

understand
deliver
support



childcare voucher scheme
an employers guide



“We have had very good feedback on our childcare voucher scheme and I’d encourage all companies to look into it.

PES’s help has been invaluable - the admin was not as onerous as expected and the monthly running of the scheme has been simple.”

Jo Greenwood,
Finance Resources Director
Business West

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introduction

Today, almost 40% of the UK's workforce are parents. With childcare becoming increasingly expensive, many are finding that arranging care for their children is a major cost. There are many ways employers can help their staff meet their childcare needs, including offering workplace nurseries and flexible hours. Of these solutions, childcare vouchers are particularly popular. This guide explains why.

Simple, flexible and cost-effective, parents can use childcare vouchers to pay for all types of registered and approved childcare, including childminders, nurseries and after-school clubs. From reducing your National Insurance Contributions (NIC) to enhancing staff morale, with PES childcare vouchers, the rewards are there for the taking.

See how the savings add up



* Savings are per employee per year based on taking the full £55 a week entitlement. Employee savings will differ according to their tax rate and corresponding NIC rate.

benefits for employers

- NIC savings up to 12.8% – maximum of £373 per employee every year
- Staff value childcare vouchers highly, helping attract and retain employees, while overcoming recruitment and training issues
- Promote a positive corporate image, demonstrating commitment to staff and their families
- A scheme that more than pays for itself through the NIC savings

benefits for employees

- Attractive benefits, thanks to NIC savings up to 11% – £320 a year – and tax savings up to £1,166 a year
- Freedom and flexibility to choose their preferred childcare option
- Vouchers are effortlessly simple to use

the benefits

From 6 April 2006, employers can provide employees with childcare vouchers valued up to £55 a week, equating to £243 a month and £2,916 a year. Simple to set up and administer as part of a salary sacrifice scheme, reward package, or flexible benefits package, they bring attractive tax savings to staff and employers alike.

The benefits don't end there. Introducing a voucher scheme also promotes employers as family-friendly organisations, helping attract, motivate and retain quality staff.

Example employee savings 2009 to 2010 rates

Not contracted out

Annual salary	Amount sacrificed	New reduced salary	NI %	NI savings	Income tax %	Income tax savings	Total savings
£8,000	£2,916	£5,084	11	£251.35	20	£305.00	£556.35
£16,000	£2,916	£13,084	11	£320.76	20	£583.20	£903.96
£25,000	£2,916	£22,084	11	£320.76	20	£583.20	£903.96
£50,000	£2,916	£47,084	1	£29.16	40	1,166.40	£1,195.56

Contracted out

Annual salary	Amount sacrificed	New reduced salary	NI %	NI savings	Income tax %	Income tax savings	Total savings
£8,000	£2,916	£5,084	9.4	£214.79	20	£305.00	£519.79
£16,000	£2,916	£13,084	9.4	£274.10	20	£583.20	£857.30
£25,000	£2,916	£22,084	9.4	£274.10	20	£583.20	£857.30
£50,000	£2,916	£47,084	1	£29.16	40	1,166.40	£1,195.56

These figures are based on employees taking the full £2,916 entitlement.

the service

Whether you're considering offering childcare vouchers for the first time or contemplating changing your provider, it pays to talk to PES. Our consultants specialise in designing and implementing employee incentives and rewards, ensuring organisations benefit from only the most suitable childcare salary sacrifice packages.

PES provides a comprehensive service that ensures we implement your childcare voucher scheme successfully and quickly.

Services included

- Tax and NIC advice on salary sacrifice
- Scheme design
- Providing all scheme documentation, including employment contract amendments, voucher policy wording and childcare provider registration agreement
- Materials to promote the childcare voucher scheme
- Liaising with payroll team to ensure they understand technical position and administrative procedures
- Helping create internal administration procedures and record-keeping systems
- Notifying HM Revenue and Customs on your behalf
- Freephone helpline facility, Monday to Friday from 9am to 5pm, providing support and advice on childcare voucher queries
- Dedicated account manager responsible for implementing your scheme and ensuring its ongoing success.



“We had heard about the childcare voucher scheme but didn't understand the practicalities behind implementation. PES approached us and explained the pros and cons - it was an excellent idea and has proved a great benefit for employees.”

Alasdair McCleod,
Partnership Secretary
Hartnell Taylor Cook

the options



Did you know
childcare vouchers
can go towards after
school activities for
your older children?

No two organisations are the same. Each has different needs and aims. So, at PES, we believe clients should pay for the solutions they use, not the services they don't. Depending on your individual requirements, you can select one, two or all three of the following set-up options for a small additional fee.

Once your childcare voucher scheme is in place, we will invoice a highly competitively priced quarterly administration fee.

Option one: [promote](#)

To help promote the scheme, increase adoption, and maximise your NIC savings, we can visit your company premises and:

- give presentations to staff
- answer staff questions in groups or one-to-one meetings.

