

MAYOR OF LONDON

**CHILDCARE DEPOSIT
LOAN SCHEME
TOOLKIT**



**DEVELOPED IN PARTNERSHIP WITH
GINGERBREAD**

FOREWORD

Affordable, quality early years education and childcare is crucial to London's social and economic infrastructure. It enables parents to work, improves children's outcomes and helps narrow the gap between disadvantaged children and their more affluent peers. Not only are the ongoing costs for childcare prohibiting families from accessing the support they need, the upfront cost of starting a childcare arrangement is also a major barrier for many families to entering the workforce in the first place. I'm delighted that we are leading the way in giving GLA parents support to cover these costs and I urge other employers to follow our lead.

The Mayor is working with partners to increase the access to, and affordability of quality early years education and childcare in London, especially among more disadvantaged groups (low income families, single-parent families and some ethnic minority communities), many of whom currently don't use the government-funded early years places available to them. This work includes improving access to quality early education, identifying more space for childcare provision and helping to improve the skills of those working in the sector.

The Mayor's report on [Early Years in London](#) includes data on whether the quality of, and access to early education and childcare in London is improving and provides an overview of what City Hall is doing to support the sector and London's families.

Joanne McCartney, Deputy Mayor for Education & Childcare

INTRODUCTION

London must be a city of opportunity for all, and it is unacceptable that parents are being locked out of the workplace because of crippling childcare costs. I'm pleased that we have been able to introduce a childcare deposit loan across the GLA, giving working families a helping hand, but we need more of the capital's employers to follow our lead.

I've pledged to work with employers to make childcare more affordable and accessible, with a strategy that delivers for business and workers across London. The benefits of accessible, good quality childcare are clear all round – parents will be able to return to work, children will have more access to quality early years education and employers will be able to reap the benefits of having skilled and eager parents back in the workplace.

*Sadiq Khan
The Mayor of London*

Helping parents with the upfront costs of childcare when they start work is a brilliant move that Gingerbread and London's single parents called for in the last Mayoral election. Thousands of London's single parents are being locked out of work due to the prohibitive cost of childcare and this scheme offers genuine support to parents who want to work. We welcome that the Mayor of London has made this available to all GLA workers, and we are keen to work with him to persuade all employers to offer a similar scheme to help parents with the high cost of childcare in London. A childcare deposit scheme should be as commonplace and easy to access as cycle to work schemes or season ticket loans and we look forward to working with the Mayor to see this happen for all parents across the capital.

*Dalia Ben-Galim
Policy Director at Gingerbread*

How to use this toolkit

This toolkit is aimed at employers in all sectors in the capital who want to support their employees with the cost of childcare in London (which is a third higher than the cost of child in the rest of the UK). The toolkit contains:

- About childcare in London
- Information about this scheme
- Guidance on how an employer might implement it in their organisation
- Case studies by employees and an employer
- Frequently Asked Questions
- Sample templates

ABOUT CHILDCARE IN LONDON

Affordable, quality early education and childcare improves children's outcomes and enables parents to work. The lack of affordable, flexible and high-quality childcare is having a significant impact on families in the capital. It often locks second earners (usually mothers) out of the jobs market or prevents them from taking up more hours and progressing in their careers, to the extent that London's maternal employment rate is nearly ten percent lower than the rest of the country. ¹

London families also require more hours of childcare than the rest of the country because London families tend to have longer commutes and live further away from their extended families, meaning that there are fewer opportunities for informal childcare. ²

Nearly one in two mothers who are unemployed said that childcare is a key obstacle to getting a job, and one-in-five mothers think childcare is a barrier to getting more or higher quality work. ³ Expensive, scarce childcare and the pressure it puts on parents' earnings contributes to some of the highest child poverty rates in the UK (37 per cent).⁴ Childcare is even more challenging for single parents in London who spend roughly half their take home pay on a nursery place.⁵

