



## Partial Regulatory Impact Assessment

Employment Relations Directorate

# Additional Paternity Leave and Pay – Administration of Additional Statutory Paternity Pay (ASPP)

May 2007

## Purpose and Intended Effect

### Objective

1. Additional Paternity Leave and Pay (APL&P) was introduced as part of the Work and Families Act<sup>1</sup> which overall aims to give families greater choice about their caring arrangements. The package will respond to the growing number of fathers who want greater opportunities to care for their child.
2. This Regulatory Impact Assessment (RIA) considers the possible options for, and associated costs of, the administration of the APL&P scheme.

### Background

3. In the Work and Families Act 2006 the Government introduced a package of measures to give families more choice about their caring arrangements. The Act included powers to introduce a new entitlement for fathers' by providing Additional Paternity Leave (APL) and Additional Statutory Paternity Pay (ASPP).
4. Secondary regulations will set out the details of this scheme. Detailed policy proposals for these regulations were first set out in the APL&P consultation document published on 9 March 2006 and were followed up in the Government Response to the consultation, published in November

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<sup>1</sup> APL&P will be brought in alongside the extension of Statutory Maternity Pay (SMP), Statutory Adoption Pay (SAP) and Maternity Allowance (MA) from 39 weeks to 52 weeks. . The earliest date for this to take place is April 2009.

2006. Both documents drew on an earlier assessment of the costs and benefits estimated as part of the Work and Families Bill.<sup>2</sup>

5. Since April 2003, working fathers of newborn children have been entitled to Statutory Paternity Pay and Paternity Leave (SPP and PL). The introduction of APL&P will not affect these entitlements<sup>3</sup>. APL&P is a new entitlement for fathers<sup>4</sup> and will provide greater choice for parents in how they divide childcare responsibilities between them.

6. It should be noted that the proposals for APL&P concern statutory schemes only. If employers offer more generous occupational paternity leave or pay schemes these will not be affected by these proposals.

### **Rationale for Government intervention**

7. With the intention of bringing in Additional Paternity Leave and Pay alongside the extension of Statutory Maternity Pay (SMP), Maternity Allowance (MA) and Statutory Adoption Pay (SAP) from 39 to 52 weeks, the underlying rules and processes for the administration of the scheme needs to be in place.

### **Consultation**

8. Previous consultations in February 2005 (*Work and Families: Choice and Flexibility*) and March 2006 (*Additional Paternity Leave and Pay*), along with further discussions with stakeholders have led to the development of a number of possible broad approaches that might be adopted for the administration of APL&P.

9. This current consultation is now seeking views on the administration of APL&P. DTI has consulted closely with Her Majesty's Revenue and Customs (HMRC) in the preparation of this RIA.

10. Wider aspects of the design and implementation and the associated costs and benefits of APL&P have been dealt with in previous RIAs<sup>5</sup>. A final RIA encompassing all elements of APL&P will be produced later alongside the consultation for the draft APL&P regulations.

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<sup>2</sup> "Work and Families: Choice and Flexibility, DTI Final Regulatory Impact Assessment, October 2005". Available here: [www.dti.gov.uk/files/file19314.pdf](http://www.dti.gov.uk/files/file19314.pdf)

<sup>3</sup> Though they will be renamed as Ordinary Statutory Paternity Pay (OSPP) and Ordinary Paternity Leave (OPL), respectively.

<sup>4</sup> APL&P is also available to partners and civil partners of mothers, and members of adopting couples who are employed and where there is an entitlement to Statutory Adoption Leave and Pay. See the consultation document for further details.

<sup>5</sup> See in particular the Work and Families Bill: Choice and Flexibility RIA, October 2005 and RIA accompanying the Government response to the consultation on Additional Paternity Leave and Pay, November 2006

## Options

### Summary of options

11. A summary of the proposed options for the administration of APL&P is given below.

- Option 1: do nothing
- Option 2: self-certification of eligibility by the father and mother
- Option 3: self-certification combined with confirmation by the mother's employer

### ***Option 1 Do Nothing***

12. Doing nothing is not a viable option; the introduction of APL&P will itself require an underlying administration system to be in place beforehand.