Option two: [assist](#)

We can arrange for one of our consultants to visit your office and guide you step-by-step through the set-up process and scheme documentation.

Option three: [review](#)

We can review your human resources policies and company benefits documents to ensure the wording accurately reflects salary references, for example, pension documentation.

Services included in quarterly administration fee

- Setting up the childcare voucher scheme
- Administering paper-based vouchers or 'PES My Vouchers', our online e-voucher offering
- Dealing with any questions and queries
- Maintaining vouchers database, if required
- Liaising direct with childcare providers regarding registration confirmation, voucher payments, approval for the scheme, and answering their queries
- Offering a freephone helpline facility, Monday to Friday from 9am to 5pm
- Providing a dedicated account manager.

your questions answered

Q Who can join a childcare voucher scheme?

A Any full or part-time employee who pays for qualifying (registered or approved) childcare costs. The voucher must pay for the care of the employee's own child or a child for whom the employee has parental responsibility. A child qualifies for childcare vouchers up to 1 September following their fifteenth birthday or, if disabled, 1 September following their sixteenth birthday.

Q What is a salary sacrifice scheme?

A A salary sacrifice scheme involves an employee agreeing to substitute part of their salary for a benefit – in this case, childcare vouchers. This is a formal agreement, you'll need to change the employee's employment contract.

Q What is an e-voucher scheme?

A An e-voucher scheme is a secure online childcare voucher system. At PES, our e-voucher scheme is entitled 'PES My Vouchers'. We assign a personal e-voucher account to employees, which they use to pay their childcare provider.

Q What are the differences between paper and e-vouchers?

A The employee receives a paper voucher on pay day usually with their pay slip, which they use to pay their childcare provider. In turn, the childcare provider redeems the voucher with PES. E-vouchers perform the same role but electronically, similar to online banking. The employees' e-voucher account is credited on pay day and the employee can then make online requests to pay their childcare provider. As the childcare provider receives payment direct in their bank account, they don't need to redeem the vouchers.

Q How do we set up a childcare salary sacrifice scheme?

A PES will work closely with you to determine your organisation's exact needs. Once we agree the right scheme, we'll help you communicate the offering to your employees and encourage them to take part. Our team will also provide all the necessary documentation, including amendments to employees' terms and conditions of employment, while notifying the HM Revenue and Customs for you.

If you select the 'PES My Vouchers' e-voucher option, we'll create a voucher website, tailoring it to your organisation's corporate identity, if you wish. As part of this offering, we will train you and your staff on using the system.

Q How will the scheme work?

A We will send you packs to give to your employees. These contain information on how the scheme works, an application form, and a guide for employees to give to their childcare providers. The scheme's operation will also depend on whether you selected the e-voucher or paper voucher options:

- **E-vouchers:** You upload, place and pay for your voucher order. On the day selected by you, vouchers will be released into your employees' individual voucher accounts. The employee can then access their online account and request payment for their childcare providers. PES will process this payment, sending the childcare provider a confirmation email or letter.
- **Paper vouchers:** you place and pay for your voucher order. We print and post the vouchers to you for distributing to your employees. Alternatively, we can post the vouchers direct to your employees. Paper vouchers are available in any denomination.



your questions answered

Q How much will my employees save?

A This depends on their salary and the support you offer them. A 20% taxpayer with a NIC rate of 11% taking the full £55 a week entitlement in vouchers could save up to £904 a year. A 40% taxpayer with a NIC rate of 1% could save up to £1,166.40 a year.

Q How much will my organisation save?

A If employees take their full £55 a week entitlement, you will save £373 in NIC per employee per year.

Q Will the salary sacrifice affect my employees?

A In some cases, yes. Reducing an employee's gross salary means reducing some benefits, for example, statutory maternity pay. To compensate, you can increase their statutory payments up to their original entitlement. It can also affect the mortgage amounts they can apply for. However, many lenders now base their calculations on the reference salary, (the reduced salary plus the childcare voucher values).

The salary sacrifice can also affect company benefits such as sick pay, overtime, pensions, and bonus entitlements. To counter this, you can alter your arrangements to refer to the reference salary. However, it's not possible to reduce an employee's salary below the minimum wage.

Childcare vouchers can affect an employee's entitlement to the childcare element of the Working Tax Credit (WTC). If this applies to your employees, we recommend they call the WTC helpline (0845 300 3900) before joining the scheme.

Q Are the tax benefits limited to one voucher per family?

A No. Both parents can receive vouchers worth up to £55 a week free from tax and NIC, as long as they meet the qualifying conditions.

Q What information do I need to provide PES?

A Once the scheme is up and running, all you need to do is send us your voucher order and payment each month, or in an agreed timescale. We will not send paper vouchers direct to your employees, unless you've agreed this with us.

Q What are our responsibilities?

