

CHILDCARE VOUCHER SCHEME

1 Introduction

- 1.1 CHS, in conjunction with Computershare, has introduced a way for working parents to meet some of the costs of childcare under a Childcare Vouchers scheme.
- 1.2 The Childcare Vouchers scheme is a formal arrangement whereby an employee can elect to substitute part of their salary and in return receive Childcare Vouchers, which are exempt from Tax and National Insurance. The Childcare Vouchers can then be used to pay for the childcare services that they use.

2 Key Features of the Scheme

- 2.1 Employees participating in this scheme have to agree to give up or “sacrifice” an agreed amount of their monthly gross salary, in exchange for receiving childcare vouchers which have a face value that is equal to the salary that they have “sacrificed”.
- 2.2 In addition, an employee is required to enter into an agreement with CHS to change their employment terms and conditions. This means that they give up the right to receive their full salary and instead, the employee and CHS agree that the employee will be entitled to receive a reduced payment of salary plus the agreed value of Childcare Vouchers. The total value of pay that the employee receives will remain the same.
- 2.3 Within specified limits, the amount of salary sacrificed is non-taxable and exempt from National Insurance contributions. So employees are using some of their income tax and NI contributions to meet some of their childcare costs¹. This represents a saving for staff who receives childcare vouchers, as part of their total employment package.
- 2.4 If an employee joins the scheme they are able to sacrifice whatever amount of their salary that they choose, up to a maximum amount, £243, per month.²
- 2.5 If an employee participates in this scheme, on pay day they will receive a reduced monthly salary and on or around the 20th of the month they will receive the specified amount of childcare vouchers.
- 2.6 Employees can elect to set up a contract with Computershare or can buy their vouchers on a month by month basis.

¹ Paying less Tax and NI can have an impact on certain statutory entitlements. This is covered further on in this Procedure

² Amount quoted is correct for the tax year 2006/07 but may change in the future.

3. Eligibility

3.1 This procedure applies to all categories of CHS staff and includes full-time, part-time, permanent and fixed term employees. The employee must be:

- i) The parent of, or have parental responsibility for the child(ren) in respect of whom the Childcare Vouchers will be used to provide childcare; and
- ii) Responsible for selecting the individual, organisation or institution that will provide childcare facilities, and ensuring that they are registered or approved.

3.2 Childcare vouchers can be used for children up to 16 years of age.

3.3 The “salary sacrifice” arrangement, under which an employee receives Childcare Vouchers as part of the total pay they receive from CHS, reduces the amount of cash salary they receive. As the minimum wage is calculated on this cash amount, the total value of the Childcare Vouchers an employee receives under the “salary sacrifice” arrangement must not reduce the hourly rate below that of the minimum wage.

3.4 Each employee is therefore entitled to “sacrifice” up to the capped amount per month, provided that, after their salary has been reduced, the level of salary is still above the minimum wage. This is essential so that employees do not lose their entitlement to certain state benefits and is a prerequisite of joining the scheme.

3.5 Childcare Vouchers can only be used with registered or approved childcare. Any carer or childcare facility that is not registered with the Care Commission in Scotland cannot be paid with Childcare Vouchers so it is important that an employee confirms that their childcare provider is registered or approved and that they are happy to be paid in this way. There is no charge to the employee’s chosen carer(s) for participating in the scheme.

3.6 Registered and approved childcare includes:

- Registered childminders, nurseries and play schemes.
- Out-of-hours clubs on school premises run by a school or local authority.
- Childcare schemes run by school governing bodies under the ‘extended schools scheme’.
- Childcare schemes run by approved providers, for example an out-of-school hours scheme or a provider approved under a Ministry of Defence accreditation scheme.
- Childcare given in the child’s own home by (or introduced through) childcare agencies, including sitter services and nanny agencies, which must be registered (not a relative).
- Approved foster carers (the care must be for a child who is not the foster carer’s foster child)

3.7 Employees can find out if their child carer is registered by contacting The Care Commission on 01382 207 200 or checking the list of registered child carers on www.childcarelink.gov.uk.

4. Procedure for joining the Childcare Vouchers Scheme

4.1 If an employee wishes to participate in the Childcare Vouchers Scheme, they should contact the provider on 0845 002 1111. Computershare will send out a Parent Information Pack. Alternatively, the Parent Information Pack can be downloaded from the Website/Intranet. An employee should read the information pack along with this procedure document and make

sure that they have made any further personal enquiries necessary to ensure that they fully understand all the implications for their own situation.

