



CHILDCARE VOUCHER POLICY

Policy Number 30
March 2018

This document is for the use of Scotmid Employees and their advisors only.

No unauthorised use or reproduction of this document is permitted.

Once downloaded this document becomes uncontrolled – please check you have the most up-to-date authorised version.

Important Notice - Closure of the Childcare Voucher Scheme to new joiners and changes for existing members

The Government has recently introduced a new tax free childcare scheme for parents with children under the age of 12 (or 17 if disabled) and this is currently being rolled out in phases.

The Government has specified that you cannot use childcare vouchers at the same time as Tax Free Childcare and that over time, Tax Free Childcare will replace the Society's childcare voucher scheme.

The Society's salary sacrifice childcare voucher scheme is therefore expected to close to new joiners by no later than October 2018.

Please note that in order to qualify employees must register and had at least one salary sacrifice deduction prior to this date.

The Society believes in supporting all employees to balance work and family commitments successfully. We recognise that working parents work with specific time and money pressures, and to help with this we have adopted a voluntary Childcare Voucher scheme. This scheme enables parents to make tax and national insurance savings on their childcare costs by entering a salary sacrifice scheme.

We have partnered with Cooperative Flexible Benefits who will provide and administer the childcare voucher scheme.

How does a Childcare voucher scheme work?

Standard Rate Tax Payers

The childcare voucher scheme enables employees to agree to sacrifice an amount from their 4 weekly gross pay and choose to receive the equivalent amount in childcare vouchers, up to a maximum of £55 per week.

Higher & Additional Rate Tax Payers

The childcare voucher scheme enables employees to agree to sacrifice an amount from their 4 weekly gross pay and choose to receive the equivalent amount in childcare vouchers, up to a maximum of £28 and £22 respectively per week.

Employees will receive a reduced 4 weekly wage and one week after payday the employees imagine childcare voucher account will be credited with vouchers for use against childcare costs with registered providers.

The benefit to employees is that the government does not take tax or national insurance contributions (NI) off the cost of childcare vouchers. Therefore the employee agrees to sacrifice an amount of their pre-tax salary and will not have tax or NI taken off this amount, thereby making real savings over the length of the scheme.

Working parents employed by the Society can save tax and NI up to the figures shown above, as long as this salary sacrifice does not take the employees wage below the national minimum wage. An employee can take less than this amount, but no more than this amount.

This scheme will not be the best option for everyone. It is important that each individual considers all the options available before making a decision to join the scheme. Please contact the tax credit helpline on **0845 3003900** to discuss what the best individual options are.

About Childcare Vouchers

The Childcare voucher scheme is an electronic voucher scheme, and there are no paper vouchers involved at all. If an employee decides to join the scheme, they will have their own electronic Childcare Voucher account which they can access over the Internet and/or telephone, and can make payment directly to their child's carer.

A comprehensive letter and "Getting Started Guide" will be sent to the employee by Cooperative once they have joined the scheme which will give the employee all the details needed to access their account. This information will be sent to the employee once Cooperative have had confirmation from the wages department that the employee is eligible to join the scheme.

Eligibility for the scheme

To qualify for Childcare Vouchers, the employee must have 3 months service with the Society.

The employee's child must be **under 15 years** old (or 16 with special needs). Childcare Vouchers can be used up until the September following the 15th birthday (or 16th birthday in the case of a child with special needs). You cannot pay for childcare for a child older than this.

The employee applying for Childcare vouchers must be;

- The parent of, or have parental responsibility for the child(ren) in respect of whom the childcare vouchers will be used to provide childcare.

- Responsible for selecting the individual, organisation that will provide childcare, and ensuring that they are registered or approved.

Childcare vouchers can only be used with registered or approved childcare providers. HM Revenue and Customs have specified that any carer or childcare facility not registered cannot be paid with vouchers.

Most common forms of childcare are registered nurseries, childminders, Out of School Clubs and Holiday Play schemes which are usually registered with Ofsted, the Care Commission or SureStart.

Please ensure that your carer is registered before you join the scheme.

