

Salary Sacrifice Scheme for Childcare Vouchers

Scheme Guide for members of staff

1. Introduction

1.1 Background to the Scheme

The University of Bristol ("The Employer") has introduced Childcare Vouchers through a Salary Sacrifice Scheme for employees as part of the commitment to developing a Positive Working Environment (PWE) for working parents.

The Scheme is administered on behalf of the Employer by Edenred.

Under the salary sacrifice arrangement, Childcare Vouchers you receive will qualify for Tax and National Insurance exemption, in line with the table below, enabling you to potentially benefit from significant tax and National Insurance savings.

Basic Rate Taxpayer 20% tax *12% NI	Parents in the scheme before 6th April 2011	Parents who join the scheme after 6th April 2011
Weekly tax exempt amount	£55	£55
Monthly tax exempt amount	£243	£243
Annual tax exempt amount	£2,916	£2,916
Savings	£933	£933
Employer's NI Savings*	£402	£402

Higher Rate Taxpayer 40% tax *2% NI	Parents in the scheme before 6th April 2011	Parents who join 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
Savings	£1,225	£623
Employer's NI Savings*	£402	£205

Additional Rate Taxpayer 50% tax *2% NI	Parents in the scheme before 6th April 2011	Parents who join the scheme after 6th April 2011
Weekly tax exempt amount	£55	£22
Monthly tax exempt amount	£243	£97
Annual tax exempt amount	£2,916	£1,166
Savings	£1,516	£606
Employer's NI Savings*	£402	£161

* new NI rate applicable from April 2011

You can order vouchers for greater than this amount if that makes payment easier for you and your child care provider. If you choose to do this, there is no Income Tax or National Insurance benefits available on the value of childcare vouchers above the maximum for your tax bracket and this portion will be taxed at your normal rate.

The process of taking part of your salary as a non-cash benefit such as Childcare Vouchers is termed a Salary Sacrifice. This Scheme Guide provides information on how to apply to join the Scheme, how to make changes to the monthly value of salary which you choose to sacrifice, and how to withdraw from the Scheme.

For those opting for Electronic Vouchers, Edenred will create an online childcare voucher account for each parent, and your voucher amount will be credited to this account on a monthly basis. Much like online banking, this user-friendly system will enable you to make payments directly to your care provider, via either a standing order, or Electronic Transfer. Not only is this system more secure, but also it ensures that your care provider receives your payment quicker!

Electronic vouchers have no expiry date, enabling you to save for those times of the year when your needs for childcare increase.

Should you not have access to the Internet, you can still manage your account and make payments via a touch-tone telephone.

1.2 Timing

The Scheme is in effect now, and you can enquire about enrolling at any time. Employee applications, described below in detail, are returned to Payroll Services, Senate House, and vouchers will be provided by Edenred.

You will normally receive your first childcare vouchers in the calendar month which follows the month in which your Salary Sacrifice Agreement is received by Edenred.

1.3 Joining the Scheme

To join the Scheme, an Employee is required to enter into a Salary Sacrifice Agreement with the Employer. This is a variation to the contract of employment, showing that the Employee agrees to a change to his or her terms and conditions. The Agreement shows that the Employee has agreed to take part of his or her salary as a non-cash benefit in the form of Childcare Vouchers. This means that the Employee's monthly gross salary will be reduced by the amount chosen by the Employee.

Currently, Childcare Vouchers up to £243 per month (depending on tax bracket) are free from tax and National Insurance contributions (NICs) and therefore a saving will be made by the Employee. The Tax and NI Savings Calculator on the Edenred website (www.childcarevouchers.co.uk) can be used to calculate how much an Employee can save based on his or her own circumstances. The Employee will need to enter the Employer's Scheme ID to gain access to this Calculator. **The University of Bristol Scheme ID is UNIV4081.**

These tax and NIC exemptions apply per Employee and are not linked to the child or children. So, for example, if both parents of a child work for an organisation which operates the Scheme, each can use the respective organisation's own Scheme and both will therefore benefit from the savings.

1.4 Scope

This Scheme will be available to all Employees of the Employer, subject to the Employee eligibility criteria which are detailed below.