Prohibitive upfront costs of childcare

Not only are the ongoing costs for childcare prohibiting families from accessing the support they need to (re)enter the workforce, the upfront cost of starting a childcare arrangement is a major barrier for many families. Often a deposit, an administration fee as well as the first month's fees are required to be paid in advance to secure a childcare place, before a pay cheque is received. In London this payment is usually between £1,000 to £2,000 depending on the type and location of childcare; a prohibitively expensive amount for many low income or single-parent families. Based on a survey of childcare providers by Citizen's Advice, 90 per cent of childcare providers charge upfront costs to register a child for childcare.⁶

1 Early Years in London, GLA March 2018

2 The Future of childcare in London IPPR, 2016

3 2015 Childcare Cost Survey, Family and Childcare Trust

4 London Poverty Profile, 2017

5 Up-front: a childcare deposit guarantee, [Gingerbread](#) 2017

6Citizens Advice Bureau (2014) The practicalities of childcare: an overlooked part of the puzzle? CAB. Childcare Deposit Loan Scheme Toolkit

ABOUT THIS CHILDCARE DEPOSIT LOAN SCHEME

The childcare deposit loan scheme (CDLS) will provide a loan to employees who need to secure a childcare place for their child. Much like a season travel ticket, a bike loan or a study loan it is interest free and paid back in equal instalments from the borrower's salary.

HOW TO IMPLEMENT A CHILDCARE DEPOSIT LOAN SCHEME

Each employer will have different processes for delivering a scheme like this, and it is recommended that this loan sits within the design of the employer's own human resources and finance processes and procedures.

Things to consider when developing your scheme:

Loan criteria: who can access this loan?

- Open to all directly employed staff who need to arrange a childcare place

Set restrictions on payment

- Restricted to childcare fees that are paid in advance (i.e. a lump sum)
- Childcare provider/childminder needs to be Ofsted registered
- Evidence of childcare place and registrations fees are required

Set the terms and conditions

- Interest free
- The amount loaned will depend on the amount of any other loans the staff member has with their employer already
- Repaid in an agreed number of equal instalments (commonly 11, but it can be less or more as long as it is agreed to by all parties).

WHO IS OFFERING THIS LOAN?

This scheme is currently offered to all employees in the GLA Group which includes: The Greater London Authority, the Mayor's Office for Policing and Crime, London Fire Brigade, Transport for London, the London Legacy Development Corporation, the Olympic Park Development Corporation and the Metropolitan Police Service. A growing number of London's local authorities are offering the loan including Brent, Southwark and Waltham Forrest with several more considering it.

CASE STUDIES: EMPLOYEE & EMPLOYER

CASE STUDY 1

Graduate, Operations and Maintenance Engineering, Rolling Stock London Underground / Chief Operations Office

As a single mum who moved to a new town with family living abroad, I struggled with childcare as there are no free options available. Things are especially difficult during the long summer holiday. The childcare deposit loan allowed me to secure a place for my son at a holiday club. It's great, as it helped me financially to afford the deposit and allowed me to spread the cost of this over the loan period of ten months. It was also simple to apply for.

I don't know anyone else who works for a company offering this loan, but I'd definitely recommend it to others.

CASE STUDY 2

Senior Borough Programme Officer, Borough Projects and Programmes Surface Transport Planning

Whilst reorganising my finances I was having a look at employee benefits for working at TfL and came across the Childcare Deposit Loan. My son is at nursery and I had to pay weekly as I could not finance the deposit to be able to pay monthly. Taking out this loan from TfL allowed me to switch to monthly payments which has really helped me financially.

It was quick and straight forward to apply for the loan and I had the deposit money in my bank account in less than two weeks as my request was in time for that month's pay run.

I mentioned it to my son's Nursery Manager, who'd never heard of such a scheme before and thought it was a great idea. It's a fantastic benefit for any working parent and really helps with getting to grips with childcare costs, which can come as a bit of a shock to new parents. I'd absolutely recommend it and have done so to several colleagues already.

CASE STUDY 3

Early Years Manager

London Borough of Brent

The Early Years Service, who have responsibility for childcare in Brent found out about the Mayor's new Childcare Deposit Loan scheme in June 2017. From anecdotal feedback, we knew the impact of the cost of childcare on families in the borough was high. This motivated us to approach Brent Council's Human Resources team to consider providing a similar loan to staff to help with the cost of securing a childcare place.

