

# Employer Supported Childcare

## A short guide for child carers

This guide aims to give child carers an overview of childcare arrangements which may be offered by employers to their employees and what this may mean for you.

Certain childcare arrangements made by employers, either with their employees or directly with you can mean tax and National Insurance contributions (NICs) savings for both the employer and the employee. Therefore the parents of the children you look after, or their employers, may ask you to receive payments in a different way from your standard arrangements with parents, so that they can benefit from those savings. You do not have to participate in these arrangements but if you do, you should not be disadvantaged in any way.

### **We run a nursery and the employer of one of our parents has offered to pay us directly, instead of the parent. How does this work?**

If employers contract to buy registered or approved childcare from a third party which is then made available to their employees, the first £55 a week is free of tax and NICs. By buying the childcare from you direct rather than the parent buying it, the employer is able to make this benefit available to their employee.

However, to benefit from the tax and NICs savings, the contract for childcare must be between the employer and you. If the employer simply settles all or part of the parent's own childcare bill, then tax and NICs exemptions will no longer be possible. It is up to the employer how much childcare they agree to buy from you for the parent. This may be all of the cost or just part of it with the parent meeting the rest.

### **I am a registered childminder and a parent has asked if I will agree to be paid in childcare vouchers. How do these work?**

The parent's employer provides paper-based childcare vouchers to the parent and the parent will then give you the vouchers. You will then need to reclaim the value of the vouchers back from the parent's employer or the company administering the vouchers. (The vouchers are often administered by a voucher company, although employers can choose to administer a childcare voucher scheme themselves). Some employers provide electronic vouchers – in which case you will simply receive a payment from the voucher company – you will not need to make any claim.

The advantage to the parent of using childcare vouchers is that where they are used for registered or approved childcare the first £55 a week of the vouchers is exempt from tax and NICs, saving the parent and employer some money.

If you agree to accept payment in vouchers, you will normally be asked to provide some information up front to the parent's employer or voucher provider. This may typically include your name and address, registration or approval number and in some cases,

bank account details so that you can receive payment direct to your account. You will be given information about how you will be able to reclaim the value of the paper vouchers you receive.

Once the parent has been accepted into their employer's voucher scheme, the parent will pay you, either in full or part, by vouchers. You will either:

- return the paper vouchers to the employer or voucher provider and receive a payment in return; or
- receive payment without taking any action

Most child carers find vouchers a convenient and reliable method of payment. But it is advisable to find out how your payment will work before you agree to this method of payment.

**We are a nursery and we receive childcare vouchers from a number of parents both paper and electronic. How can we identify payments made to us by the employer or the voucher company?**

To help you identify payments you receive, most voucher companies will provide a Remittance Advice which is linked to any cheque or BACS transfer payment you receive.

When you return paper vouchers to the employer or voucher company, you will be invited to provide a reference for the payment. This could be the child's name, the parent's name or a unique number which identifies both the child and the nursery. This reference will be quoted back to you via the Remittance Advice from the voucher provider. In this case, the reference will relate to the 'claim' or the paper vouchers you are returning for payment. The reference on your bank statement will relate to your claim for tracking purposes.

If a parent receives electronic vouchers from their employer, the parent will be invited to provide a reference for the payment which they request the voucher company to make to you. This could be the child's name, the parent name or a unique number which identifies both the child and the nursery. If you have a unique code that you wish a parent to use to identify the payment you should ask the parent to enter this when they ask the voucher company to pay you.

Whichever form of childcare vouchers used (paper or electronic), you will be able to see a payer reference on your bank statement and then obtain further details regarding the payment via the Remittance Advice offered by the voucher company or employer.

If you have problems reconciling your accounts due to childcare voucher payments, speak directly to the employer or voucher company that issues the payment. When agreeing to join a scheme, make sure you have been given a Helpdesk number.

