

Velindre NHS Trust

Ref: WF 37

Trust Policy

CHILDCARE VOUCHER POLICY AND PROCEDURE

Policy Lead: Ceri Harris, Diversity and Equality Manager

EXECUTIVE SUMMARY
Childcare Voucher Policy & Procedure.

Overview:	This policy sets out the principles, advice and support available to Trust managers and staff in relation to the Childcare Voucher scheme
Who is the policy intended for:	All Trust Staff including those from Hosted organisations
Key Messages included within the policy:	<ul style="list-style-type: none">• Identifies who can use the Childcare Voucher Scheme• How to apply for the vouchers• What the employee needs to know with regards to the impact on their pension, maternity pay and other relevant benefits.• Changes in the legislation around levels of support, maternity and paternity leave.• Provides advice to managers and staff.
PLEASE NOTE THIS IS ONLY A SUMMARY OF THE POLICY AND SHOULD BE READ IN CONJUNCTION WITH THE FULL POLICY DOCUMENT.	

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1. Introduction

Velindre NHS Trust has put in place a web based Childcare Voucher Scheme. It is vital that employees take the time to read through this policy, so that they fully understand the scheme and can determine whether they would benefit from entering the childcare voucher scheme or suffer any detrimental financial implications.

1. Purpose and Scope of the Policy

The purpose of this policy and procedure is to inform our staff that the Trust provides a workplace benefit Childcare Voucher Scheme. This Scheme is available to all employees who may wish to use childcare vouchers, in part of full payment of their regular childcare costs. The Scheme is available to our employees via an electronic method (website and telephone access). This Scheme also enables employees to make a saving via Tax and National Insurance contributions by providing a tax break in these areas.

The Trust's nominated childcare voucher supplier works with the organisation to ensure that the deductions made from the employee's salary, prior to tax and national insurance are transferred into vouchers that the employee can then use to pay for their childcare provisions.

2. Who Can Apply for Child Care Vouchers?

Any Trust employee that has a legal responsibility for a child or children aged up to 15, or 16 if disabled

3. To whom this policy applies

This document applies to all employees working for Velindre NHS Trust and the Hosted organisations¹, who use registered childcare

¹ For the purposes of this policy any reference to the Trust will also apply to Hosted org's

services. This includes married couples, Civil Partners, co habiting couples, single parents, step parents and same sex relationships. A parent is defined as the legal guardian.

4. Contact points for further advice

- *Workforce and OD officers (for staff working within NWSSP use nwssp.hrcontactpoint@wales.nhs.uk)*
- Trust Diversity and Equality Manager

5. Definitions:

Registered Providers: Childcare providers must be registered with Ofsted in order to qualify as childcare providers that can be paid with childcare vouchers under this scheme

Registered Childcare Services: These includes registered crèches, nurseries, child minders, after school groups and play schemes/clubs etc. It should be noted that childcare provided at the child's home will not qualify if the person approved to give that childcare is a relative of the child.

Childcare Provider: Whoever provides the childcare for the employee's child.

7. Key Principles

The Scheme is a way of paying for childcare before Tax and National Insurance (NI) contributions are taken from salary.

The vouchers are exempt from Tax and NI contributions, as set out in the Finance Act 2004.

The voucher limit is per employee with legal responsibility for a child and not per child. If both parents are employed by the Trust, (or the other parent works in an organisation that also has a childcare

voucher scheme), both employees are entitled to claim childcare vouchers which are exempt from Tax and NI contributions.

The minimum amount of childcare vouchers that can be used per month is £5. The maximum amount per month is £243 for basic rate tax payers. Those assessed as higher rate tax payers will be limited to £124 and additional rate tax payers, £110.

The general principles behind the Scheme is that:

- The employer orders vouchers for the employee from the childcare voucher provider, on a monthly basis.
- The vouchers are paid to employees forming part of their gross salary, saving tax and NI on the value of the voucher.
- Employees select their childcare provider and use their electronic vouchers to pay for part of or all of their childcare costs.
- Child care providers can redeem the vouchers electronically (either via email or phone) from the Trust's service provider.