Joining the Childcare Voucher scheme

Employees may join the scheme whenever they wish, by contacting Cooperative on 0800 458 7929, or filling in an application form online at www.employeebenefits.coop. Employees must decide when they want to receive their first vouchers and return the application form to People & Performance by the application deadline date for that pay period. If your application form is received after the deadline it will be automatically added onto the scheme in the following pay period.

When you join the scheme you are signing up for a 12 month period – 13 pay periods. You should take the same amount of vouchers each 4 weekly period for the 12 month period.

For more details please refer to the joining procedure at the end of this document.

Changes to Membership of the Scheme

Ideally your voucher amount should not change within the 12 month period. An employee should plan what the likely costs will be for the 12 month period and request vouchers to the level that supports these costs. However we understand that from time to time there may be changes in your life that will impact on your ability to participate in the scheme.

If you have a lifestyle change, then you can leave the scheme before completion of the 12 month period, or change the amount you wish to take during this period.

A “lifestyle change” is something which significantly changes your need for childcare.

Some agreed lifestyle changes are:

- your child starts school
- your job or hours change
- your partner's job or hours change
- your childcare needs change (for example, a family member agrees to care for your child free of charge)
- you are going on Maternity leave

This is not an exhaustive list, but please be aware that these are the types of circumstances where changes are acceptable.

A lifestyle change form can be requested from People & Performance. If you are submitting a lifestyle change form this needs to be received by People & Performance by the application deadline for each pay period. If you submit your form after this date your lifestyle change will be processed in the next pay period.

Participants in the scheme can make up to 3 lifestyle change requests in any 12 month period; requests beyond this level will be at the Society's discretion. The Society reserves the right to review the provision of this benefit in cases where more than 3 lifestyle change requests are made in a 12 month period.

What do I do if my wage decreases?

If your wage decreases this may impact on the amount of vouchers you can receive. Please be aware that if your pay drops to national minimum wage, we will not be able to make any deductions from your pay for your childcare vouchers. If your basic pay is insufficient for the full sacrifice it will need to be reduced to what can be sacrificed.

In circumstances where you know in advance that your pay will be decreasing we advise that you discuss your situation with the tax credits helpline, **0845 3003900** to see what the best option is for you. If you need to reduce the amount you sacrifice for childcare vouchers you will need to fill in a lifestyle change form by the pay period deadline.

What do I do if I go off on sick absence?

If you are off on sick absence and are receiving Society sick pay, your salary sacrifice deductions for your childcare vouchers will remain unchanged.

If you are on sick absence and are not entitled to Society sick pay but are receiving statutory sick pay, or no pay, the Society will not be able to make salary sacrifice deductions for your childcare vouchers over this period.

If you know in advance that you will be going on long term sick absence, or receiving statutory sick pay this would be regarded as a 'life change' event and a lifestyle change form can be submitted to review your arrangement.

If you do not know in advance please contact the wages department as soon as possible on **0131 335 4434** to inform them of your situation. If we are not notified we will automatically reduce the level of salary sacrifice for your vouchers to the level that your salary allows.

Calculating how many vouchers to take

Employees need to think carefully about how much is realistically spent on childcare in an average year.

If an employee spends over £2,860 on registered childcare per year, it is likely they would opt to take the full amount which will be £220 if they are a standard rate tax payer.

Some parents however may only have require part time childcare, for example, while their children are at school and so only need care in the summer and on school holidays. If this applies, employees should calculate the AVERAGE 4 weekly amount they will need.

To do this, look at the approximate amount spent on childcare per year, and divide by 13, for your 4 weekly amount.

Example:

My summer Holiday play scheme costs £100 per week for 6 weeks.

I pay for another 6 weeks care during Easter, half term and Christmas holidays, which is another £100 per week.

The approximate total I pay per year is £1200.

£1200 divided by 13, is £92 in childcare vouchers per 4 week pay period.

Remember that you do not need to use your Childcare Vouchers every month- you can save them up until you need them as they have no expiry date.