1.5 Eligibility Criteria

To use the Scheme Employees must meet some basic criteria:

- i) The voucher must be used to obtain care for a child (or children) who:
 - is a child or stepchild of the Employee at whose expense, either in full or in part, the child is maintained, or
 - is resident either full or part-time with the Employee and for whom the Employee has parental responsibility.
- ii) Childcare vouchers can only be used to help meet the costs of childcare:
 - up to 1st September after the child's 15th birthday (or 1st September after the child's 16th birthday if he/she has a disability)
 - where the childcare is provided by a registered or approved childcare provider.
- iii) The Salary Sacrifice cannot take the Employee's earnings below the Lower Earnings Limit (LEL) or the National Minimum Wage (NMW).
- iv) The voucher recipient must be an Employee of the Employer and paid through the Employer payroll.

There is no minimum period of prior employment service required in order to join the Scheme, though you cannot join the scheme if you expect to stop being employed by the Employer within 1 month of submitting a Salary Sacrifice Agreement.

1.6 Definition of Salary Sacrifice

A Salary Sacrifice happens when an employee gives up the right to receive part of the cash pay due under his or her contract of employment. Usually the sacrifice is made in return for the employing organisation agreeing to provide the Employee with some form of non-cash benefit – in this case the benefit is Childcare Vouchers. The 'sacrifice' is achieved by formally varying the Employee's terms and conditions of employment relating to weekly/monthly pay.

Example:

If an Employee's annual gross salary is £20,000, and he or she decides to sacrifice £100 per month, then the resulting agreement is to take a reduced annual salary of £18,800 plus a benefit of Childcare Vouchers to the value of £1,200.

In practice this means that employees who join the Scheme will take reduced cash salary and receive Childcare Vouchers as a benefit.

The reduction in salary, as requested by the Employee when completing the Salary Sacrifice Agreement, can be any amount from a minimum of £10 per month up to a maximum of £243 per month (provided that this does not result in the Employee receiving less salary than the National Minimum Wage or Lower Earnings Limit).

For employees joining after April 6th 2011, the maximum that can be sacrificed for employees on higher rate tax bracket is £124 per month and for those on the additional rate tax bracket it is £97 per month.

1.7 Employee obligations and commitment

The Salary Sacrifice Agreement is a formal commitment by the Employee and the Employer.

Please note that the Employer may, entirely at its own discretion, allow an Employee to leave the scheme or modify the sacrifice value if the Employee's personal circumstances change substantially, affecting his or her childcare requirements. Such a change is referred to in the Salary Sacrifice Agreement as a "Lifestyle Change" such as pregnancy, cessation of employment, or a significant change in childcare arrangements. The Employee must notify the payroll and pensions department, via either letter or email by the first of each month during which the amendment is to take place.

The Employee shall advise the Employer of any Lifestyle Change events within one month of the change.

The Employee shall let the employer know any changes to the value of their monthly sacrifice by the first day of the month during which the change is to be made (leaving the scheme, or making an amendment to the value of voucher). All requests for change or termination will be accepted at the discretion of The Employer.

Please note that employees cannot exchange for cash. /pay any Childcare Vouchers already received as part of the Salary Sacrifice. Childcare Vouchers, once received, can be used only to pay in part or in full for childcare services provided by a qualifying childcare provider, for a qualifying child.

2. Procedure to join the Scheme

2.1 Before joining

There are a number of issues that employees should be aware of before deciding to sacrifice salary for Childcare Vouchers. In particular, attention is drawn to the impact of the Scheme on pay, tax credits, statutory benefits and pension.

Employees must consider these matters carefully and take any necessary independent additional advice before making an application to join the Scheme. Please note that Edenred does not provide financial advice.

Any queries about using Childcare Vouchers and how the Scheme works should be directed to Angela Curnow, Payroll Supervisor (Angela.Curnow@bristol.ac.uk) telephone 46375.

2.2 The Salary Sacrifice Agreement

If an Employee chooses to join the Scheme, it will be necessary to complete a Salary Sacrifice Agreement. This agreement, which is between the Employee and the Employer, creates an amendment to the Employee's contract of employment with the Employer, after it has been accepted by the Employer and the first salary sacrifice has taken place.