### ***Option 2 Self-certification by the mother and father***

13. Consultation to date with stakeholders has highlighted the preference for an administration system that is 'light touch', resulting in a simple and straightforward yet robust process. With this in mind we believe that the administration should build on existing arrangements for employees who take up maternity, paternity and adoption leave and pay entitlements.

14. Our preferred approach to the administration of APL&P is for the father and mother to self-certify to the father's employer key personal facts affecting the father's eligibility. The onus would therefore be on the parents to provide the necessary information within the set timescales<sup>6</sup>.

### *The risk of fraudulent claims*

15. There may be a risk of fraud and obviously the aim will be to minimise this as far as possible. Although checks with third parties may prove useful, the financial and time costs of involving in every case either HMRC and/or the mother's employer in the verification process would be significant and are likely to outweigh the benefit derived.

16. Instead HMRC will introduce a combination of random and risk-based checks on employers and employees. The costs of this have been estimated separately below.

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<sup>6</sup> The Government has proposed that an employee will be required to give a minimum of 8 weeks' notice of his intention to take APL&P. This will mirror the minimum notice period required by a mother to indicate that she wishes to return to work early from her maternity leave. See the consultation document for more information on the proposed process and timelines.

### ***Option 3 Self-certification combined with confirmation by the mother's employer***

17. Option 3 largely mirrors the self-certification by the parents under option 2, but with the additional requirement that the mother's employer plays an integral role in the administration process.

18. Under this option the mother would be required to give the completed self-certified form (or a part of it) to her employer, who would then verify the information on the form (in relation to the mother) and return it to her for her to pass on to the father. He then passes the form on to his own employer.

19. This arrangement avoids direct interaction between the mother's and the father's/partner's respective employers, which would otherwise result in additional administrative costs for employers and increase the risk of delays in the process, thus jeopardising the minimum notification periods required for the father to take-up APL&P.

20. Furthermore we do not believe that a greater degree of interaction between the parents' employers will significantly reduce the risk or likelihood of fraudulent activity, hence the benefits of doing so would not outweigh the costs.

### ***Outstanding policy issues: change in circumstances***

21. The consultation document which accompanies this RIA also discusses other outstanding policy issues, namely last minute changes in circumstances which could affect a father's entitlement after he has given notice that he wishes to take APL&P but before he has actually taken up the entitlement<sup>7</sup>.

22. We assume in this RIA that the number of such cases will be small and therefore the costs are not quantified here.

### **Costs and Benefits**

23. The costs and benefits for options 2 and 3 are presented below. These are based on the estimated number of fathers taking up APL&P and which were derived in earlier versions of the APL&P RIA. These are referenced accordingly in the text.

24. It should also be noted that the estimates for recurring administrative costs to employers are based on calculations made by officials at HMRC. For ease of reference only a summary of those cost estimates is presented in this section; the full analysis can be found in Annex B.

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<sup>7</sup> See Chapter 3 of the consultation document for further discussion.

### ***Number of beneficiaries***

25. The RIA published alongside the Government Response in November 2006 estimated that around 239,000 fathers who had completed 60 weeks' continuous service with their employer would be eligible for APL&P.

26. Estimates were also made of the projected take up<sup>8</sup> of APL&P and are reproduced in table 1 below.

27. Originally, take-up estimates were presented on the basis of fathers having completed either 26 or 60 weeks' continuous service with their employer. Following the 2006 consultation, it was decided that for a father to be eligible to take APL he will have to have been eligible for OPL with the same employer and still be in employment with that employer. Of the 3 options under consideration, it was thought that this would be the simplest to administer and would be the least disruptive to employers, mainly because the employer would have already checked employment history when the father takes OPL and would therefore avoid having to carry out a second qualification check in the majority of cases where fathers take both OPL and APL. Hence the estimates presented in table 1 are based on the preferred eligibility criterion of 60 weeks' service.

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**Table 1: Estimated initial take up by eligible fathers of Additional Paternity Leave and Pay\***

	<b>Number of fathers</b>
All fathers who take up Additional Paternity Leave and Pay	10,000 – 19,000

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Source: DTI analysis of the Maternity and Paternity Rights 2005 Survey. \* based on 60 weeks' service

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28. We estimate, based on our analysis of the Maternity and Paternity Rights 2005 Survey<sup>9</sup>, that initial take-up will be between 4 per cent and 8 per cent of eligible fathers. However, it should be noted that the experience in other countries which have introduced post-maternity leave for fathers is that take-up gradually increases over time.

