

Document Title:	Employer Supported Childcare and Salary Sacrifice Schemes
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Summary:	The paper outlines the current position on: a.) employer supported childcare; b.) pension salary sacrifice schemes; c.) other salary sacrifice schemes.
Risks:	Incorrect legal implementation and delay in implementation.
Financial / Other Implications:	University will appoint consultants to advise on the process.
Document History:	Discussed by University Board – 18 th September 2007. This document is to be provided to CUCU, Unite and Unison.
Action Required:	For information.

EMPLOYER SUPPORTED CHILDCARE AND SALARY SACRIFICE SCHEMES

1 Introduction

- 1.1 This paper outlines the current position on:-
- a) employer supported childcare;
 - b) pension salary sacrifice schemes;
 - c) other salary sacrifice schemes

2 Background

- 2.1 In February 2007, FINCE implemented a review of employer supported childcare and salary sacrifice schemes in order to assess the implications and way forward for the University and staff.
- 2.2 The aim of a salary sacrifice scheme is to allow staff to contractually give up an element of their salary before tax and National Insurance (NI) is deducted, thus creating a tax saving. The salary they give up must be in exchange for an approved activity such as childcare in order to obtain the tax saving.

3 Employer Supported Childcare

- 3.1 Since 2003, the University has run a childcare scheme where it provides employees with vouchers which provided £55 per week free from both tax and NI contributions. The aim of the scheme has been to support employees with their childcare responsibilities. The vouchers have been used to purchase places at the CU crèche (around 50) and external crèche facilities (around 100). A private company 'Busy Bees' has provided the vouchers and administered the scheme on behalf of the University.
- 3.2 The University has extended this scheme from a vouchers scheme to a salary sacrifice scheme for those using the CU internal crèche. With effect from September 2007, the University will deduct (with the approval of the parents) the full value of the childcare charges from parents' salary.
- 3.3 A letter detailing the improvements to the day care arrangements (and asking for their authorisation) was sent to staff in early August 2007. Prior to this the three Trade Unions were also sent a letter informing them of the University's intention to extend the scheme. There has been no change for staff using vouchers for external providers.

4 Pension Salary Sacrifice

- 4.1 In February 2007, the University appointed KPMG as advisers and HMRC clearance was obtained to approve the University's introduction of salary sacrifice schemes.
- 4.2 Cardiff has discussed the issues surrounding the implementation of salary sacrifice schemes with a number of Higher Education Institutions (HEIs) and attended a joint meeting of HEIs interested in implementing pension salary sacrifice schemes. It has become apparent that a number of key policy decisions need to be made before the introduction of a salary sacrifice scheme for pensions. These decisions are fundamental in establishing the framework for a salary sacrifice scheme. Once the

correct framework has been established then this can apply to all schemes that are subsequently implemented.

Policy - the benefits due to individual members of staff will depend on which pension scheme staff they are members of. USS members will receive the benefit while NHS and local authority members are excluded. CUPF members require the Trustees to change the conditions of the scheme before members can receive the benefits.

Operations - because salary sacrifice will reduce staff costs, this may have an impact on the staff costs for research projects. CU will need to review its research contracts to ensure that a reduction in staff costs will not be passed back to the research sponsors.

Legal – whether an ‘opt-out’ or an ‘opt-in’ scheme is the correct response is important to decide. If it is an ‘opt-out’ scheme there is likely to be a higher take-up which means that it is financially more advantageous but some legal advice notes that there is a risk that ‘opt-out’ schemes will be challenged by HMRC.

Communication – the impact on individuals could be significant as some staff in receipt of benefits could lose out. The issues need to be clearly explained through a communication strategy as well as ensuring that there is buy-in. Without this the take-up will be low and the scheme may not be worth undertaking.

Technical – before entering the USS scheme, the University must communicate with USS and demonstrate that its systems can manage the changes, and also sign a Deed of Accession. It also needs an amendment to each member of staff’s current employment contract.

5 Other Salary Sacrifice Schemes

- 5.1 There are a number of other activities such as car parking and bicycles where a salary sacrifice may bring benefits that exceed their administrative costs. It is proposed that no further work is undertaken on these until the work on agreeing a framework for a salary sacrifice for pension scheme is complete.

6 Recommendation

Some further review is required, however it is likely that Watson Wyatt will be appointed as consultants as there is a framework agreement set up by Edinburgh University which the University can ‘piggy back on.’

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19 September 2007