TFC. However, the benefits of this cross-team process ensure that the Compliance team can investigate cases in real-time and prevent error or fraud from entering the scheme.

The Compliance team also works closely with their National Savings & Investments (NS&I) Compliance counterpart to monitor all account activities. NS&I, through Atos' Financial Crime Unit (FCU), monitor account log-in and transactional activities to look for anything suspicious. If/when spotted, the FCU refer these cases onto the TFC Compliance team for further investigation. The FCU also monitors account activities for anti-money laundering and domestic terrorism purposes – referring any potential concern to the National Crime Agency as required.

7.3 Compliance Powers

The Compliance team have the appropriate legislative powers to investigate cases to confirm that all parents are entitled to receive TFC, and that their spending is for qualifying purposes. Where error or fraud is discovered, the Compliance team have the power to issue assessments to recover relevant amounts of overpaid and/or illegitimately spent top-up. The team can also issue additional financial penalties if/when parents' behaviours warrant it. In the most egregious instances, the Compliance team can even ban parents and/or bar childcare providers from being able to participate in the TFC scheme.

7.4 Compliance Results

As of February 2020, over 2,700 compliance investigations have been undertaken within the scheme. Although minor queries were found in over 1,500 cases, the vast majority of these investigations confirmed the overall legitimacy of parents' eligibility and/or spending. In response to queries, the Compliance team often issue education letters to parents reminding them of TFC eligibility rules and advising them of what they need to do to remain eligible. Records indicate that the vast majority of parents acted on this advice and changed their application details, demonstrating the strength of this approach in positively changing parental behaviour.

The Compliance Team also undertook a sampling exercise as an assurance check of the details of 1000 randomly-selected parents using TFC to look for any signs of non-compliance relating to parents' declared details and their use of TFC funds. Analysis of the results from this exercise suggest that the error and fraud rate was around 0.3% of government paid top-up with a 95% confidence interval of between 0.1% to 0.5%. This indicates error and fraud is low within TFC, reflecting:

- Proportionate real-time, upfront checks of parental applications and reconfirmations which prevent error and fraud from getting into the scheme in the first place.
- A compliance focussed system design which caps the amount of support paid out and requires parents to reconfirm their eligibility every three months.
- Control of funds, whereby parents must deposit their own funds in order to receive government top-up, all of which can only be spent with approved (regulated) childcare providers; and
- Compliance checks that utilise HMRC's latest data-matching capabilities, and best practice developed in other HMRC-administered welfare regimes.

Where errors are found the Compliance Team can seek recovery of overpaid and/or mis-spent top-up. From April 2017 – February 2020 the Compliance team issued 170 assessments totalling some £140,000. To date, these assessments have related predominantly to parental error, rather than deliberate fraud. In combination with the assurance exercise described above, this low amount confirms that TFC's error and fraud rate is currently below 1% of government paid top-up.

8. Efficient service providing good value for money

The efficiency of Tax-Free Childcare (TFC) is measured by analysing the benefits the scheme delivers for its intended users (parents and childcare providers) and comparing this to its actual operational costs. An overall assessment is made to determine to what extent TFC is good value for money for taxpayers. TFC is delivered as part of the Childcare Service, which also delivers 30 hours free childcare. Therefore, for the purpose of this chapter costs, expenditure and the analysis mainly relate to both 30 hours free childcare and TFC.

Key Findings: The Childcare Service



Customer satisfaction levels increased by **20%** since 2017. From December 2019 – March 2020, customer satisfaction reached **90%**

Government spent **£236m** 'topping up' parents accounts by 20% in 2019-20 compared to **£32m** in 2017-18

Cost 'per transaction' has reduced by **£188.21** since 2017. The Childcare Service cost 'per transaction' in April 2017 was **£192.77** compared to **£4.56** in March 2020.



8.1 The Childcare Service

The Childcare Service delivers TFC and 30 hours free childcare via GOV.UK. Parents can apply for either or both schemes online, there is also the facility for customers to apply by telephone by speaking to a Customer Service agent. The Childcare Service is delivered by HMRC in conjunction with National Savings & Investments (NS&I) and encompasses all aspects of delivering and maintaining childcare support for both schemes. Customer support is provided by two contact centres. First line support is delivered through NS&I and second-line support, which deals with more complex customer cases, is delivered within HMRC.

The digital by default service is heavily reliant on HMRC's digital infrastructure, which has technical delivery constraints and associated dependencies. Another challenge of service delivery is managing customer data. TFC and 30 hours data moves securely across numerous systems during the application process, which can cause data mismatches between NS&I and HMRC, resulting in customer case progression delays, requiring manual intervention by customer service agents. These manual interventions have been reducing

over time since mid-2018 through fixes to the service. Towards the end of 2019, only a very small minority require remediation.