Impact of Childcare Vouchers on other benefits

Society Benefits

Joining the Childcare Voucher scheme will not make a difference to an employee's Society benefits. It has been agreed that Society benefits such as overtime, redundancy, Society sick pay and pay increases will be calculated on your gross salary before the Childcare Vouchers are deducted.

Society Pension

The Society has agreed with the pension trustees that employees will continue paying the same amount of pension as they would have before they joined the Childcare Voucher scheme.

Tax credits

Childcare Vouchers MAY have an impact on the amount of Tax Credits an employee receives, particularly if an employee receives a high level of Tax Credits. Because everyone's circumstances are different, it is important that employees check with the Tax Credits Helpline regarding their own personal situation. The Tax Credits Helpline is **0845 3003900** (please make sure you have your NI number to hand).

Please note that Co-operative Childcare will not be able to advise on the impact (if any) on your Tax Credits- this can only be done by HM Revenue and Customs and the Tax Credits Helpline.

Maternity

If an employee is pregnant with her first child, she will be able to apply to join the Childcare Vouchers scheme once she returns to work.

If an employee is in the Childcare Voucher scheme prior to going onto Maternity leave, this could impact on the amount of Maternity pay received in the first 6 weeks of maternity leave. Maternity pay will be calculated on the employees income after voucher deductions prior to going on Maternity leave.

If an employee is already in the Childcare voucher scheme and becomes pregnant she can continue receiving Childcare vouchers during Maternity leave.

Paternity

If an employee is to be a father, or have responsibility along with the mother for the child's upbringing they will be able to join the scheme following the birth of the child. If statutory paternity leave is taken at the time of the birth they can join the scheme at the end of the paternity leave.

Other State Benefits

If an employee receives other State Benefits, it is advisable to check that these will remain unaffected by joining a Childcare Voucher scheme.

Leaving the Scheme

If an employee wants to leave the scheme they will need to complete a lifestyle change form and submit this to People & Performance by the deadline for the pay period they would like to exit the scheme. If People & Performance do not receive notification by the deadline exit from the scheme will be processed in the following pay period.

If an employee has vouchers remaining on leaving the Society, these will be valid for 5 years and an employee can continue to access their account and use their childcare vouchers over this period.

Refunds

The Society will not give refunds to employees or former employees. It is the employees responsibility to make appropriate arrangements to use up their vouchers over the 5 year period the vouchers are valid.

The intention is for the scheme to continue, however if a decision was made by the Society to end the scheme, employees would be given contractual notice of this change to their contract. Employees on this occasion could choose to keep their vouchers to use over the 5 year period, or opt to get a refund (less tax and NI) for their vouchers.

What do I need to do if I want to join this Childcare Voucher scheme?

If you would like to join the scheme, you need to complete an application form. There are 2 ways to do this:

The easiest way to join is on-line. Log onto www.employeebenefits.coop and select "Register Today" from the menu. You need to complete your details as requested. Please remember that the **maximum amount in Vouchers you can take is £220 per 4 week pay period for a standard tax payer**, regardless of how much your monthly childcare costs. The Society account number is **85009976**

If you don't know which carer you intend to use yet, you can leave these details blank, but please do remember that you will need to let Cooperative benefits know when you have decided on your carer. Once you do know which carer you want to use, you will need to email info@employeebenefits.coop with the carer details, or call 0800 458 7929 so Cooperative can register your carer to receive payment with vouchers.

Once you have input your details, you need to click on "Create". This will bring up a PDF of your application form. Please print this form, sign it, and return it to the People & Performance Department.

Alternatively, you can apply through the Imagine helpline. Please call 0800 458 7929 (Monday – Friday, 8.30am – 5.30pm). You will need to give your details to an adviser who will complete your form for you. They will then send this to you (home or office,

whatever you prefer), and you will need to sign the form and return it to the People & Performance Department.

Please note: Whichever way you register, on the web or via the phone, you MUST make sure you return your signed application form to People & Performance. Without it, you won't be able to receive Childcare Vouchers.

SCOTMID - Employee Hub