2.2.1 Joining the Scheme

Overview

Here are the key actions for an Employee, having decided to join the Scheme:

Download a Salary Sacrifice Agreement (web link) complete the form and return it to Payroll Services, Senate House. Forms should be completed and returned no later than the 8th of the month, for inclusion on that months voucher order. Forms returned after this date will be processed and included on the following months order.

Contact your child care provider, to see if they are already receiving payments from Edenred. If they are, get their 'Provider Number'. If they are not, they will need to affiliate with Edenred. They can do this by visiting the website: www.childcarevouchers.co.uk, or by ringing the helpline: 0845 3304433.

Once the first order has been received by Edenred, they will send you a Parent Pack and details of how to use your vouchers. For those parents receiving paper vouchers, they simply hand the vouchers to their care provider, who redeems the value from Edenred.

For those parents choosing Electronic Vouchers, Edenred will set up an online Childcare Account which is used in much the same way as on-line banking. This enables parents to make payments directly to their care provider's bank account via either Electronic Transfer or by setting up a Standing Order. If you do not have access to the internet, payments can be made using a touch tone telephone. Please contact the Edenred Helpdesk for information on this service.

Details

In respect of any pension arrangements please contact Tim Smith, Payroll and Pensions Manager (tim.smith@bristol.ac.uk) for guidance and further information.

Provided you pay the minimum requirement for NI payments vouchers should not affect you basic State Pension, however, it may have a small effect on your Second State Pension. For further information please contact your local tax office.

For those staff that contribute to the NHS Pension Scheme, the NHS Pensions Agency has confirmed that the value of Childcare Vouchers cannot count as pensionable pay. Therefore you will not pay pension contributions on the value of Childcare Vouchers you receive as part of your salary.

NHS Pension Scheme benefits are based on pensionable pay, therefore should any benefits (e.g Ill Health Retirement, Early Retirement, or Death Benefits) become payable whilst you are participating in the scheme, or within a year of leaving the scheme, they will be reduced.

Providing you ensure that you are not receiving childcare vouchers for three years before retiring or leaving the NHS your overall pension will not be affected.

For further information please contact Payroll & Pensions.

How to work out how much to sacrifice each month

To help decide how much salary to sacrifice each month the Employee should:

- a) calculate the total amount spent on childcare annually;
- b) divide this figure by 12

Whilst any value of childcare vouchers may be purchased through salary deduction, only up to £243 basic rate taxpayer per month will attract tax and National Insurance relief. Each submitted Salary Sacrifice Agreement will be checked to ensure that the sacrifice value does not result in an Employee's salary being less than the National Minimum Wage or the Lower Earnings Limit (this is one of the qualifications of the Scheme). For employees joining the Scheme after April 6th 2011, the maximum attracting tax and National Insurance relief will be:

- £243 per month basic rate taxpayer
- £124 Higher rate taxpayer
- £97 additional rate taxpayer

Example: 6 weeks use of holiday play group during summer
for 2 children @ £150 per week per child = Total annual cost £1800.
£1800 divided by 12 = £150 monthly sacrifice value

The amount of salary sacrifice cannot include pence - for example, £150 per month is acceptable, but not £150.50.

Timescales for using Childcare Vouchers

Childcare Vouchers can be used as and when required e.g. if an Employee only has childcare costs in the school holidays then the Childcare Vouchers can be stored for use during this time of the year. However, if an Employee in receipt of electronic vouchers leaves the Employer, the Employee understands and agrees as a condition of entering into the Salary Sacrifice Agreement, to use any outstanding vouchers within 1 month, after which time the Employee's online voucher account will be closed by the Employer.

2.2 Childcare Providers

Employees can pay any number of different childcare providers through the Scheme, as long as the providers are each affiliated to Edenred and hold current and valid registration or approval certification.

2.3 Checks on the Salary Sacrifice Agreement

The signed Agreement will be forwarded to the Payroll department of the Employer so the further checks can be completed. These checks include confirming that the amount the Employee wishes to sacrifice does not take their salary below the National Minimum Wage or Lower Earnings Limit.