29. The November 2006 RIA identified two further aspects of APL&P requiring further consideration, namely:

- the small number of fathers who would be eligible for APL but not ASPP

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<sup>8</sup> Again full details of the methodology and underlying calculations are available in the November 2006 RIA.

<sup>9</sup> See Maternity and Paternity Rights and Benefits: Survey of Parents 2005, ERRS No.50. D. Smeaton and A. Marsh. URN 08/836. [www.dti.gov.uk/files/file27446.pdf](http://www.dti.gov.uk/files/file27446.pdf)

- allowing fathers to take an extended period of APL and ASPP in the event of the mother's death during the first year of the child's life<sup>10</sup>

30. In both these cases the numbers of fathers affected was estimated to be small and hence do not affect the administrative cost calculations made here<sup>11</sup>.

## **COSTS**

31. The November 2006 RIA identified some initial cost estimates relating to the administration of the APL&P system. In broad terms these related to:

### *(1) Administrative costs to employers*

32. The administrative costs to employers would arise from:

1. One-off changes to systems and human resource (HR) practices. The November 2006 RIA assumed these costs would be borne by larger employers only.
2. Recurring costs due to administering the father's pay and leave arrangements. This would apply to all employers.

### *(2) Administrative costs to the exchequer*

33. The costs to the Exchequer would arise from both one-off and recurring IT and operational costs.

## **Administration costs subject to consultation**

34. As stated above this RIA sets out in greater detail the costs associated with each of the proposed options for the actual administration of ASPP.

## **Assumptions**

35. The figures quoted here are in current prices for 2007.

36. Cost estimates are based on the anticipated number of fathers taking up APL&P in any one year, as set out in table 1 above. It should be noted that these estimates may change and hence the administration costs would also change accordingly<sup>12</sup>.

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<sup>10</sup> At present, fathers are not able to extend their paternity leave or pay in the event of the mother's death during this period. The Government is making a provision to enable this.

<sup>11</sup> For further details see paras 20-22 of the November 2006 RIA.

<sup>12</sup> Estimates were also made in the November 2006 RIA about the average length of additional paternity leave taken. As the calculations made here are on a 'by case' basis these estimates are not required here.

## 1. Administrative costs to employers

37. As stated above, the administrative costs to employers are divided into one-off transitional costs and recurring administrative costs. However, it should be noted that only the latter are included<sup>13</sup> as part of the ongoing administrative burdens exercise which feeds into the DTI's Simplification Plan.

38. A full analysis of the administrative burden impact will be conducted for the final APL&P RIA to be published alongside the draft regulations later in 2007.

### 1.1 One-off transitional costs

39. Table 2 below shows the estimated cost of administration borne by employers of mothers and fathers who make use of the APL&P entitlements. As the estimate of the numbers of men who take up their entitlement is low (in terms of the proportion of the male working population) it is assumed that many employers (and in particular small employers) will not adjust their HR systems immediately once the legislation is passed. Rather, it is assumed that individual employers would amend their HR practices gradually as cases appear, on a 'needs basis', although payroll software developers are likely to update their payroll packages from 'day one'. Furthermore clear and extensive guidance will be made available to employers and payroll software developers through a variety of channels, to ease the implementation as much as possible.

40. As a result, the aggregate cost of implementation is both small and ongoing as large employers taken together as a group make the necessary one-off payroll and HR changes over a period of years. There are no one-off costs for smaller employers, since it is assumed that smaller employers operate more informal payroll practices.

41. It is assumed the one-off administrative costs to employers are the same under both options 2 and 3.

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**Table 2: Estimated transitional costs to employers due to introduction of Additional Paternity Leave and Pay \***

	Cost (£ millions)
One-off changes to systems and HR practices (larger employers only)	£1.53m-£4.50m

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Source: DTI estimates ; \* based on 60 weeks' service

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<sup>13</sup> Net of 'business as usual' costs, i.e. the costs organisations would otherwise incur in their day to day activities.