8. Changes in Childcare Voucher levels.

The legislation in respect of childcare vouchers changed on 6th April 2011. The change affects the amount of savings that can be made for employees who joined the scheme after this date. It is linked to the employee's tax rates, with those on the basic tax rate able to make the most savings.

New applicants to the scheme undergo a basic earnings assessment. This sets out the amount of savings they will be able to receive.

Employees that joined prior to the 6th April 2011, will receive the same level of savings as previously received.

Basic and higher rate taxpayers will still be able to receive tax exemption on the full amount. This also applied for an employee in the old scheme who goes from a basic rate to higher rate. They will still be able to receive the full amount of savings if in the old scheme.

The purpose of the new restrictions is to standardise the income tax savings as shown below.

	Rate of Income Tax	Weekly tax exempt entitlement	Weekly tax saving
Basic Rate	20%	£55	£11
Higher Rate	40%	£28	£11
Additional Rate	50%	£22	£11

However in practice higher and additional rate taxpayers will save less than a basic rate taxpayer as this just considers income tax and does not take into account that higher and additional rate taxpayers pay less National Insurance.

The tables below demonstrate the difference in savings for parents who joined the scheme before the 6th April from those who join the scheme on or after the 6th April.

	Parents in the scheme before 6th April 2011	Parents in the scheme after 6th April 2011
Weekly tax exempt amount	£55	£28
Monthly tax exempt amount	£243	£124
Annual tax exempt amount	£2,916	£1,484
Annual Savings	£1,225	£623
Employer's NI Savings*	£402	£205

*New NI rate applicable from April 2011

9. Basic Earnings Assessment.

At the start of each tax year and when an employee joins the scheme after 6th April 2011, the Trust is required to complete a Basic Earnings Assessment of that employee.

This assessment will be based on the employee's salary figures applicable at the start of that new tax year. If the employee joins the Scheme midway through the year, the employer should pro-rata the

employee's monthly salary to establish the annual amount and determine which tax band they will fall into.

This calculation should include basic salary, guaranteed contractual bonus, taxable benefits and shift allowances. However the assessment should not include tax exempt benefits such as childcare vouchers, pension contributions via salary sacrifice, bikes to work scheme and overtime payments.

Once the employee has been assessed, the tax free allowance is set until the next tax year, regardless in any changes in an employee's circumstances. For example if an employee was assessed as a basic rate taxpayer when they joined the Scheme, but had a subsequent pay rise that took them into the next tax bracket, they would still be entitled to £243 until the start of the next tax year. The basic earnings assessment should be based on the information that is available to the employer when the employee enrolls on the Scheme.

If an employee earns more than £35,000, for the purposes of receiving childcare vouchers, they would not automatically be identified as a higher rate tax payer. The assessment will look at the employee's personal allowance, pension and other areas to establish what level they would be identified at and therefore the level of savings which they could benefit from, should they join the Scheme.

For example:

An employee who earns £40,000 could be considered a basic rate taxpayer. This is because the higher rate threshold for the year 2013 – 2014 is £32,010. The personal tax allowance (e.g. the Emergency code £9445) is deducted from the overall figure to give £30,555 and the tax and NI exempt childcare voucher salary sacrifice can also be deducted as the employee wishes to take the maximum (£2916) which brings it down to £27,639.

Another determining factor would be pension contributions, which are classed as non-taxable and would reduce the taxable earnings further, if the employee is in the NHS Pension Scheme. This is less easy to determine, as the percentage of pension deductions vary, depending on the employee's annual salary (for the purpose of this

example, earnings of £40,000 would attract a 9% pension deduction). In this case, the example calculation would be as follows:-

The pension deduction of £3337.56 (9%) and personal tax allowance (e.g. the Emergency code £9,445) is deducted from the overall figure to give £27,217.44 and the tax and NI exempt childcare voucher salary sacrifice can also be deducted as the employee wishes to take the maximum (£2,916) which brings it down to £24,301.44.

The employer is required to keep a record of the figures used to determine the employee's basic earnings. If the employer gets the initial assessment wrong and provides an employee with tax exemption they are not entitled to, the excess should be reported on the P11D.

10. Employees who joined the scheme prior to 6 April 2011

Employees who had already joined the Scheme prior to 6 April 2011 are unaffected indefinitely unless they change employers or leave the Scheme. Her Majesty Revenue and Customs (HMRC) have confirmed that an employee can stop receiving childcare vouchers for a period of up to 12 months and still be considered 'in the Scheme' and therefore not be subject to the new restrictions.

