

Childcare Vouchers



Employer Information Pack

Contents

What this Information Pack covers	3
What Are Childcare Vouchers?	3
Who Are Salary Exchange ?	4
What Makes Salary Exchange Different?	5
The Key Benefits For Employers	6
How to set up a Childcare Voucher scheme for the first time	9
The Process of Transition from another provider to Salary Exchange Childcare Voucher scheme	11
Key Benefits For Parents	12
Accessibility For All	13
The Key Benefits for Carers	13
Important changes to Childcare Vouchers – 2011	14-15

What This Information

Pack Covers:

The main focus of this document is to explain the benefits of Childcare Vouchers for you as an employer, and to give you an insight into what makes **Salary Exchange** the provider of choice for our rapidly expanding client portfolio. We have included information on the logistics of our Childcare Voucher solution, whether you already run a scheme and are contemplating change or are considering a scheme for the first time.

What Are Childcare Vouchers?

Childcare Vouchers are a tax-free and National Insurance exempt scheme which provide significant savings for employees and save employers National Insurance contributions as well. Childcare Vouchers are a salary sacrifice employee benefit which has been available with a tax exemption since April 2005.

All eligible working parents with children aged up to 16 can request Childcare Vouchers, and can exchange or "sacrifice" part of their gross salary (up to £243 per month or £55 per week*) for the same amount in Childcare Vouchers. This part of their salary is tax-free and exempt from National Insurance (NI) contributions, which gives savings up to £1,196** per parent per year on their registered childcare costs. This government initiative is open to both basic and higher rate tax-payers.



In the tax year beginning 6th April 2011 there are some important changes regarding childcare vouchers specifically relating to higher rate and additional rate tax payers. Childcare vouchers will continue to be a valuable employee benefit for the majority of working parents, particularly those on higher incomes, and these changes are covered in detail on pages 14-15 of this booklet.

Childcare Vouchers can be used to pay for all types of registered childcare for children up to the age of 16. This includes childminders, nurseries, nannies, au pairs, crèches, playgroups, out of school clubs, holiday schemes, qualifying childcare provided by schools, activity clubs and summer camps.

Hundreds of businesses have chosen **Salary Exchange** as their Childcare Voucher provider and are enjoying a reliable, robust service with minimal administration. Why not join them?

* From 6th April 2011 the maximum amounts a higher rate tax payer may take is £28 per week, and for an additional rate tax payer, £22 per week. The changes are covered on pages 14-15 of this booklet.

** The maximum saving a higher rate tax payer can save per annum when a member of a childcare voucher scheme on 6th April 2011.

Who Are Salary Exchange?

Salary Exchange was established to compliment the work carried out by Team Rewards, who have been a market leader in Employee Benefits for over 10 years.

At **Salary Exchange** we provide a modular benefits platform which ensures all our clients have autonomy to achieve the perfect solution to meet their requirements.

Salary Exchange has built up valuable relationships with both clients and trade associations within the private, public and to reflect both employer and employee absolute minimal administration.

Salary Exchange was devised specifically for and developed to offer a robust and user friendly platform for salary sacrifice and other employee benefits. On an ongoing basis the platform is maintained completely in house by our expert team, ensuring we continue to meet our stringent objectives with regard to performance and uptime*.



What Makes Salary Exchange Different?

One of the key benefits associated with our Childcare Voucher scheme is that it runs seamlessly through the **Salary Exchange** platform. This provides a streamlined and completely accurate service for you and your employees.

Furthermore the modular design of **Salary Exchange** means that the platform is not just limited to Childcare Vouchers. Our clients have complete control and optimum choice in selecting the exact mix of benefits which are perfect for their organisation, demographics, culture and business objectives.

Our clients can choose one or more of the exciting and innovative benefits on offer, and these can be launched simultaneously or over a period of time as required. As a proactive Company with a strong history in design, development and innovation, we are consistently reviewing and enhancing our benefits portfolio to maintain our status as a respected and diverse provider within the marketplace.