If these checks are completed successfully, and all of the eligibility requirements have been met, then the Employer will accept and agree to enter into the Salary Sacrifice Agreement by applying the salary sacrifice against the Payroll in the calendar month following the calendar month in which the signed Salary Sacrifice Agreement was received from the employee by Edenred. The Salary Sacrifice Agreement and the terms and conditions will become contractually binding and they will constitute a variation to the Employee's employment contract.

Employees will be notified by the Employer if the online Salary Sacrifice Agreement does not meet the requirements of the Scheme by not passing the checks applied to it by The Employer.

Edenred will send the Employee a Parent Welcome Pack a few days before the payroll date on which the Employee will receive his or her first Childcare Vouchers. Employees in receipt of electronic Childcare Vouchers will also receive a separate Membership Card and membership number. Instructions on accessing the Employee's new online voucher account will be provided with the Membership Card.

2.5 Processing of salary sacrifice

Subject to receipt by the Employer of a complete and valid Salary Sacrifice Agreement by the Employee, the Employer will normally provide the first salary sacrifice in the calendar month following receipt of the Agreement. However, it is not possible to provide guarantees that the Application will be processed within this timeframe.

This monthly salary reduction will be shown on payslips.

Once the salary reduction has taken place Edenred will provide Childcare Vouchers to the Employee in the format chosen by the Employee - paper vouchers will be sent to the Employee's home address and electronic vouchers will be credited to the Employee's own online voucher account for access by internet or automated telephone service.

2.6 Using the vouchers

Employees can use Childcare Vouchers to pay their childcare provider in part or full for childcare services.

In the case of electronic vouchers, the Employee uses the Employee's own online voucher account to request a payment to the childcare provider. The choice of the date and value of payment requests is at the discretion of the Employee.

Requests are made using the chosen provider's "Edenred Account Number" – this number issued to the provider after affiliating with Edenred. **Employees should obtain the number directly from their provider.**

Following an Employee request for payment to the childcare provider, Edenred will make payment directly into the childcare provider's bank account, or by cheque if requested by the childcare provider.

These payments are made on the working day following receipt of an Employee request for payment. Employees should note that direct payments (by ELECTRONIC TRANSFER) will reach the childcare provider's bank account within 2 or 3 working days.

3. What is registered and approved childcare?

The tax and National Insurance exemptions that the Scheme provides are only available where the childcare provider to whom the vouchers are presented as payment is registered or approved by a body recognised by HM Revenue & Customs. The childcare provider must also be affiliated with Edenred to receive reimbursement for Childcare Vouchers.

As arrangements for registration and approval of childcare differ in England, Scotland, Wales and Northern Ireland this section sets out the definitions that are used and what counts as 'registered' and 'approved' for the purposes of the Scheme.

3.1 Registered Childcare

Childcare provided away from the child's home must be registered:

- In England and Wales for children up to and including 7 years;
- In Scotland for children up to and including age 16;
- In Northern Ireland for children up to 12;

Voluntary registration is also available for people who care for children aged 8 and over, home based carers such as nannies and other providers not currently required to register.

A registered child minder, nursery or childcare scheme is one that is registered in:

- England, by OFSTED or the Social Care Inspection Commission;
- Wales by the National Assembly for Wales (through the Care Standards Inspectorate for Wales);
- Scotland by the Scottish Commission for the Regulation of Care;
- Northern Ireland, by a Health and Social Services Trust.

3.2 Approved Childcare

The Childcare Approval Scheme (CAS) currently operates in WALES only and is approved by a body acting under the authority of the Secretary of State. It was set up to approve individual carers providing unregulated childcare, such as nannies or aupairs working in the parent's home, and child minders for children aged over seven. Separately, Ofsted provide a voluntary Ofsted childcare register for childcare providers in England.

The approval scheme and voluntary register are not obligatory in respect of caring for children. However, eligible childcare providers will not be able to receive payment in respect of Childcare Vouchers if they do not choose to join the approval scheme or voluntary Ofsted childcare register.