Additionally, an employee is still considered to be in a Scheme if:

- their employer changes childcare voucher provider
- they are moved to another employer due to a merger or acquisition
- they have been transferred to another employer under a TUPE arrangement
- they change the amount of childcare vouchers they receive

HMRC have confirmed that if an employee has submitted an application to receive childcare vouchers on or before 5th April 2011 they are entitled to the full £243 regardless of when they receive their first vouchers, however they **have to have a qualifying child prior to 6th April 2011** or they will be subject to the new restrictions.

11. Eligibility for the vouchers

Trust employees can join the scheme provided that:

- They have a contract of employment with this Trust.
- They have full parental responsibility for the child/ren to apply for and utilise childcare vouchers
- They use their vouchers for children up to the age of 16 years of age. Vouchers can be requested up until the 1st September after the child's 15th birthday or up until the 1st September after the child's 16th birthday if the child has a disability.
- Their provider must be registered and has agreed to receive payment in vouchers. The Trust's childcare voucher provider can help clarify this when contacted by the employee. Childcare provision will include nurseries, crèches, out of school schemes, playgroups, after school groups, holiday play scheme, registered child minders and nannies, all of which must be registered.
- Taking childcare vouchers out of the employee's salary does not bring their wage below the National Minimum Wage.
- The child is born when the employee applies to join the scheme.

12. How to apply

- The scheme is accessed via the service provider's website or by a phone automated telephone service, 24 hours a day. Employees will therefore need access to the internet or a telephone line. Facilities can be made available within the Trust if necessary.
- Applications for the scheme can be accessed via the childcare voucher website. www.childcarevouchers.co.uk. The employee will be asked to insert the Trust's Scheme ID to enrol. The Trust's Scheme ID is **VELI7731**.
- As a reduction from salary constitutes a change to the terms and conditions of an individual's employment, the employee will need to read this policy and sign the amendment to contract to confirm they understand the implications of entering into the Scheme and return it to their Divisional Workforce Lead.

- Employees should read the amendment to contract and complete the form attached stating how much they would like to sacrifice from their salary on a monthly basis. Please note that should employees wish to utilise casual childcare, such as a holiday play scheme, it would be useful for them to look at their annual costs and divide them by 12 months and stating that as their monthly outlay. The form can either be completed online or hard copies (appendix 2) are available which should then be returned to the Childcare Voucher service provider, with the amendment to contract form sent to the divisional workforce lead no later than the last working day of the current calendar month **(the cut off for ordering vouchers will be the last day of every month for issue the following month).**

Please note that applications received after this date will be carried forward to the following month.

- Employees will receive childcare vouchers on a monthly basis straight into their online childcare account. Employees are then responsible for making their own arrangements to use the vouchers to pay for their registered childcare.
- When employees sign up to the Scheme, they will be asked to receive the **same amount of vouchers on a monthly basis for a period of one year.** After which time this amount can be altered, to apply for a further year at a new amount.

However if a life changing circumstance occurs (see Appendix 4 for full list) and this is reported to their Divisional Workforce Lead, the employee will be given the opportunity to opt out of the Scheme without any sanction. In these circumstances each case will be considered on an individual basis by the Diversity and Equality Manager.

13. Important Considerations

- Electronic childcare vouchers have no expiration date. Therefore employees don't have to use all of their monthly allowance in any particular month. This allows employees to store vouchers until they are required. This is particularly useful

- for parents with older children who, for example, who may just need to pay for childcare in the school holidays.
- If an employee leaves the Trust and therefore subsequently the Scheme, they must either request a refund within 1 month of leaving the Scheme or alternatively, may use any vouchers purchased.
 - If an employee cancels the vouchers for a reason outside the category of life changing events as defined in Appendix 3, there will be an administrative charge of £25 payable to the Trust.
 - An employee will only be able to take up to £55/28 per week of their salary in vouchers. Payment of any childcare costs in excess of this childcare amount is the responsibility of the employee.
 - £55/28 per week equates to approximately £243/124 per month or £2,916/1488 per annum. HOWEVER, please be aware that there is an Inland Revenue requirement that the employee must still be earning the National Minimum Wage AFTER they have taken the vouchers but before Tax and NI contributions are deducted. For full time employees, this means they should still be earning at least £9,300 approximately per annum AFTER the vouchers are taken. This is a requirement of the Inland Revenue.