Each client can select to implement Childcare Vouchers alone or a wider range of benefits if required, and make these available through the Salary Exchange. Your employees will be able to access their benefit/s on line using a username and password of your choosing, and the site will be branded to your organisation at no cost. If you have employees without access to a PC they can access the Childcare Voucher scheme via our telephone service.

One of our most popular benefits packages includes:

- > Childcare Vouchers
- > Bikescheme
- > liftshare
- > Everyone Benefits
(our voluntary benefits package)

This package largely owes its success and popularity to its cost effectiveness - for many employers, this combination can be implemented and run at no cost or even with a saving.

* The uptime rate for the Salary Exchange platform currently exceeds 99.9% (this statistic relates to the period between January 2009 – December 2010)



The Key Benefits For Employers

Our Childcare Voucher scheme is a no net cost option that supports your employees' registered childcare needs.

By running your Childcare Voucher scheme with Salary Exchange you can benefit from the following:

The Business Case for Childcare Vouchers

- > **Achieve National Insurance saving up to £373* per employee per year**
- > Help your working parents save significant sums on the costs of childcare – **up to £1,196 per working parent per year****
- > Benefit from a valuable recruitment and **retention tool**
- > Enhance your corporate image as a **family-friendly employer**
- > Improve staff morale through tangibly demonstrating your commitment to a healthy **work-life balance**
- > Reduce absenteeism

Our approach

- > Our flexible approach to working with all our clients to provide the perfect solution is achieved through **expert dedicated and consistent Account Management**. Our specialist Childcare Voucher Team can collectively boast over 50 years experience within this market and an in-depth understanding of legislation and best practice
- > Our clients have the confidence to delegate the responsibility for a smooth running, accurate and **HMRC compliant scheme** in the hands of their Account Manager who will ensure regular contact and guidance wherever needed
- > For clients with existing schemes in place and the desire for change, the entire transition process can be project managed by your Account Manager to ensure **no disruption or unnecessary administration** for HR, Payroll, existing scheme members or their carers. With significant experience in this field, our understanding of best practice in migrating your current scheme members is exemplary.

Typical Employee Savings
(Standard Rate Tax Payer)

Monthly Voucher Value	Standard Rate Tax Payer Annual Savings (Tax 20%, NI at 12%)
£243	£933
£200	£768
£150	£576
£100	£384
£50	£192

Typical Employee Savings
(Higher Rate Tax Payer)

Monthly Voucher Value	Higher Rate Tax Payer Annual Savings (Tax 40%, NI at 2%) Earnings up to £149,999 p.a.
£124	£623
£112	£564
£84	£423
£56	£282
£28	£141

Marketing

- > If you are implementing a Childcare Voucher scheme for the first time, this may be completely new to many of your employees. That's why we work closely with all clients to understand your demographics, geographical challenges, culture and past communication experiences to **cultivate the most effective marketing strategy**
- > If you are making the change to the Salary Exchange scheme, you may wish to **re-launch the scheme to maximise awareness and enhance uptake**. Again, we will work with you to agree an appropriate strategy to ensure maximum employee understanding and engagement
- > Our **multi-point marketing materials** have been designed to support effective communication, and are available in hard and soft copy formats. Branded to your organisation, all materials give the professional and clear message you would expect
- > Account Managers work with clients to continue to re-promote the scheme to ensure employee awareness is consistently high

Parent facing marketing materials include:

- > A comprehensive information pack
- > Information flyer
- > Payslip attachments
- > A wide choice of posters
- > Intranet pages
- > Scheme launch e-marketing
- > Seasonal e-marketing
- > Sector-specific e-marketing
- > On line information and Savings Calculator through the Salary Exchange

Reassurance

- > Rest assured that the scheme is completely financially secure. All Childcare Voucher funds are ring-fenced and held in a separate funds account
- > The Salary Exchange platform offers secure online services for employers, parents and carers and is very user-friendly
- > Our contracts ask for no minimum number of scheme members, don't tie clients in for lengthy periods (unless requested as the result of a formal tendering exercise) and carry no hidden costs. We are supremely confident in the quality of our service and support we offer all clients so we simply ask for just one month's notice if at any time you aren't delighted with us. **Our client retention rate speaks for itself!*****