Under these schemes, a childcare provider must provide to the certification body:

- Either a recognised childcare qualification, or prove attendance at a childcare induction course;
- an enhanced Criminal Records Bureau check;
- a valid First Aid Certificate relevant to the care of children;
- confirmation of being aged 18 or over.

In the case of the voluntary Ofsted childcare register, childcare providers must also hold current Public Liability insurance.

Employees will at all times be responsible for ensuring that the childcare provider is suitable to care for their children and should take references and check for particular training or experience as appropriate. **Employees must also check on the registered and approved status of their chosen childcare provider in advance of entering into a Salary Sacrifice Agreement in respect of Childcare Vouchers.**

Further information can be found at www.surestart.gov.uk/childcareapproval or by calling 08457 678 111.

3.3 Types of childcare valid for payment with Childcare Vouchers, subject at all times to holding valid registration or approval certification:

- Registered childminders, nurseries and playschemes;
- Out of hours clubs on school premises run by a school or local authority;
- Childcare Schemes run by school governing bodies under the extended school Scheme;
- Childcare Scheme run by approved providers, for example, an out of hours Scheme or a provider approved under a Ministry of Defence accreditation Scheme;
- In England only, childcare provided in the child's own home by a person* approved to care for the child or children;
- In England only, childcare given away from the child's own home by a person approved to care for the child or children aged 8 or over;
- In England only, childcare given in the child's own home* by a domiciliary worker or nurse from a registered agency who cares for the child or children;
- In Scotland only, any childcare, including out of school care, regulated by the Care Commission;

- In Scotland only, childcare given in the child's own home* by (or introduced through) childcare agencies, including sitter services or nanny agencies, which must be registered;
- Approved foster carers (the care must be for a child who is not the foster carer's child)

**Childcare provided in the child's own home will not qualify if the person approved to give that care is a relative of the child, even if that person is registered or approved
Childcare provided away from the child's home will not qualify if the person approved to give the care is related to the child and does not look after unrelated children.*

4. Notes

4.1 Circumstances when the Employer can terminate a Salary Sacrifice Agreement

The Employer will terminate an Employee's Salary Sacrifice Agreement:

- If an Employee is suspected of fraudulent or inappropriate use of the Scheme;
- If an Employee ceases to be an Employee of the Employer and/or ceases to be paid through The Employer's payroll.

These are referred to as "Terminating Events". In the month of a Terminating Event an Employee will only receive Childcare Vouchers if their salary for that month (up to the Terminating Event) is sufficient to meet the Salary Sacrifice (and this would not result in their salary falling below the National Minimum Wage (NMW) or Lower Earnings Limit (LEL)). If their salary is insufficient, no sacrifice will be made for that month.

- Following cessation of employment, Employees will continue to be able to use any electronic Childcare Vouchers for a period of 1 month from the date of the Terminating Event. In the event of a Terminating Event linked to fraudulent or inappropriate use of the Scheme, The Employer shall determine whether the Employee shall continue to have access to childcare vouchers.

4.2 Non-payment in the event of insufficient pay to cover the Salary Sacrifice

If, for whatever reason, an Employee's pay is insufficient to cover the Salary Sacrifice in any particular month the Childcare Voucher reduction will not be made. The Employee will be contacted by the Employer if this is the case.

In the event of the Employee receiving insufficient pay as described above, or nil pay (for example, as a result of taking additional maternity leave, long term sick leave, career breaks etc) the terms of the Salary Sacrifice Agreement confirm that a salary sacrifice will not take place. However, the salary sacrifice will resume when the Employee again receives salary (provided that the Employee has not made a request to withdraw from the Scheme which has been accepted and that their salary is sufficient to meet the extent of the Salary Sacrifice and it does not result in them receiving less than the NMW or LEL).

4.3 Payment in the event of a reduction in pay

If an Employee's pay is reduced for any reason but sufficient funds remain in their salary to cover the Salary Sacrifice, The Employer will still instruct the administrators, Edenred, to provide Childcare Vouchers in the normal way, unless they have provided the

required notice of their intention to withdraw from the Scheme and this withdrawal has been accepted.