14. Important financial Implications

- Pension Scheme – Employees that pay into the NHS Pension Scheme will have their pension contributions calculated from the reduced salary after the vouchers have been deducted. Therefore whilst employees are paying into the pension scheme and receiving childcare vouchers, their pension contributions will be accordingly reduced.
If you are in the old (1995) NHS pension scheme, prior to 2008, your pension will be based on your final 3 years of employment. If you are on the new pension scheme, from 2008, the pension calculation will be based on the last 10 years, calculated on the best consecutive 3 years.

Disclaimer

The Trust advises that you seek independent advice regarding your NHS pension. <http://www.nhs.uk/site/index.cfm>

- National Insurance Lower Earnings Level – childcare vouchers are Tax and NI exempt. Part time employees earning below the NI lower earnings level will not be eligible to pay NI contributions. Therefore employees whose earnings are below the National Insurance Lower Earnings Level will not be able to take part in the childcare voucher scheme.
- Tax Credits – Employees receiving benefits or Tax Credits should contact the benefits office or Inland Revenue prior to joining the scheme to clarify whether their benefits will be affected.

15. Childcare Vouchers and Maternity Leave

If an employee already receives childcare vouchers and then become pregnant their maternity pay could be affected as a result. Childcare vouchers will impact on the amount of maternity pay the employee is eligible to receive, as actual maternity leave benefits are based on the employee's earnings in the eight weeks prior to the start of the 25th week of their pregnancy. As such these employees may choose to give notice and come out of the Scheme prior to the start of their payment reference period.

Such employee may then reapply to join the Scheme when they return to work following their maternity leave. Alternatively they may wish to reduce their voucher payments to the minimum of £5.00 per week to maintain their membership of the Scheme and not be impacted by the 2011 legislative changes to tax.

Below is an example of the emails sent to employees who query whether or not they should leave the voucher scheme, prior to commencement of Maternity Leave:-

a) **Remaining in the Childcare Voucher scheme during maternity.**

The longer the employee is planning to remain on "SMP only" or "Unpaid" Maternity Leave, the more they will **recoup** some/all of the reduction of OMP payments, if they decide to remain in the scheme.

If the employee returns to work early, they will obviously receive fewer free vouchers.

b) **Leaving the Childcare Voucher scheme, prior to “pick up” months**

Although the employees OMP would not be reduced by childcare voucher deductions, employees need to be aware that they are unable to re-join the scheme until they return to work from Maternity Leave and therefore, **not be entitled to receive Free Vouchers**.

Example email

Dear xxxxx

As discussed, please find below an **estimation** of the difference it would make if you were to leave the childcare voucher scheme, prior to the relevant “pick-up months” for the calculation of Occupational Maternity Pay (OMP).

Please note, these figures are only a guideline and are not exact figures relating to your maternity pay period (this will be calculated by the Payroll Officer responsible for your salary, once your details are confirmed).

The estimated calculations have been based on the following information:-

EDC (Expected date of Confinement):	9 th June 2013
Date of commencement of Maternity Leave: 2013	Sunday 2 nd June
Monthly CV (Childcare Voucher) deduction:	£243.00

OMP (Occupational Maternity Pay) is calculated over 2 “pick-up” months (pre-determined by your EDC). In your case, the relevant months are **January and February 2013**.

Option 1: Leaving the scheme prior to “pick-up months” for Maternity Leave.

Weekly OMP rate = £525.00

However, as you would have left the scheme, you would not be entitled to Free Vouchers

Option 2: Remaining in the scheme

Weekly OMP rate = £468.92

= a reduction in OMP of £56.08 per week (based on a normal entitlement to Maternity Leave, this would equate to a **total reduction of £953.36 in your paid OMP**)

The first month that you would receive SMP only is December 2013, which is when your entitlement to Free Vouchers would commence. You would continue to receive Free Vouchers (to the value of £243.00 per month) until you return to work from Maternity Leave (n.b. this would also apply if you take paid annual leave prior to actually returning to work – you re-commence deductions once you start receiving pay again).