* Savings are subject to the level of National Insurance your organisation pays. Example savings shown in the table on page 6 are based on an average voucher value of £200 per employee per month

** The maximum saving a higher rate tax payer can save per annum is a scheme member on 6th April 2011

*** Our client retention rate for childcare voucher schemes is 100% as at February 2012

"Our Account Manager has been really good. She has been on hand to give us all the help we need, and managed the whole setting up of the scheme on our behalf. What we particularly liked was the fact that we didn't feel as though we were one of a huge number of schemes all being set up identically, and she has offered the flexibility to make our scheme as effective as possible"

Human Resources Manager
B/E Aerospace



How to set up a Childcare Voucher scheme for the first time

Setting up your new Childcare Voucher scheme is simple and you will have the reassurance and support of your own experienced dedicated Account Manager to guide you through.



The following is a summary of the key steps necessary for a smooth implementation of the scheme:

- > Sign the contract with Salary Exchange to engage us as your Childcare Voucher provider
- > Your Account Manager will discuss with you your objectives, your requirements and how you would like your scheme to work, your payroll set up (including essential deadlines and cut off dates), any Policy documents and considerations, and the marketing strategy to ensure all working parents fully understand the new benefit.
- > You confirm when you'd like your scheme to go live and we set up your secure Salary Exchange benefits platform, branded to your organisation, and with the username and password of your choice.
- > We encourage your employees to address all queries and questions direct to our highly experienced dedicated Parent Support Team. Your employees enrol directly with us, either on line or by telephone. We manage all the paperwork and you need have no involvement or administration.
- > We provide accurate and timely payroll schedule/s to the named contact/s of your choosing at the agreed time. Payroll simply approve or reject individual employees who have applied to join the scheme. This process typically takes less than 10 minutes per paycycle.
- > Payroll make deductions.
- > Childcare vouchers are released to employees on the agreed date (usually payday) and employees are free to request payments to their chosen carers.

Once your scheme is implemented, the administration is only a matter of minutes per paycycle. This is the process:

- > Each paycycle a schedule will be sent to the named contact/s within Payroll. As we manage all requests for changes to amounts and new joiners, these details will be included clearly on the schedule. Payroll simply approve or reject these changes - previously approved employees will continue to receive Childcare Vouchers until they advise us they wish to leave (or you reject them).
- > Payroll make deductions.



"On a month to month basis the scheme runs very smoothly and reliably, and I appreciate the ongoing low administration which means we effectively don't have to do anything. Overall the Childcare Voucher scheme is going swimmingly."

Group HR Director
Barrett Steel Limited

"The system is so easy, I really can't say there are any problems with it. The reports are presented well, and I can see at a glance who has applied for the scheme. Invoices are available very promptly, and the system is so easy to manage from a payroll point of view. Everything is so logical and I really think this has as low administration as it possibly could".

Payroll Officer
B/E Aerospace



The Process of Transition from another provider to Salary Exchange Childcare Voucher scheme

With so much choice in terms of Childcare Voucher provider on the market at the moment, there are inevitably huge fluctuations in levels and quality of service. Many clients will have had the same provider in place for years, and although the service may not have lived up to your initial expectations, sometimes it seems daunting to make the change. The main concerns for any employer changing Childcare Voucher provider tend to be how the transition will affect their employees, and how much extra work (even short term) may be generated as a result of the switch. At **Salary Exchange** we specialise in helping clients make an effective and smooth transition to our Childcare Voucher scheme, and we do this by taking the lead in the entire project.