4.4 Notification of changes

In the event that a Member becomes aware that the registration or approval status of their chosen childcare provider changes, they should immediately advise the Employer. Childcare Voucher payments will not be made by Edenred to childcare providers who are not registered or approved, irrespective of whether such providers send Childcare Vouchers for reimbursement.

Employees participating in the Scheme must ensure that the information they provide is accurate and up to date. They must also ensure that they immediately notify The Employer of any subsequent changes in the details they provided as part of the application process and must also notify the Employer if they no longer meet the eligibility criteria for the Scheme.

4.5 Fraudulent or inappropriate use of the Scheme/provision of incorrect information

If an Employee is suspected of fraudulent or inappropriate use of the Scheme (including but not limited to the provision of false information, the sale or exchange of Childcare Vouchers other than in accordance with the Scheme, failing to provide the Employer with updated information which would affect eligibility requirements etc), such conduct can lead to:

- a Terminating Event (see above);
- HM Revenue & Customs and/or the Employer seeking to recover from the Employee any tax and National Insurance that should have been charged on the Salary Sacrifice; and
- Disciplinary action against the Employee, which could result in dismissal.

Even if the Employee's conduct falls short of fraudulent activity or misconduct, if it is discovered that an Employee's application to join the Scheme did not or does not meet the eligibility requirements, HM Revenue & Customs and/or the Employer may seek to recover from the Employee any tax and National Insurance that should have been charged on the Salary Sacrifice.

5. Completing an Amendment of Terms Form

An Employee may choose to apply to the Employer to either modify the sacrifice value in a current Salary Sacrifice Agreement, or to terminate that agreement. This is done by informing (letter or e-mail) Payroll and Pensions by at least the 1st of the month during which the amendment is to be.

Employees should note that an amendment is accepted entirely at the discretion of the Employer.

PLEASE NOTE: Following an Employee's application to terminate the Agreement, and The Employer's subsequent acceptance, then the Employer may not agree to enter into a new Salary Sacrifice Agreement within the same financial year. Employees should therefore not seek to terminate the Salary Sacrifice Agreement as a means by which to temporarily cease to receive Childcare Vouchers.

6. Scheme expressions

Edenred	Childcare Vouchers Ltd trading as Edenred UK. The organisation providing the infrastructure and administration of vouchers on behalf of the Employer.
Agreement	The Salary Sacrifice Agreement between the Employer and the Employee. The Agreement will become binding from the date of the first salary sacrifice carried out by the Employer, at the Employer's discretion.
Amended salary	The new level of gross salary after a reduction from original salary. Also referred to as reduced salary.
Childcare Provider	The registered or approved childcare provider named by the Employee on the Salary Sacrifice Agreement, and to whom Childcare Vouchers will be presented by the Employee. Employees may use alternative or additional childcare providers after the start of the agreement, by selecting those providers as part of the payment request process provided within the Employee's online voucher account. In all cases, the provider must be affiliated with Edenred. Employees must obtain the provider's Edenred Account Number direct from the Provider, in order to make an online payment request.
Childcare Vouchers	The non-cash benefit provided by The Employer through the Scheme.
Employee	means all permanent employees of the Employer.
Employer	means The University of Bristol
Reference Salary	The Employee's gross salary before any reductions are made, described as either a monthly or an annual figure.

(Salary) Sacrifice Value

The amount of pay given up by the Employee. This will normally be equal to the amount they will receive as a benefit in the form of Childcare Vouchers under the Scheme.

The Scheme

The Childcare Voucher scheme offered to Employees by the Employer, and administered by Childcare Vouchers Ltd trading as Edenred on behalf of The Employer.

Scheme ID

This is the 8-character code issued to the Employer by Edenred, for use by Employees who wish to enter a Salary Sacrifice Agreement, using the online service. Also for use by Employees who wish to use the Tax Estimator provided online by Edenred on their website **childcarevouchers.co.uk**

Terms & Conditions

These are the basis of the Salary Sacrifice Agreement between the Employee and the Employer. The terms and conditions include definitions of the rights and obligations of the Employee and the Employer. The Employee must read and agree to these conditions.