If you were to remain on Maternity Leave until the end of May 2014, you would recoup the loss in OMP, as follows:-

December	2013	= £ 243.00 Free Vouchers
January	2014	= £ 243.00 Free Vouchers
February	2014	= £ 243.00 Free Vouchers
March	2014	= £ 243.00 Free Vouchers
April	2014	= £ 243.00 Free Vouchers
May	2014	= <u>£ 243.00</u> Free Vouchers
Total		= £1458.00 Free Vouchers (off-set against a reduction of £953.36 OMP).

If you were to remain on Maternity Leave from January 2013 onwards, you would continue to receive the Free Vouchers, until your return to work/annual leave (as stated above).

I hope this is helpful? If you need any further clarification, please don't hesitate to contact me.

Please could I remind you that the above figures are only a guideline and may change on receipt of the confirmed information regarding your Maternity Leave.

Paternity pay

From April 2012 partners can exchange maternity leave for paternity leave (please refer to maternity policy) as a result any staff currently paying for childcare vouchers who then take this option will be subject to the same criteria i.e. if their pay falls below the minimum wage while on Paternity leave, the Trust will then provide the vouchers to the staff member.

16. Refunds to Employees

Employees considering leaving the scheme should allow sufficient time to ensure that they are able to use their paid up vouchers and to provide the Trust with notice of their intentions.

If the reason for an employee leaving the scheme and requesting the refund is not as a result as a life changing situation as classified in the FAQ section, the Trust is under no obligation to make a refund.

The Trust will examine each case on its merits. If the Trust agrees to request a refund from the voucher provider there is a £25.00 plus VAT charge and the Payroll Department will have to deduct the Tax and NI from the refund at the rate the employee was paid on when they made the salary sacrifice.

Refunds can only be for that tax year, anything outside this cannot be refunded. Employees therefore need to plan their childcare carefully.

17. Awareness Sessions

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Velindre NHS Trust will work in partnership with their childcare voucher provider to offer information sessions throughout the Trust

on an ongoing basis, to ensure that all employees have the opportunity to raise any queries.

The Trust Intranet site will also provide presentations, contact details and updates as relevant.

Appendix 1

SALARY SACRIFICE CHILDCARE VOUCHERS SCHEME FREQUENTLY ASKED QUESTIONS

Q1 Why is the Trust providing childcare vouchers?

The Trust recognises that employees have varied childcare needs for their children up to the age of 15 (16 for disabled children). Childcare vouchers allow employees more choices in the type of childcare they use in a way that is financially beneficial to them. This is one of many initiatives that the Trust is doing to improve the working lives of its employees and help staff to balance work with caring responsibilities.

Q2 What is the scheme?

The Trust allows employees to choose to take childcare vouchers up to the value of £243* per month as part of their remuneration package, so long as they meet certain qualifying conditions. These are that: -

- the employee is either the parent of the child, or has parental responsibility for a child that lives with them for whom they spend money on childcare costs
- the childcare costs are for registered childcare (for more details see question 10 below)
- the child is aged up to 15 (or 16 if disabled)
- the employee has a National Insurance number
- the employee has a contract of employment with the Trust
- the employee's cash salary is not reduced below the National Minimum Wage

This means that if you elect to accept childcare vouchers in exchange for an equivalent reduction in your salary you will not have to pay Tax and National Insurance contributions (NIC) on up to £243 per month.

Q3 My childcare costs are greater than £243 per month. Why can't I get childcare vouchers for more than this amount?

The government has capped the limit on which you get childcare vouchers free of tax and NICs to £55/28 a week (£243 per month. *This has been calculated on the basis of 53 weeks x £55/28 divided by 12 and rounded up to the nearest whole pound*) regardless of the number of children you have. This means that if you take vouchers over this limit there are no financial benefits to yourself. The Trust has to pay the childcare voucher provider company a commission charge for all vouchers provided, so there would be an additional cost to the Trust in providing you with vouchers worth more than £243 per month for which you do not receive any financial benefits. Because of this the Trust has decided to limit the scheme to £243 per month per employee.

