CHILDCARE VOUCHERS SCHEME
QUESTIONS AND ANSWERS

Q1 Why is the College providing childcare vouchers?
A) Although we have workplace nursery provision on the Mile End Campus this can benefit only a limited amount of staff and provides for children up to the age of 5. We recognise that many staff prefer to use childcare close to home and have varied needs for their children up to the age of about 15. Childcare vouchers allow staff to choose where and what type of childcare they use in a way that is financially beneficial to them. This is one of many initiatives that the College is doing to improve the working lives of its staff and help staff to balance work with caring responsibilities.

Q2 What is the scheme?
A) The College has received Inland Revenue approval to allow staff to choose to take childcare vouchers up to the value of £2,916 p.a. as part of their remuneration package, so long as their cash salary is not reduced below the National Minimum Wage by choosing to take part of their salary in childcare vouchers. 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 National Insurance Contributions (NIC) or tax on the vouchers.

Q3 How will I receive the vouchers?
A) You will be set up with an on-line account with Edenred Services, which you can either access over the internet or via the telephone.

Q4 In addition to my basic salary I also get overtime payments. Will these be affected?
A) 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.

Q5 What happens when there is a pay rise?
A) You will receive any relevant pay awards based on your original salary.

Q6 What type of care can I use childcare vouchers for?
A) Childcare vouchers can be used for children up to the 1st September following their 15th birthday, or 1st September following their 16th birthday if they are disabled, and are in either registered or approved childcare. 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 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 or approval details will be required from child carers.

Q7 What happens if my childcare costs vary from month to month e.g. I only pay for childcare during the school holidays?
A) 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 £2,916 p.a.

Q8 Can I use more than one childcare provider/carer?
A) Yes, parents often need to combine different types of care. All carer’s details can be included on your application form, and you will then receive registration forms for each carer.

Q9 What does my childcare provider/carer have to do?
A) When you join the scheme you will be sent an information pack. The pack will include registration form(s) for your chosen carer(s). The childcare provider would then return their form to Edenred Services who will carry out checks on the carer(s) to make sure they are registered or approved and make the payment.

Q10 Can I change my childcare arrangements whilst in the scheme?
A) 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.

Q11 I currently receive Working Tax Credit (WTC). Can I join the childcare vouchers scheme as well?
A) 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 lower amount of WTC. However, childcare costs met by employer-provided vouchers will not be considered for the childcare element of WTC. This is because the Inland Revenue considers that when you sacrifice your salary for childcare vouchers then it is the employer who is paying for the childcare and not the parent. It is therefore likely 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 the Inland Revenue for advice on how your WTC will be affected.

Q12 Can staff leave the scheme at any time?
A) Yes, but only if they experience a lifestyle change, for example leaving the College, or a child starting school. These are called ‘life change’ events. Otherwise you can leave the scheme at the end of each year (31st March).

Q13 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?
A) 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 we can make no guarantees on this issue.

Q14 I am currently paying back a student loan which is 9% on my earnings over £15k. Will this alter?
A) 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.

Q15 What happens if I go on Maternity Leave to have another baby?
A) This is regarded as being a ‘life change event’ and you can decide to leave the scheme and stop receiving childcare vouchers. However, if you opt to continue with the childcare vouchers scheme your salary will continue to be reduced by the same amount and you will continue to receive the same value in childcare vouchers whilst you are on paid maternity leave.

Since actual maternity leave benefits will be based on your new basic salary at the appropriate rate(s), then continuation in the scheme does depend on your cash salary not falling below the NIC earnings threshold. If your salary falls below the National Minimum Wage or you decide to take unpaid maternity leave as well, then the College reserves the right to review the provision of this benefit and agree new employment contract terms and conditions with you.

Q16 What happens if I go on long term sick leave, or take unpaid leave?
A) 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).

Since actual sick leave benefits will be based on your new basic salary at the appropriate rate(s), then continuation in the scheme does depend on your cash salary not falling below the NIC earnings threshold. 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 College reserves the right to review the provision of this benefit and agree new employment contract terms and conditions with you.
Q17 How will childcare vouchers affect my pension?

A) Your pension contributions will reduce, as they will be based on your new basic salary. If you are part of a Colleges pension scheme, then the benefits are based on the best final salary you have received in the past three years. In the unlikely event of benefits becoming payable whilst you are in the scheme (e.g. you are ill health retired or die) the benefits may be reduced.

However, once you no longer receive childcare vouchers and your full salary was 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 (e.g. Prudential AVC 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.

Should you wish to consider investing some of the net gains from the scheme in term assurance; it would be advisable to discuss the available options with an independent financial advisor. The College will not get involved with any transaction of this type.

Q18 What happens if I am made redundant whilst in receipt of childcare vouchers?

A) Any redundancy pay would be based on your original salary.

Q19 Why can I only join on the 1st of a future month?

A) As the childcare vouchers scheme operates by reducing your basic salary it is administratively easier to join on the first of a month. Under Inland Revenue regulations it is not possible to back-date the salary sacrifice so it must be from the 1st day of a future month.

Q20 Can I use the vouchers in the College’s workplace nursery?

A) Yes, as you receive no other tax concession by having your child in the College Nursery.

Q21 If I don’t use my vouchers immediately, what happens?

A) The electronic vouchers do not have an expiry date. Any unused vouchers can be refunded to the employee via the payroll subject to the deduction of tax and National insurance. The college reserve the right to pass on to the employee any administration costs charged by Edenred Services.

Q22 My childcare costs increase in the summer holidays. Can I increase the value of vouchers on a temporary basis?

A) No. To meet Inland Revenue rules, we have to run the scheme for a full year. If your childcare costs go up or down, for example during school holidays, you might want to think about what your average costs are. You could then save some vouchers during the cheaper weeks for when your costs are higher.
Q23  What if my care provider changes?
A) As childcare arrangements can change, you simply contact Edenred Services who can make the necessary arrangements to pay your vouchers to the new provider.

Q24  How do I change the value of my vouchers?
A) You need to complete an amendment/ cancellation form. Contact your HR Contact Officer or download a form from the HR website.

Q25  What happens if I can’t pay for my vouchers because my pay has been reduced or stopped?
A) If your pay is reduced, for example because you have been ill for a long time and you go on to half pay, you will still receive your vouchers but the payment you make for them will be stopped. When you return to full pay, a repayment plan will be agreed with you.

Q26  How quickly do care providers get their money?
A) Edenred services will process all requests for payment made by you within 24 hours. They will pay either into the carer’s bank account via BACS which takes approximately 3 working days to arrive, or they will send them a cheque.

Q27  What if I have more than one child, can I get more than £55 of vouchers per week?
A) No. The £55 per week limit on the amount of vouchers that may be taken free of tax and National Insurance is set by the Government as a ‘per person’ allowance. Any additional childcare costs above £55 should be paid by you directly to the childcare provider.

Q28  Can I use the vouchers to pay a relative who looks after my child?
A) Yes, provided that the relative is an approved or registeredchildminder. Additionally, where a relative (which includes a step-parent) is involved, you may not use vouchers where the care is provided in the child’s own home, but only where it is provided somewhere else (for example, at the relatives home).