TFC had a phased roll-out from April 2017 and at the time of full implementation (February 2018) approximately 3% of applicants (including 30 hours free childcare applicants) experienced a delay in the application confirmation due to a technical issue. Although low, due to the volume of parents accessing the service, this generated negative media reporting mentioned in chapter 6. Since April 2018, the number of parents reporting a technical issue with the Childcare Service is consistently less than 1%. This data is not broken down between 30 hours free childcare and TFC as many parents receive both.

Where parents reported technical issues with their TFC payments that affected them financially, HMRC paid compensation and/or reimbursed them for any missed government top-up. The initial instability of the Childcare Service stemmed from the complex and inflexible IT architecture which experienced challenges in quickly and flexibly adapting to parent demand and the volume of parents' applications for 30 free hours childcare.

However, the Childcare Service adapted during the phased rollout effectively, by responding and listening to customer feedback. Significant improvements to the customer journey through the IT architecture were made, such as enabling functionality for quicker TFC payments between parent and childcare provider accounts and proving a better data journey to reduce customer information being mismatched. Initially payments from parent's accounts took several days to reach childcare provider accounts, which resulted in parents not paying their childcare provider on time. Now payments are cleared within one working day, providing assurance to parents in paying their provider punctually and resulting in a more accessible and stable customer journey. This subsequently contributed to improving customer satisfaction and the reputation of the service over time.

8.2 Customer experience

HMRC commissioned [research](#), from April 2017 to November 2019, (as detailed in chapter 4) to understand parents' and childcare providers' experiences of the Childcare Service. Surveyed childcare provider positive satisfaction rates increased from 45% in September 2017 to 68% at the final survey in November 2019 and parent positive satisfaction rates increased from 63% to 83% during the same time periods.

HMRC measure overall satisfaction with the Childcare Service, which averaged around 70% during the phased delivery from April 2017 - January 2018 and regularly reached over 90% from December 2019 - March 2020.

8.2.1 Complaints

During the phased rollout period (April 2017- February 2018), technical issues contributed to a number of complaints regarding the Childcare Service (TFC and 30 hours free childcare). From the start of the rollout period until October 2018, HMRC received 4,560 complaints³⁸ from parents who had experienced technical issues with the Childcare Service. From November 2018 to 31 March 2019, HMRC received 943 complaints³⁹ with the Childcare Service due to technical and customer service issues. The number of complaints for the period 1 April 2019 to 31 March 2020 decreased to 2,139, demonstrating a downward trend of customer issues.

8.3 Expenditure

The main government expenditure is the 20% top-up payments to parents to spend on childcare from registered providers. There is also an operational expenditure to deliver the Childcare Service to customers, for example operating two [customer helpline call centers](#) from Monday to Friday 8am to 8pm, Saturday and Sunday 8am to 4pm, and Bank Holidays 10am to 4pm. Parents incur some time costs in setting up an account, reconfirming eligibility periodically and managing any issues they may encounter. Childcare providers also incur costs to their business through training staff to administer TFC payments from parents, promoting the scheme to parents and then subsequent monthly processing TFC payments through their accounting systems.

The Office of Budget Responsibility (OBR) forecasts TFC spending (government “top up”). Figure 16 below provides a summary of actual and forecasted ‘top up’ spending. The Government recognises that ‘take up’ of TFC has been below forecasted levels, particularly for school-aged children. Consequently [Budget 2020 announced](#)⁴⁰ an improvement to the scheme enabling parents of up to 500,000 school-age children to across the UK to access TFC for the first time, by being able to pay through an external payment agent for clubs at

³⁸ PQ answer 28 Nov 2018 <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2018-11-20/193504/>

³⁹ PQ answer 11 June 2019 <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-06-04/259995/>

⁴⁰ March Budget 2020 <https://www.gov.uk/government/publications/budget-2020-documents/budget-2020>

their child's school. The Budget Measure will invest in a technical and operational change enabling this to happen for the first time.

16 Forecasted and Actual TFC 20% 'Top up' expenditure to parents

Figure 16

Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
TFC 'Top up' forecasted spend, March 2017 ⁴¹	£400m	£800m	£900m			
TFC 'top up' forecasted spend, March 2020 ⁴²				£300m	£500m	£600m
TFC Actual 'Top Up' spend	£32m	£117m	£236m			

Figure 17 below provides a summary of the forecasted spend to deliver the Childcare Service (encompassing 30 free hours childcare, along with Tax-Free Childcare) and the total actual cost of running the Childcare Service to 2020/21.