Our objectives:

- > We appreciate that no client wants extra administration, either at the time of the changeover, or once the new scheme is in place. We therefore work with every client to ensure we manage the whole transition process (with your approval at every step of course) so that your input is minimal.
- > We commit to understanding the reasons for your current dissatisfaction, and how you would like your scheme to be managed. Because we realise a "one size fits all" approach doesn't work for every employer, we work with every client as an individual with an ongoing commitment to achieving your own objectives and requirements surrounding the scheme.
- > We understand that your employees may be satisfied with the current scheme and may not be aware of the problems or high administrative burden you are currently experiencing. Therefore it is critical that we provide clear and effective communication to explain the change in harmony with your culture and business language.
- > We believe that employees should experience no disruption in receiving their Childcare Vouchers, and that their carers should never suffer late or inaccurate payments.
- > Typically most clients tend to have a two to three month lead in to the go live date of the new **Salary Exchange** Childcare Voucher scheme. Although the transition can be executed much sooner than this, allowing extra time gives all employees plenty of opportunity to raise any queries, and ensures all carers who are not currently receiving our vouchers can be appropriately registered onto our carer database. Because we take the lead and manage the project, we need you to take ownership for only essential actions (i.e. those we cannot feasibly do for you).

As a guide these are:

- > Signing the contract with **Salary Exchange** to engage us as your new Childcare Voucher provider
- > Confirming with us your requirements, including how you would like the scheme to run, your objectives, your Payroll set up (including essential deadlines and cut off dates), any Policy documents and considerations and when you'd like the new scheme to go live. We will deal with the entire communication strategy and migration of your existing scheme members (with your complete approval and sign off at every stage).
- > Payroll take deductions as they did previously.

Salary Exchange assume full ownership for the smooth transition of the scheme including:

- > Communicating the change to existing members in the medium preferred by you
- > Marketing the scheme to potential new members
- > Providing all HRMC approved paperwork (i.e. Amendment to Contracts of Employment) and collecting/retaining this on your behalf
- > Handling all queries and questions from employees and their carers
- > Checking all carer registrations and adding them to our database
- > Ensuring employees receive their vouchers on the right day
- > Ensuring carers are paid promptly and accurately to avoid any negativity regarding the new scheme.

We would be delighted to provide you with a detailed Project Plan for the Transition Process for your organisation illustrating all aspects of the change and how this would be managed.

"The entire (transition) process was smooth, and we had complete confidence in Salary Exchange dealing with everything for us. We were kept fully informed from the outset, were given a great understanding of all steps to be taken, and were given regular updates throughout. At all stages we had full sign off before any action was taken, yet we were not burdened with any additional administration which was important to us..."

Benefits Manager
Johnson Controls

"Overall I would say the level of support we received was second to none.... As far as we are concerned our employees have found the transition as smooth and problem free as we have."

"The transition was very good and ran smoothly. I liked the fact that Salary Exchange took responsibility for running the whole changeover... Our employees are pleased with the change."

Group HR Director
Barrett Steel



Key Benefits For Parents

Childcare Vouchers benefit both basic and higher rate tax-payers, allowing any eligible working parents with children up to the age of 16 to take part in the scheme.

As the recognised payment method for childcare, Childcare Vouchers can be accepted by all registered childcare providers in UK.

Typical Employee Savings (Standard Rate Tax Payer)

Monthly Voucher Value	Standard Rate Tax Payer Annual Savings (Tax 20%, NI at 12%)
£243	£933
£200	£768
£150	£576
£100	£384
£50	£192

Typical Employee Savings (Higher Rate Tax Payer)

Monthly Voucher Value	Higher Rate Tax Payer Annual Savings (Tax 40%, NI at 2%) Earnings up to £149,999 p.a.
£124	£623
£112	£564
£84	£423
£56	£282
£28	£141

Benefits to parents who use

Salary Exchange Childcare Vouchers:

- > Savings of up to £1,196 per parent, per year, via reduced tax and NI contributions
- > Both parents can join a scheme to maximise the savings that can be made - up to £2,392 per year if both parents are higher rate tax-payers (and are scheme members on 6th April 2011)
- > Savings for employees joining the scheme after 6th April 2011 are shown in the tables below.
- > Benefits both basic and higher rate tax-payers
- > Simple and quick to enrol on line or by telephone
- > An experienced, helpful and friendly Parent Support Team are available by telephone or email to answer any queries
- > The flexibility for parents to change their order directly with **Salary Exchange** to reflect any change in requirements
- > No need to change childcare provider as all registered carers can accept **Salary Exchange** Childcare Vouchers
- > **Salary Exchange** Childcare Vouchers can be used to pay multiple carers
- > **Salary Exchange** deal with all communications directly with childcarers so employees can rest assured they won't need to explain the scheme to them- our dedicated Carer Team are on hand to give carers any support they may need
- > **Salary Exchange** Childcare Vouchers can be accrued, so parents are able to save them up and use them when needed – perfect for those who only use childcare in the school holidays
- > The ability to make ad hoc payments as needed or set up regular payments to carers either on line or by telephone
- > All parents will have a secure on line account, accessible via their own personal username and password. This user friendly account allows them to check their balance, view all historical transactions and request payments to their chosen carer/s.