Q4 Can my partner also have childcare vouchers?

The £243 tax free exemption applies to all employees and is not just restricted to one per family. All employees of the Trust are therefore entitled to join this scheme so long as they meet the qualifying conditions (see question 2 above for further details).

Q5 In addition to my basic salary I also get unsocial hours payments. Will these be affected?

No. In calculating all other payments to you such as overtime or unsocial hours payments, your total remuneration package will be used i.e. your new basic salary plus the value of the childcare vouchers.

Q6 How will I receive the vouchers?

Once you have signed up to the scheme you will be sent a membership card with your account details and a letter

explaining how to proceed. Your account with our voucher provider will be credited with the value of your vouchers after pay day.

Q7 What happens if my childcare costs vary from month to month e.g. I only pay for childcare during the school holidays?

You should calculate the total annual amount you spend on childcare and divide by 12 to get the average monthly amount you pay on childcare. This will then be the amount of childcare vouchers you get each month, subject to the maximum of £243 per month.

Q8 What type of care can I use childcare vouchers for?

Childcare vouchers can be used for children up to the age of 15 (or 16 if your child is disabled) in either registered childcare. Registered childcare includes:

- Registered child minders, 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 hours' scheme
- Childcare schemes run by approved providers
- Childcare given in the child's own home by a person* approved to care for children
- Childcare given in the child's own home by a domiciliary worker* or nurse* from a registered agency
- Approved foster carers for a child who is not the foster carer's foster child

* childcare provided in the child's own home will not qualify if the person approved to give that childcare is a relative of the child

Details of registration details will be required from child carers. To check to see if your childcare is either registered or approved look at www.ofsted.gov.uk for child minders and nurseries and www.surestart.gov.uk/childcareapproval for other approved carers.

Q9 Currently my mother provides childcare to my children. If she becomes registered or approved to provide childcare does that mean I can use childcare vouchers to pay her?

Probably not. In most cases, the tax exemption is not allowed if the person providing childcare is related to your child, even if they are registered or approved. However, if your mother is a registered child minder who also looks after other children she is not related to then this would be acceptable.

Q10 What does my childcare provider/carer have to do?

When you join the scheme you will be sent an information pack prior to receiving your first vouchers. The pack will include a carer's pack. This contains everything they need to enrol with the Childcare Vouchers Direct scheme. Your carer will be paid when you select the amount from your electronic account. This will be paid directly into their account. Our voucher provider will carry out checks on the carer(s) to make sure they are registered or approved.

Q11 Can I use more than one childcare provider/carer?

Yes, parents often need to combine different types of care. All carers' details can be included in your application form, and you will then receive registration forms for each carer.

Q12 Can I change my childcare arrangements whilst in the scheme?

Yes, although the replacement, or additional, carer will need to fill in a new registration form and will also need to be either registered or approved. The information pack you receive when you join will give you details of this. However, the value of childcare vouchers you receive cannot alter unless it is a 'life change' event.

Q13 I currently receive Working Tax Credit (WTC). Can I join the childcare vouchers scheme as well?

Yes, but you may not be better off. Childcare vouchers are not taken into account in the income calculation for WTC, which

means that you may end up being entitled to a greater amount of basic WTC.

However, childcare costs met by employer-provided vouchers will not be considered for the childcare element of WTC. It is therefore possible that continuing to claim for the childcare element of WTC will mean you will be better off than joining the childcare vouchers scheme. You should contact Her Majesty's Revenue and Customs (HMRC) Tax Credits helpline (0845 300 3900) for advice as to what is best for you.

Q14 I am a junior doctor on a rotation. Can I still join the scheme?

Yes, but as soon as you rotate to another Health Board (HB) this scheme will no longer apply as you are no longer an employee of this Trust. You should check with your new LHB as to whether they have a scheme you can join. When you apply to the new organisation, you will be identified as a new applicant and will therefore undergo a basic earnings assessment which may impact on the level of savings you then receive due to the changes.

Q15 Can I leave the scheme at any time?

Yes, but only if you experience a major change, such as leaving the Trust, long term sick leave, pregnancy, significant change of employment hours or a child starting school. These are called 'life change' events. Otherwise you can leave the scheme at the end of your 12 month contract. There is a 6 month gap before you can rejoin the scheme. Therefore similar to maternity leave it is recommended that you think about maybe reducing the amount you receive in childcare vouchers to the £5 minimum.