17 Forecasted and actual operational expenditure

Figure 17

Year	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Forecasted; Childcare Service Total spend	£65m	£78m	£54m	£45m	£44m	£244m
Actual cost	£56m	£50m	£49m	£41m		£238m

⁴¹ [OBR 2017 forecast](#)

⁴² [OBR 2020 forecast](#)

The Childcare Service costs per transaction has improved with time.

18 Calculated costs per transaction ⁴³

Figure 18

Selected month	Apr 2017	Apr 2018	Apr 2019	Apr 2020
Actual cost	£192.77	£9.53	£5.25	£4.56

8.4 Value for money

Following the Childcare Service launch (April 2017- February 2018) several performance and stability issues were encountered which meant some parents previously struggled to apply for and access TFC and/or 30 hours free childcare. The delivery of the Childcare Service has improved due to the number of service enhancements carried out for customers, which is evidenced through customer satisfaction feedback. The costs of delivering the Childcare Service have reduced over time, due to improvements to delivery and creating efficiencies with the Childcare Service. Additionally, the number of parents using the scheme have increased. Therefore the ‘cost per transaction’ has significantly reduced, creating better value for tax payers.

⁴³ The cost per transaction is the total childcare service operating costs (childcare service operations paybill, IT service support costs, NS&I operational costs for TFC and 30 hours) per month divided by the number of total transactions (reconfirmations, applications, CCP payments, withdrawals plus parent payments), per month.

9. Conclusion and recommendations

This Post Implementation Review has drawn on a range of evidence to consider the performance of TFC, which is measured against six performance indicators identified in the Impact Assessment⁴⁴ and detailed below. As previously mentioned in the introduction, this report examines the time period April 2017-March 2020, which is prior to the coronavirus pandemic, which has impacted access to and delivery of childcare across the UK. It has also had a significant impact on parent take up of the scheme.

The analysis from April 2017 – March 2020 has demonstrated that the policy has achieved its objectives over time and that these remain appropriate. It also shows that take up of the scheme, although below original forecast levels, has steadily increased over the period covered by this review.

However, improvements to the operational delivery of the scheme, further action to improve parental awareness and understanding of TFC, action to address barriers affecting take up and the overall complexity of Government support for the costs of childcare could further enhance delivery of TFC. HMRC are looking at ways to reduce costs per transaction as they continue to work with their delivery partners. Each performance indicator below gives further insight into what extent this policy is meeting its objectives.

9.1 Performance Indicators Summary Assessment

Parent take up

An estimated 1.3 million families have qualifying childcare and are eligible for TFC. Although take up of the scheme has not been as high as anticipated it continues to be on an upward trend. 218,000 families used TFC for 258,000 children in March 2020. This compares with 125,000 families for 151,000 children in March 2019. Take-up in Northern Ireland, Scotland and Wales has been lower than hoped but has doubled year on year in all three countries from 2017/18 to 2018/19, and to 2019/20.

Take up of the scheme is also likely to increase following the governments' Budget 2020 announcement (detailed in chapter 4), which will allow parents of up to 500,000 school-aged

⁴⁴ Impact Assessment 2017 Tax-Free Childcare <https://www.gov.uk/government/publications/tax-free-childcare-impact-assessment-march-2017>

children across the UK to access TFC for the first time, by being able to pay through an external payment agent for clubs at their child's school.

An existing barrier to TFC take-up is the continued existence of childcare vouchers. TFC was introduced to replace childcare vouchers, which closed to new entrants in October 2018 and are not transferable to another employer. TFC is available to all employees and the self-employed where the eligibility criteria are met. There were 920,000 individual recipients of Employer Supported Childcare in 2018-19 (published in the Income Tax non-structural reliefs⁴⁵) the majority of which received childcare vouchers. Full closure of the childcare voucher scheme could lead to many more families transferring to TFC if eligible to do so.

Positive parent experience

The experience of using the Childcare Service for parents has significantly improved since the rollout phase (April 2017-February 2018), due to operational and technical service enhancements and has been steadily improving since then. From December 2019, customer satisfaction scores have regularly achieved over 90%⁴⁶.

The research, stakeholder feedback and communications activities also echo this trend. The customer experience research which took place over five stages between September 2017-November 2019 reported an increase in customer satisfaction of 19% over the two year period, from 65% in 2017 to 84% in 2019.

Positive childcare provider experience

The customer experience research on childcare providers also reported an increase in customer satisfaction from 45% when the survey began in September 2017 to 68% at the final survey in November 2019. Childcare provider participation is instrumental in TFC take-up. There are over 74,000 childcare provider businesses signed-up for TFC.