**We are a nursery and have been approached by a company to sign up as a workplace nursery for an employer. How does this work?**

If a parent's employer runs a nursery and provides the parent with a free or subsidised place, there is a full tax and NICs exemption on the value of the benefit. Some schemes exist which claim to create a financial and management responsibility between existing commercial nurseries and employers with the intention of exploiting this exemption. These schemes are only likely to be effective if the employer's responsibilities for financing and managing nursery are real.

**I am an approved nanny and receive some of my pay in childcare vouchers for providing childcare services. Do I benefit from the tax and NICs exemption on childcare vouchers?**

No, the parent and their employer make the tax and NICs savings on qualifying childcare vouchers. When you are paid in vouchers the parent who employs you calculates your tax and NICs in the same way as they do now.

**Do I have to be registered or approved?**

It is a legal requirement for some child carers to be registered with the related bodies. Some childcare that is not required to be registered can be "approved". This is a voluntary arrangement but may give the parent access to financial help as childcare help through tax credits or tax and NICs exemptions on employer support are only available in respect of registered or approved childcare.

Here are some details -

In England – care of children aged 7 and under and over 2 hours a day outside of the child's home must be registered. Care provided exclusively for children aged 8 or over and care in the child's home given by individual carers may be approved.

In Wales - care of children aged 7 and under and over 2 hours a day outside of the child's home must be registered

In Scotland – care of children to age 16 outside of the child's home must be registered. Sitter services and nanny agencies are also registered but individual home childcarers are not.

In Northern Ireland – care of children to age 12 outside of the child's home must be registered. Care provided in the child's home by individual carers may be approved.

**How can I become a registered child carer?**

In England – contact the Office for Standards in Education (OFSTED) on 0845 601 4771 (calls charged at local rates), or visit [www.ofsted.gov.uk](http://www.ofsted.gov.uk)

In Wales – contact the Care Standards Inspectorate for Wales on 01443 848450 or visit [www.wales.gov.uk/csiw](http://www.wales.gov.uk/csiw)

In Scotland – contact the Care Commission on 01382 207 200 or visit [www.carecommission.com](http://www.carecommission.com)

In Northern Ireland – contact the Early Years Team in your local Health & Social Services Trust. The number will be in the Phone Book or visit [www.dhsspsni.gov.uk/index/dhssps\\_links.htm](http://www.dhsspsni.gov.uk/index/dhssps_links.htm).

## **How can I become an approved child carer?**

There are two ways that you can become an approved child carer:

1. If you are an individual carer providing care in the child's home or solely for children aged 8 or over on other domestic premises you can be approved through the *Childcare Approval Scheme* administered by Nestor Primecare Services Ltd on behalf of the Department for Education and Skills (DfES). Their website [www.childcareapprovalscheme.co.uk](http://www.childcareapprovalscheme.co.uk) or Helpline - 0845 7678 111 can give you further information. This scheme applies to England only.

A similar scheme exists in Northern Ireland, but this covers only childcare provided in the child's own home. Contact your local Health and Social Services Trust or visit [www.childcarechoices.n-i.nhs.uk](http://www.childcarechoices.n-i.nhs.uk)

2. If you are providing day care for children aged eight and over, you can be approved through the *Over 7s Quality Assurance Scheme* by an organisation accredited by DfES to approve childcare providers who meet the quality requirements of the organisation's scheme.

Each organisation operates their own scheme. For a list of currently accredited organisations see *Childcare: registered and approved childcare flowchart* for further details.

This scheme applies to both England and Wales, but in Wales the functions of the Secretary of State for Education and Skills in relation to the accreditation of organisations are vested in the National Assembly for Wales.

## **How long does my approval or accreditation last?**

Approval under the Childcare Approval Scheme will last a year. Approval under the Over 7s quality Assurance Scheme can last up to two years.

You will have to re-apply for approval if you want to continue to be able to accept childcare vouchers from parents. The organisation responsible for your approval will undertake all the same checks that they made when you first applied. You will need to bear in mind that this can take several weeks to complete and that you should re-apply well before your approval runs out. The approval organisation may send a reminder to you but you should not rely on this. If you do receive a reminder you should act on it promptly.

*These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal. Updated June 2006*