Q16 What happens if I forget to tell the Trust that my child has left childcare and I no longer need the vouchers?

If this is not a life change event (see above), the Trust is under no obligation to make a refund. The Trust will examine each case on its merits. If the Trust agrees to request a refund from the voucher provider there is a £25 plus VAT charge and the

Payroll Department will have to deduct the Tax and NI from the refund at the rate you were on when you made the sacrifice.

Q17 Although I will be better off financially, my gross salary will be less. How will this affect my credit status e.g. applying for a mortgage?

In replying to credit reference checks we will inform companies of the situation with regard to your total remuneration package. On the grounds that you are actually better off under the scheme, common logic should mean that you would not be disadvantaged. However all lending companies are different and the Trust can make no guarantees on this issue.

Q18 I am currently paying back a student loan, which is 9% on my earnings over £15k. Will this alter?

Yes, it will alter as the trigger point is based on the salary on which you are liable to pay NIC contributions. Under the childcare vouchers scheme your total gross salary on which NIC is paid will reduce, hence your loan repayments will decrease.

Q19 What happens if I go on Maternity Leave to have another baby?

This is regarded as being a 'life change' event so you can choose to opt out of the scheme.

As actual maternity leave benefits will be based on your earnings in the 8 weeks prior to the start of the 25th week of your pregnancy, you may choose to give notice and come out of the scheme prior to this. You would then reapply to join the scheme when you return from maternity leave. Alternatively you could reduce your voucher payments to the minimum of £5 to maintain your membership of the scheme and not be impacted on the recent legislative changes to tax

If you opt to continue in the scheme, your salary will continue to be reduced by the same amount whilst you are on paid maternity leave. Please see the childcare vouchers and maternity section within this policy for more information.

Q20 What happens if I go on long term sick leave, or take unpaid leave?

Whilst on full sick pay leave your salary will continue to be reduced by the value of your childcare vouchers. If you are off on long-term sickness this would be regarded as a 'life change' event and the scheme arrangement can be reviewed. Actual sick pay will be based on your new basic salary at the appropriate rate(s). If you are unfortunate enough to go into half pay, please be advised that the childcare voucher deduction will continue unless you opt to leave the scheme.

If your salary falls below the National Minimum Wage, your sick pay runs out or you take any other period of extended unpaid leave then the Trust reserves the right to review the provision of this benefit and agree new employment contract terms and conditions with you.

Q21 How will childcare vouchers affect my pension?

Your pension contributions will reduce, as they will be based on your new basic salary.

If you are in the NHS pension scheme,

- Old scheme 1995 - benefits are based on the best final salary you have received in the past three years.
- New scheme 2008 – benefits are based on the last 10 years, looking at the best final salary you have received over 3 consecutive years.

However, once you no longer receive childcare vouchers and your full salary will be restored, pension contributions and future benefits would be based on the restored salary, provided you had received this salary for at least a year. If you are part of another pension scheme then benefits are normally based on the value of your contributions and the performance of the fund(s) in which they are invested so there could be some effect on the benefits paid out. You should discuss the possible effects with an independent financial adviser.

Employees should be aware that their salary, after the salary sacrifice, would be used to calculate pension benefits. Pension benefits, as a result, will be calculated on the lower (revised) gross salary.

This may be of particular importance if an employee were to retire on ill health grounds while participating in this scheme. Whilst this may be an unlikely occurrence, the employee could, nevertheless, give notice to withdraw from the scheme in advance of applying for pension benefits, to allow their full salary to be taken into account.

Disclaimer

The Trust advises that you seek independent advice regarding your NHS pension.

<http://www.nhspa.gov.uk/site/index.cfm>

Q22 What happens if I am made redundant whilst in receipt of childcare vouchers?

Any redundancy pay would be based on your total remuneration package i.e. your new basic salary plus the value of the childcare vouchers.

Q23 Why can I only join the scheme on the 1st of a month?

As the childcare vouchers scheme operates by reducing your basic salary it is administratively necessary to join on the first of a month.

Q24 If I don't use my vouchers immediately, what happens?