We made the business case to the Finance Director and the Corporate Management Team, highlighting that the scheme would complement other local schemes such as childcare vouchers, as well as the government-funded 30 hours of free early education. We also pointed out that this would be a chance for Brent to show leadership around what a good employer looks like and support their staff with the cost of childcare – a recognised driver of poverty in the capital. It would also strengthen recruitment and retention of staff for the council.

Management approved the proposal in October 2017.

There followed a significant amount of discussion between HR, Legal and Finance teams regarding administration of the scheme and where responsibility for this would sit. We agreed that promotion of the scheme sits with the early years teams. Parents and carers apply at their department level and payroll ensured the salary deductions to repay the loan were made.

In February 2018 we launched this scheme at the Employee Health and Wellbeing Day. We promoted it through internal communications and in manager e-newsletters; through messages from the Operational Director acknowledging the fact that Brent was 'setting the agenda for other Councils in supporting family friendly practice'. Intranet pages were updated, and the Childcare Deposit Loan Scheme is now listed among the other employee benefits available to Brent staff on intranet pages.

FREQUENTLY ASKED QUESTIONS

What if it costs more than £1,500 (the average upfront payment) to secure a childcare place?

The limit that is loaned through the Childcare Deposit Loan Scheme (CDLS) is the decision of the employer. There is no fixed amount and it should be subject to discussion with HR and finance colleagues. £1,500 to secure a childcare place is an estimate and may vary from provider to provider.

What evidence should be required as proof of arranging the childcare place?

An invoice (or similar) that clearly states the required sum to be paid to the OFSTED registered provider for a childcare place.

Is it just parents and carers that can access this loan?

This is usually the case, but ideally the CDLS should be open to anyone who needs help to secure a childcare place for their child/child they are responsible for.

Is this open to all staff - contract, fixed term and temporary as well as permanent?

This will depend on the criteria in general for lending to employees, which will differ from organisation to organisation.

Is this loan just for early years education and childcare, or can it be used for older children?

It ideally should be available for anyone who needs to organise childcare for their child – it can be used for older children, for holiday cover or for before or after school care (see case studies 1 & 2).

What if my employer doesn't have a benefits framework to support the delivery of this loan?

Employers don't need a benefits framework to deliver this loan, they just need the capacity to deduct repayments from an employee's salary with their permission. See [here](#) for information on how to do this.

What processes should be put in place to prevent fraud?

This loan should be subject to all the compliance and anti-fraud policies and practices that already exist in an organisation.

How do you administer the scheme?

This will depend on how an individual organisation is structured but usually an employee completes the application form, obtains required approval from the appropriate manager before submitting to the agreed department, payroll/Finance make the salary deductions.

How do you receive data on deductions?

Finance submit the application to Payroll who set up the loan for agreed monthly deductions. Payroll may then submit regular loan reports to Finance which show the loan balance outstanding for each employee

What if someone goes on nil pay, or on maternity leave before they have repaid the loan?

The loan is deducted as long as staff receive net pay so if there is insufficient net pay for whatever reason, it may not be possible to recover the loan in that payroll. If staff leave and there is a balance on the loan, the balance may then be deducted from their final pay. If the loan exceeds their final net pay, the HR team may write to them to recover the balance due.

Is it an outstanding balance that you recover in full, if someone leaves?

Yes, it is the outstanding balance that is recovered.

Are there any tax implications in giving an interest free loan?

As long as employer loans to the employee do not exceed £10,000 at any point in time there are no tax implications. (see [HMRC guidance](#) for more details)

Is this a salary sacrifice process?

It is not a '[salary sacrifice](#)' scheme, just a loan that is repaid in full by the employee. Employers can offer interest free loans for various reasons, most common is a season ticket loan for travel. The CDLS is set up by the employer in the same way as other interest free loan schemes such as this.

Doesn't Universal Credit pay for childcare for people on low incomes?

Universal Credit only pays for 85% of childcare costs and pays claimants in arrears leaving many people on lower incomes unable to pay for upfront childcare costs.

Won't loan repayment deductions from monthly wages affect the amount of Universal Credit an employee receives?