Positive reputation of TFC

The media coverage, digital and social media analysis demonstrate how pro-active communications activity contributed to increased engagement and understanding of the scheme, evidenced through spikes in digital traffic to the childcare choices website, social media interactions and direct feedback from parents after the campaign. However, this is not intrinsically linked to increased participation rates in the scheme.

⁴⁵ [Income Tax non-structural reliefs](#)

⁴⁶ Customer satisfaction analysis has been carried out between April 2017-March 2020.

Stakeholder engagement activity analysis echoes the path of customer satisfaction, with perception of the scheme over time improving.

Minimise error and fraud within TFC

HMRC estimate levels of error and fraud within the Childcare Service (TFC and 30 hours free childcare) to be 0.27% of entitlement. This is primarily due to the way the system has been designed with automated eligibility checks, allowing for manual interventions where necessary. Where errors were found the Compliance Team sought recovery of overpaid and/or mis-spent top-up. From April 2017 – February 2020 the Compliance team have issued 170 assessments totalling some £140,000. To date, these assessments have predominantly related to parental error, rather than deliberate fraud.

Efficient service providing good value for money

The calculated cost per transaction (cost-effectiveness) of the delivery of the Childcare Service (including TFC and 30 hours free) has significantly decreased since the service was launched, from £192.77 in April 2017 to £4.56 in April 2020 per transaction. This is due to the operational and technical improvements which have been delivered to improve the customer experience.

As operational expenditure has reduced and take up has increased with more parents using the scheme, this has enabled economies of scale to be delivered. It is estimated this trend will continue creating higher value and impact for tax payers as more parents participate in the scheme.

Impact on the labour and childcare markets

Government support for childcare has encouraged labour market participation with working family focussed policies, including TFC. However, there continue to be challenges for working families, such as support for working mothers and low-income families, as well as gender equality issues, evidenced below.

“Three in five (60%) non-working mothers in England said that if they could arrange good quality childcare that was convenient, reliable and affordable, they would prefer to go out to work, which was in line with 2018 (59%)”.⁴⁷

⁴⁷ Childcare and early years survey of parents in England: 2019
<https://www.gov.uk/government/statistics/childcare-and-early-years-survey-of-parents-2019>

“lack of affordable, flexible childcare is a key factor holding people in poverty as families are unable to increase their working hours and are more reliant on informal childcare. The percentage of working families with four or more children who are in poverty rose from 35% in 2013/14 to 51% in 2017/18”.⁴⁸

While progress has been made, gender inequalities in employment remain; the female employment rate now stands at 72 %, around 8 percentage points lower than men (80 %), with 40% of women working part time compared to 13% of men Additionally, of those who are economically inactive due to caring for their home or family, nearly 90% are women⁴⁹.*

Whilst TFC reduced the cost of childcare for eligible parents, it was not found to be a fundamental driver to change parents’ working patterns, but the policy did influence the decision making for some families to return to work or not. It acted as a financial incentive and made working financially viable. It also gave more flexibility to parents enabling them to change jobs easily without losing access to TFC and supported self-employed parents who previously were not able to access childcare vouchers.

9.2 Recommendations

1. Further work on publicising TFC across the UK should be carried out, especially with targeted stakeholder bodies. There continues to be confusion and misunderstanding about the scheme, in part due to the many different offers of government support and eligibility criteria among different schemes. Targeted engagement, communications and marketing activity has proven to help understanding and further work in this area should continue, such as providing greater clarity and understanding of childcare offers by enhancing the Childcare Choices website and services to childcare providers.
2. Customer journeys through the Childcare Service should continue to be improved. This includes developing better automated emails to parents giving them information on their application status and making the service compatible with external payment agents, as announced at [Budget 2020](#).⁵⁰

⁴⁸ J UK Poverty 2019/20 Joseph Rowntree Foundation’ Annual Report <https://www.jrf.org.uk/report/uk-poverty-2019-20>

⁴⁹ UK labour market: February 2020 <https://www.ons.gov.uk/releases/uklabourmarketfebruary2020>

⁵⁰ March Budget 2020 <https://www.gov.uk/government/publications/budget-2020-documents/budget-2020>

3. Continuously improve the Childcare Service through cost efficiencies by reducing the customer transaction cost, saving money for tax payers.
4. Consideration should be given to assess the impact of closing childcare vouchers, which TFC was brought in to replace. Whilst closed to new entrants, childcare vouchers are still widely used. While the voucher scheme continues to be available for parents, a portion of parents otherwise eligible for TFC are unlikely to take it up.
5. Technical guidance on TFC should be published and accessible via GOV.UK to help childcare providers administer the scheme and provide greater support to key stakeholders leading childcare bodies.