

Childcare Vouchers

Effective from September 2006

1. Policy Statement

The Council is committed to helping employees achieve an effective work-life balance. The Council supports Childcare Vouchers as an efficient way of helping working parents to pay for childcare.

2. Who does this procedure apply to?

The procedure applies to all employees other than:

- school based staff

Staff within schools may be covered by this procedure where the school uses the NCC/MBS HR and payroll service.

3. What are the principles?

The Council will offer eligible employees the opportunity to purchase Childcare Vouchers using a salary sacrifice scheme. Salary sacrifice means that an employee formally agrees to a reduction in their salary and instead receives that amount of salary in childcare vouchers.

4. What is the law?

Childcare Vouchers are regulated by the Inland Revenue. The arrangements for the scheme will vary in accordance with changes to Inland Revenue regulations.

5. How can Childcare Vouchers be used?

The employee can use Vouchers to pay for the type of childcare they choose for their child. However, the childcare selected must be a legally registered or approved form of childcare. This includes:

- Nurseries;
- Nannies/Nanny share;
- Crèche;
- Playgroups;
- Registered Childminders;
- Out of School Schemes;
- After School Clubs;
- Holiday Play Schemes.

To benefit from the Tax and National Insurance exemption your chosen child care provider must hold either a current registration certificate with a URN reference number or an approval certificate with an expiry date and reference number. The approval organisations include the following:

- OFSTED
- Nestor Primecare Services

The Department for Education and Skills (DfES) through the SureStart Unit run an approval scheme that provides recognised national status for individuals providing childcare that is not otherwise required to register and is provided in the child's own home or, for children aged over 7, on other domestic premises. For more information please visit <http://www.childcareapprovalscheme.co.uk/>

The Voucher cannot be used to pay a spouse, partner or relative to care for the child. Employees who are grandparents, for example, cannot apply for Vouchers to pay for the care of their grandchildren.

Vouchers can be used to pay for childcare up until the child's 15th Birthday. For children with disabilities it is up until their 16th Birthday.

The childcare provider must be willing to accept vouchers.

6. How do Childcare Vouchers work?

The Council operates the Childcare Vouchers scheme through a Voucher management company called Accor.

The scheme is a Salary Sacrifice scheme which means an amount equivalent to the Childcare Vouchers will be deducted from the employee's salary on a monthly basis. Employees must therefore decide on the amount of vouchers that they will need each month. Employees will make a saving on childcare costs as the first £55 per week, or £243 of vouchers each month, will be free from both Tax and National Insurance contributions.

Savings will vary depending on employees' earnings, costs of childcare and the type of NIC's paid. For further information and to calculate how much can be saved by electing to receive vouchers visit <http://www.childcarevouchers.co.uk>

This amount will remain the same for one year, unless varied in accordance with the arrangements below.

If the employee has children in part time care for example school holiday care, s/he will need to budget over the course of the year so that they have saved enough Vouchers to pay for holiday care by the time holidays arrive.

Employees can purchase Vouchers for more than one child, and more than one childcare provider as long as the amount purchased does not exceed the maximum level. Both a Mother and a Father who work for the Council can purchase vouchers.

7. Can the amount of Vouchers received be varied?

Employees can change the amount of Vouchers received once per year on the anniversary of their application. It will not be possible to alter Voucher

requirements on a monthly basis other than in the circumstances detailed below at the Council's discretion.

It is therefore important for the employee to think about how much they would need when they apply.

The Council will allow employees to change their requirements if they experience a major lifestyle change. Examples include: if a parent becomes pregnant, is absent from work on a long-term basis or a partner is made redundant, or if an employee moves to part time hours. The employee should contact HR Support Services in these circumstances to discuss whether they are able to change requirements.

If the employee overestimates how much they will need and have Vouchers that they will not use, they can claim a refund once a year on the anniversary of their application or if they leave the Council's employment. To do this, employees should contact HR Support Services. However they will have to pay the National Insurance saving and the tax saving back.

Employees can leave the scheme at any time by notifying HR Support Services.

8. Salary Sacrifice Scheme – key considerations

Tax Credits

Entitlement to the childcare element of Working Tax Credit, which provides specific support related to childcare costs, will in most cases be affected. Employees in this situation should explore possible entitlement to tax credits first before considering Vouchers as it is possible that there is a greater benefit in tax credits than in Voucher saving. It is possible to claim tax credits in addition to Vouchers but with the important consideration that any childcare costs met by Childcare Vouchers are not eligible for tax credits. For more information on Tax Credits go to www.taxcredits.inlandrevenue.gov.uk or call 0845 3003900.

Student Loan repayment

Salary sacrifice may have an effect on student loan repayments. These are only activated above a set amount of earnings and if the earnings are lowered the repayment may not need to be made. For more information go to www.slc.co.uk or call 0800 405016.

Pension

Employees' pensionable pay will not be reduced by receiving Childcare Vouchers as it will be calculated using the employee's 'notional' salary (this is the full salary value before deduction for Childcare Vouchers). Members of the Local Government Pension Scheme can contact the pensions section on 01604 236527 for more information.

Occupational and Statutory Benefits

Childcare Vouchers can have an impact on occupational and statutory benefits such as maternity, sickness and redundancy.

Where these benefits are paid by the Council, such as Occupational and Statutory Maternity Pay, Sick Pay and Redundancy Pay, the entitlement to the

payment will be calculated using the employee's 'notional' salary (this is the full salary value before deduction for Childcare Vouchers). Employees can therefore continue to take Childcare Vouchers, only opting out of the Scheme when their pay falls to a level where there is no financial advantage in taking Vouchers.

However, where the benefit is not paid by the Council, such as Maternity Allowance or Sickness Benefit, these benefits could be adversely affected. Employees may therefore need to consider opting out of the scheme before the date used to calculate the rate of the benefit payment.

Contact HR Support Services for further advice.

9. How much of my salary can I take in Vouchers?

You may take up to £55 per week (£243 per month) of your salary in Vouchers. However it is a requirement that you are still earning the National Minimum Wage in cash after you have taken your Vouchers. The amount requested cannot exceed 35% of your salary.

10. How do I apply for Childcare Vouchers?

To apply for Childcare Vouchers you will need to:

- Download the Childcare Voucher application form from the HR Intranet or contact HR Support Services.
- Complete the application form and return to HR Support Services.

If you have any queries on the policy, please contact HR Support Services on 01604 237337.

11. How do I initiate payments to my chosen carer?

The Council is offering a Childcare Vouchers Direct scheme which is a secure internet and telephone service. Once we receive your application form, Accor will send you a Parent Pack. The Parent Pack contains everything you will need, including a Carer Pack (which you need to send directly to your carer) which contains the information your carer needs to enrol and operate the scheme.

Your parent pack will include your account details and a letter explaining how to proceed. A membership card will be sent later. This will allow you to access your account 24 hours a day, 7 days a week. Your account is credited with the value of your Childcare Vouchers – you then initiate payments to your carer, using their own unique account number. Please visit

<http://www.childcarevouchers.co.uk> for more information or contact HR Support Services on 01604 237337.

12. Policy Review

This policy will be reviewed by Human Resources when Inland Revenue regulations change and/or every 3 years whichever is the sooner.