A Any vouchers over the £55 a week limit will require PAYE and NIC deductions. However, we strongly advise you keep within limits, as providing these benefits could prove costly. You also need to clarify that your employees qualify for the vouchers.

PES will help you with your responsibilities at every step. With respect to qualifying childcare, we will also check eligibility before paying childcare vouchers.

“We were impressed by the e-voucher option. They reduce the use of paper as well as being simpler to use and administrate.”

Victoria Jones, HR Adviser
GMTV



your questions answered

Q What information do we need to keep?

A To demonstrate you have met the qualifying conditions, you need to keep the following records:

- Evidence that you are offering the scheme to all staff, where appropriate
- Details of the childcare provider used, including:
 - Name and address
 - Registration and approval numbers
 - Registration and approval expiry date, where applicable
- A record of the child's date of birth and, where appropriate, whether the child is disabled
- A note of the relationship between the child and employee, if they are not the child's parent
- Evidence that your employees need to notify you of any changes in childcare provider, and their registration or approval status.

Q How do we order vouchers?

- A
- **E-vouchers:** order online using the 'PES My Vouchers' system
 - **Paper vouchers:** order by fax, email or post

Q How much work does setting up and running the scheme require?

A With PES at your side, very little. We can help you set up the scheme, liaising with human resources, payroll and your employees to ensure its success. There is also little difference between administering e-vouchers and paper vouchers.

Q When do I have to pay?

A When you require vouchers, we ask that you pay when you place or upload your order. We cannot send vouchers or release the voucher amounts until payment has cleared in our account.

Q Do the paper vouchers have any security features?

A Yes, each voucher is numbered in sequence, featuring your organisation's name and employee name, if requested. They also come complete with counterfoils and an embossed foil watermark. To counter fraud, abuse, damage or loss, we recommend you keep these counterfoils and send the vouchers to your employees.

PES keeps a central register of vouchers. When childcare providers present vouchers for payment, we match the voucher numbers against the register.



"We are extremely grateful for the speedy response PES provides and would like to thank them very much for their efficient service over the last three years."

Stella Garden
Childcare Provider

next steps

It couldn't be easier to put your new childcare voucher scheme in place or to switch to PES. Working alongside you, our people will take care of everything, making sure your scheme saves you time and money while making life easier for staff requiring childcare.

Setting up a childcare voucher scheme in seven simple steps

1

Determine the interest for childcare vouchers within your organisation

2

Provide information to help your staff decide whether to join

3

Choose your preferred voucher option – paper-based vouchers or e-vouchers

4

Complete the paperwork, including an agreement with PES, employee sacrifice agreements, payroll and tax office notification

5

Review* your human resources policies and company benefits documents.

6

Create, place and pay for your order

7

Issue vouchers to staff

make contact

To find out how PES can help you run an effective childcare voucher salary sacrifice scheme that saves money and enhances staff benefits, please contact our childcare voucher team on 0845 450 9110 or email vouchers@pesconsulting.co.uk

*PES can help with this process. Details of this optional service can be found on page 04.

about PES

Created in 2001, PES helps organisations deal with people issues, save money, improve performance, and minimise risk. Today, PES is a vibrant and rapidly growing business with offices in Bristol and Thames Valley. Small companies, large businesses, local authorities, and national enterprises alike trust PES to help them reduce risk, remain compliant, and gain a maximum return on their investment in people.

PES is part of greenCO₂ plc; a national business that specialises in certifying and guiding organisations towards meeting their environmental obligations. This commitment to environmental issues is reflected in a growing range of green benefits offerings within the PES portfolio of solutions.

Our offering focuses on delivering the following services:

people performance

Employing staff comes with many challenges and responsibilities, including ensuring you remain compliant and manage your people effectively.

From dealing with compliance issues and administration to helping you get the best from your workforce, PES will help solve your problems, save you money and make you more successful.

employment tax

Finding the time to ensure tax compliance while focusing on your own roles and responsibilities can prove problematic. Our employment tax consultancy and specialist team can free you from the burden, helping you save money, plan for the future, and reduce the risk of non-compliance.

reward

Whether you want to reward your executive team, introduce a pension or childcare voucher scheme, or recognise your employees' efforts, PES help you retain people, improve performance and save money. We also offer financial planning advice and guidance on compensation, benefits and employee recognition.

health and safety

Good health and safety policies will protect your organisation from the cost of lost time, litigation, and fines. With a comprehensive range of services, covering training, accident investigation, food safety and hygiene, fire consultancy and more, PES provide the solutions you need to keep your organisation compliant and safe.




setting the standard
people performance



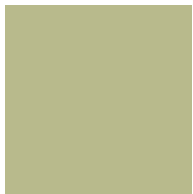
motivate, retain and attract
reward



managing the risk
health and safety



making it work
employment tax



[www.pesconsulting.co.uk]

T 0845 450 9110 E info@pesconsulting.co.uk



PES



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