4.2 If an employee wishes to proceed, they should complete and sign the appropriate Computershare, Childcare Voucher order form and this should be returned directly to Computershare for approval by the 1st of the month. Membership of the scheme will commence from the 1st of the following month.

4.3 An employee can elect to receive their vouchers via:

- Paper Vouchers
 - Receive the vouchers directly to their home,
- Redeem Direct
 - Opt out of receiving Paper Vouchers by post
 - Computershare pay carers direct into their bank account
- E-vouchers
 - Receive the e-vouchers on Computershare website
- Autopay
 - Computershare pay the carers direct with ongoing carer payments

4.4 There is a separate order form which relates to the method by which the employee wishes to receive their vouchers.

4.5 If the form and agreement is received after the 1st of the month then the employee will become eligible to join the scheme the month after. For example, if the form is submitted by 1st July then the employee will join the scheme with effect from 1st August. If the form is received after 1st July then the employee will join the scheme with effect from 1st September.

4.6 The order form includes an agreement whereby CHS and the employee agree to vary the terms and conditions of employment. Membership of the scheme cannot commence until an employee signs this agreement. CHS will receive a copy of the agreement which will be held with the employee's contract of employment.

4.7 The information from the form will be used by Computershare to add employees to the scheme and, in the month that it takes effect, the employee's gross salary will be reduced by the amount of Childcare Vouchers they have asked for.

4.8 Employees will receive their reduced salary on 1st of the month and will receive their vouchers on or around the 5th of the month in the format they have requested them, i.e. paper vouchers etc. Childcare Vouchers can be used as soon as they are received.

4.9 In addition, when an employee joins the scheme their childcare provider will also receive introductory information on the scheme.

5. Impact on other benefits

5.1 If an employee joins this scheme and enters into a 'salary sacrifice' arrangement then entitlement to CHS benefits, such as occupational pension, overtime, occupational maternity/adoption/paternity pay and occupational sick pay, will continue to be calculated on the employee's 'notional salary' i.e. the amount of gross salary they would have received before the amount of Childcare Vouchers is deducted.

- 5.2 However, statutory benefits such as Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), etc., will normally be calculated based on your actual (lower) salary. SMP is calculated on the amount of average earnings during the 8 week period, 15 weeks prior to the expected week of confinement. If an employee has entered into a salary sacrifice arrangement which covers this 8 week period this will reduce their entitlement to SMP. Employees should carefully consider whether they should take Childcare Vouchers during this period and should contact the Human Shared Services Team for further information.
- 5.3 If an employee is claiming Working Tax Credits, it is advisable that they check with their local tax office on the impact of taking Childcare Vouchers. The telephone number for the Working Tax Credit Helpline is 0845 300 3900.

6. Leaving the Scheme

- 6.1 If an employee wishes to withdraw from the scheme altogether, they can do so at any time.
- 6.2 If an employee wishes to withdraw from the scheme they can either:
- Stop sending their monthly order form to Computershare, if they order their vouchers and enter into the “salary sacrifice” arrangements for each pay period.
 - Notify Computershare in writing by 15th of the month if they have entered into an agreement lasting longer than one month. The termination of the salary sacrifice will take effect from the following pay date.

7. Changes in Circumstances

- 7.1 Where an employee’s circumstances change and as a result of such a change, they need to reduce or increase the amount in childcare vouchers that they receive, then such changes will need to be notified and agreed between the employee and Computershare in writing in order to comply with government legislation.
- 7.2 These changes of circumstances can include where the employee(’s):
- child starts school and no longer needs childcare,
 - job or hours change,
 - partner’s job or hours change,
 - becomes pregnant or
 - childcare provider changes
- 7.3 The employee should write to Computershare to amend the level of childcare vouchers they receive and to vary their terms and conditions of employment, by completing a revised order form, by the 15th of the month. The change will take effect from the 15th of the following month.
- 7.4 If the form and agreement is received later than this date then the change will not take effect until the month after that.

8. Further Information

- 8.1 Further information on the Childcare Voucher Scheme can be obtained from the Computershare website.