Vouchers will just sit in your account until you wish to use them.

If you have any further questions, please contact Ceri Harris on 029 20615888 ext 6557 or ceri.harris3@wales.nhs.uk

Appendix 2

Parental Understanding

Information on Salary Sacrifice Childcare Vouchers

The following information must be read and signed before you start purchasing your Childcare Vouchers from the childcare voucher provider.

Childcare vouchers are claimed through a salary sacrifice scheme. This means each month the amount you have chosen will be taken out of your salary by Payroll, which will be used to pay for your Childcare Vouchers.

The following points must be considered before agreeing to join the Childcare Voucher Scheme.

- When you join the scheme after the 6th April 2011, you will undergo a basic earnings assessment. This will identify if you will be classed as a basic, Higher or additional rate taxpayer and your savings will be calculated as such. If you are identified as a higher or additional rate tax payer you will be informed, so you are aware of the level of savings you will receive.
- You must claim the same amount each month and you will be signing an agreement for a 12month period. You can withdraw from the scheme if a 'life change' event has occurred (e.g. child going to school, maternity leave, long term sick).
- Pensions - If you take childcare vouchers, you will reduce your salary by the amount taken in vouchers, therefore, pension contributions can be less for the time that you are taking vouchers.

The Trust advises that you seek independent advice regarding your NHS pension.

<http://www.nhspa.gov.uk/site/index.cfm>

- Tax credits - Childcare vouchers are not taken into account in the income calculation for Working Tax Credit (WTC), which means that you may end up being entitled to a greater amount of basic WTC. However, childcare costs met by employer-provided vouchers will not be considered for the childcare element of WTC. It is therefore possible that continuing to claim for the childcare element of WTC will mean you will be better off than joining the childcare vouchers scheme. You should contact Her Majesty's Revenue (HMRC) Tax Credits helpline (0845 300 3900) for advice as to what is best for you.
- If you become pregnant or ill, this could impact on your salary and therefore you need to read the section on maternity, paternity and sickness to see if the changes apply to you.
- If you change your child carer you must let the current childcare voucher provider, EdenRed (08434 534 433) know as soon as possible so they can provide your new carer with a new code.
- Check with your child carer that they are happy to receive Childcare vouchers as a form of payment.
- If you have more than one carer you need to phone EdenRed (08434 534 433) for another registration pack.
- All carers who look after children under 8 years need to be registered with Ofsted or approved under the Childcare Approval Scheme to receive the vouchers and will need to provide a copy of their Ofsted or approval registration certificate. Carers who look after children over the age of 8 will need approval from a quality assurance scheme.

If you have any questions about claiming EdenRed Childcare Vouchers, please contact Ceri Harris 029 20615888 ext 6557
ceri.harris3@ wales.nhs.uk

Signed:

Print Name:

Date:

Base:

Contact Tel No:

Payroll No:

One copy for staff member
One copy for personal file

Appendix 3

Significant Lifestyle Changes

Employees who fall under any of the below categories whilst part of the Childcare Voucher salary sacrifice scheme, will be able to exit the scheme without incurring an administration cancellation fee.

- Pregnancy – (if not continuing with registered childcare arrangements)
- Paternity – as may impact on salary.
- Long term illness/sickness as defined by the Trust's policy (please note short term sickness is not included in this)
- Employees who are off work due to a work related incident
- Employees who are made redundant from their post within Velindre NHS Trust
- Employees whose partners are made redundant from their post, whether within Velindre NHS Trust or not
- Employees who resign from the Trust
- Employees who have not passed their probationary period
- If an employee's contract with Velindre NHS Trust is terminated
- The employee no longer has legal responsibility for the child's care
- If the employee is on secondment (or other shorter term working arrangements) with the Trust, and this is ending
- Employees who apply for unpaid leave
- Death within post
- Death of a partner (whether they work within Velindre NHS Trust or not)
- If employee's pay protection under AfC comes to an end, the employee can decide whether they would like to remain in the scheme based upon their new salary, as long as this does not take their earnings below the National Earnings Limit.
- If an employee reduces their hours within their role in the Trust

This list is not exhaustive, and each case will be considered on an individual basis by Workforce and OD and the Diversity and Equality Manager.