No. The amount of Universal Credit someone receives each month is calculated based on gross pay and won't be affected by loan repayment deductions. For more information see [here](#).

Can an employee have more than one loan? (for example: multiple children at different holiday clubs or childcare providers?)

This will depend on how loans are offered in an organisation, but yes, as long as the evidence criteria is met, and it is agreed that the staff member's salary can cover the cost of the repayments.

A. Personal Details

Surname:	First name:
Payroll number:	Directorate & Service Area:
Home address:	

B. Childcare Provider details

Name of Childcare Provider:
Address of Childcare Provider:
OFSTED Unique Reference Number (URN):

C. Loan details

Amount of loan required: £
Details of childcare fees to be paid (e.g. (e.g. registration fee, administrations fees):

D. Conditions of Loan

The loan is for purposes of paying for up-front childcare fees to an Ofsted registered childcare provider and is made subject to the general conditions set out in Appendix A.

E. Application and Authorisation to Deduct from Salary

If my application is accepted I agree to repay this loan by deductions in eleven equal monthly instalments from my salary, commencing the first salary payment after receipt of the loan.

I will provide Financial Services with invoices and evidence of payment within 10 working days of payment. Failure to submit proof of payment will result in the loan being recovered in the next available payroll.

I agree for the outstanding balance of the loan to be deducted from my salary without notice, if I cease, for whatever reason, to be an employee of the [*name of employer*], if I am reimbursed by the childcare provider for any reason or fail to provide proof of payment to [*name of employer*] Financial Services

Signed:..... Date:.....
(Loan Applicant)

Authorisation – Finance

(To be completed by the Chief Accountant/Finance Manager – Finance)

I authorise the loan of £..... to the applicant for purposes of paying for up-front childcare costs.

Signed:..... Date:.....

EXAMPLE Conditions of Childcare Deposit Loan Scheme EXAMPLE

1. The *[name of employer]* offers staff an interest-free loan to help pay for up-front childcare fees that have to be paid in advance. The maximum interest-free childcare fees loan will not exceed £ *[insert agreed amount]*.

2. All employees are eligible to apply for the loan provided that their employment with *[name of employer]* is permanent and they are expected to remain in service for the following year. Employees on fixed-term contracts may be eligible if their employment is expected to last for at least one year after approval of the loan. Advice is should be sought from Human Resources.

3. Employees transferred to the *[name of employer]* from other organisations under the provisions of TUPE and remaining on their existing terms and conditions will only be eligible to receive a loan if their terms and conditions explicitly offer such a staff benefit.

4. Employees appointed on *[name of employer]* terms will be entitled to receive interest-free loans.

5. The loan will be made in one payment with the applicant's salary. Under current HM Revenue & Customs rules, provided the aggregate of all interest-free loans provided by the *[name of employer]* does not exceed £*[insert relevant figure]*, it will be treated as a tax-free benefit.

6. The loan will be recovered in eleven equal instalments from salary payments. The first repayment will normally be deducted in the month following that in which the loan has been paid.

7. Employees who require a loan should complete and return a signed copy of the childcare loan application form to the Financial Services Unit, *[insert location]*. Applications must be made at least one month before payment of the loan is required. Applications by new employees may only be made on or after the start date of employment.

8. Within 10 working days of paying the childcare fees the employee must present formal confirmation to the Financial Services Unit *[comparable department]* in the form of an invoice from the childcare provider and evidence of payment such as a copy of a bank statement or credit card receipt.

10. If for any reason the childcare fees are reimbursed the full amount of the outstanding loan must be repaid to *[name of employer]*.

11. Any outstanding balance on the loan will immediately become repayable without notice and will be set off against salary, death gratuity, other pension benefits, or other payments due if the employee ceases, for whatever reason, to be an employee of *[name of employer]*.

12. If the outstanding balance is not recovered in the manner described at paragraphs 6, 10 or 11 above, the [*name of employer*] reserves the right to demand and enforce repayment at any time.

13. Employees using the loan for a purpose other than the purchase of childcare fees or applying for an amount higher than the childcare fees incurred, will be subject to disciplinary action under the [*name of employer*]'s Disciplinary Procedure [*equivalent process*].