Accessibility For All

Because within many organisations there will be employees with limited or no access to a PC, we make our scheme available both on line and via the telephone. These two methods of accessing Childcare Vouchers are interchangeable, meaning working parents can choose the best way to access their Vouchers and make a payment at any given time.

The Key Benefits for Carers

At **Salary Exchange** we appreciate that childcarers are under no obligation to accept payment with childcare vouchers, and we are therefore very appreciative to every carer who joins our database. We understand that keeping our database of childcarers completely satisfied with a reliable, prompt and accurate payment system ensures parents have complete confidence in the scheme when requesting payments.

Our dedicated Carer Helpline ensures that should any query arise it can be dealt with quickly by our specialist team, and that the parent need have no involvement.

Our experience shows that keeping all our carers happy with the scheme results in happy parents, and that contributes greatly to the success, positive press and smooth running of your Childcare Voucher scheme.



Important changes to Childcare Vouchers - 2011

From April 6th 2011 there were some important changes to Childcare Vouchers that affect some employees.

Prior to this date all employees were able to enjoy a tax and National Insurance exemption on a maximum amount of £55 per week/£243 per month, regardless of the amount they earned. This resulted in higher rate and additional rate tax payers enjoying a higher level of saving than those on a standard rate of tax, and the Government and HMRC consequently published new guidance and rules to remedy this.

The purpose of the changes was to make the amount of tax saving the same for all employees regardless of the rate of tax that is paid on employment income.

Employees who pay a standard rate of tax are unaffected by the change. Any higher rate or additional rate tax payer who joined the childcare voucher scheme before 6th April 2011 will continue to be entitled to tax savings on the full £55 per week/£243 per month, but higher rate and additional rate tax payers are entitled to lower amounts.



Frequently Asked Questions

Does this mean implementing or continuing with a childcare voucher scheme is no longer going to be attractive to my working parents after 6th April 2011?

Childcare Voucher schemes are immensely popular and this is unlikely to be affected as they continue to benefit working parents and help them meet the ever increasing costs of childcare. For parents on a standard rate of income tax and for those higher earners who have signed up before 6th April 2011 **there will be no change.**

Only those higher earners who sign up to the scheme on or after 6th April 2011 will be affected, but savings are still significant. Higher rate tax payers can still expect to save up to £52.08 per month (£624.96 per annum) if they opt to take the maximum £28 per week/£124 per month.

Will the childcare voucher scheme still be worthwhile and viable to me as an employer?

Employers will continue to save the employer's National Insurance exemption on the value of all Childcare Vouchers ordered by employees, and with the increase to 13.8% (from 12.8%) in April 2011, the scheme will remain a cost effective employee benefit.

The additional benefits experienced by employers as a result of running a Childcare Voucher scheme (including beneficial effects on Recruitment and Retention, Absenteeism and an enhanced family friendly image) will continue as before.

Should you require any further information on Childcare Vouchers or the wider benefits proposition available through Salary Exchange, please do not hesitate to contact us.

	Basic Rate	Higher Rate	Additional Rate
Weekly	£55	£28	£22
Monthly	£243	£124	£97
Annual	£2915	£1484	£1166





Contact Details

TELEPHONE

Employers

T 0333 200 1830

Parents

T 0333 200 1610

Carers

T 0333 200 1840

E-MAIL

E childcare@salary-extras.co.uk

WEBSITE

W www.salaryextras-admin.co.uk

HEAD OFFICE

A Salary Exchange
The Quadrangle
South Wing
Crewe Hall
Cheshire
CW1 6UY