## ***1.2 Recurring costs to employers***

42. This change to current Statutory Payments policy will impact on the overall compliance burden of employers who have employees that choose to take-up APL&P as a number of additional obligations will be imposed.

43. The compliance costs that are summarised here and set out in greater detail in Annex B focus on the areas that are likely to be the most significant in terms of additional employer burdens. To identify the net cost likely to accrue to employers it is useful to set out the additional processes that employers will be required to meet if any of their employees take up APL&P.

**Table 3: Additional processes required by employers**

Process for father's employer	Actions/Notes
<b>Option 3 only:</b> Receive and retain certification by the mother's employer of the date that she will be returning to work and that the data she has provided to calculate the unused SMP is accurate	<ul style="list-style-type: none"> <li>Employer certification form to be completed by the mother's employer</li> </ul>
<b>Options 2 and 3:</b> 1. Confirm employee's a) entitlement to Additional Paternity leave and ASPP, and b) timing / duration.	<ul style="list-style-type: none"> <li>Receive SC3 Form from employee</li> <li>Establish whether the individual has worked enough to qualify and meets other eligibility criteria (new employer checklist)</li> <li>Notification of employee eligibility</li> <li>Notification of non-eligibility</li> </ul>
2. Calculating ASPP entitlement	<ul style="list-style-type: none"> <li>Establish the average weekly earnings in the Set Period (i.e. Does the employee earn enough?)</li> <li>This period ends with the last normal payday on or before, the end of the 15th week before the week baby due, and starts with the last normal payday at least eight weeks before that. In the eight weeks prior to the date of the end of the Set Period the employee's average earnings need to be at or above the Lower Earnings Limit (LEL).</li> </ul>
3. Calculate the amount of ASPP due:	<ul style="list-style-type: none"> <li>The lesser of £108.85 per week or 90% of average earnings (whichever is less)</li> </ul>
4. Calculate the amounts recoverable by deduction from monthly / quarterly PAYE and NICs	<ul style="list-style-type: none"> <li>Small employers (£45,000 or less in Class 1 NICs in previous year) – entitled to 100% recovery plus 4.5% compensation</li> <li>Larger employers (over £45,000 in Class 1 NICs in previous year) – entitled to 92% recovery only.</li> </ul>
5. Deduct amounts recoverable by deduction from monthly / quarterly PAYE and NICs	
6. Calculate the amounts recoverable by advance funding claim (where deduction from monthly / quarterly PAYE and NICs does not cover full amounts recoverable)	
7. Application for Advance funding	<ul style="list-style-type: none"> <li>Employer completes the request online or clerically and submits it to the Accounts Office</li> </ul>
8. Pay ASPP to the employee, net of payroll deductions:	<ul style="list-style-type: none"> <li>Make net payments to employees each pay period</li> </ul>
9. Pay Income Tax and NICs and other payroll deductions and contributions	<ul style="list-style-type: none"> <li>Employee Income Tax and NICs etc deductions on the amount paid</li> <li>Employer NICs to be paid (also employer pension contributions etc)</li> </ul>
10. Keep and maintain in-year records:	<ul style="list-style-type: none"> <li>P11 deductions working sheet</li> <li>P30(BC) payslip booklet</li> <li>P32 employer's payment record</li> <li>ASPP2 record sheet for recording payments of ASPP</li> <li>Employer to complete P14 and P35 forms</li> </ul>
11. End of Year Returns	

Source: HMRC

44. A summary of the basic data used to assess the additional administrative and compliance burden imposed on employers from the introduction of ASPP are set out in the following section.

## **Calculation of the potential compliance impact**

45. The following section outlines the estimated increase in compliance burdens resulting from the core elements of the two proposals, and also the key assumptions around each. The additional burden to employers has been calculated using Standard Cost methodology (SCM), where possible, but there are also aspects of the costing that make up a wider compliance burden which have been costed separately. This wider compliance burden refers to areas of the new policy which are not captured by the (SCM) but still require employer compliance and so will add to the employer burden. It is important for the distinction between these two sets of costs (administrative and compliance) to be made clear at this stage.

### **Option 2: Costs to employers of self-certification**

#### *The administrative burden*

46. The costs that are presented in the following section reflect changes to the employer administrative burden baseline as measured by HMRC's standard cost model. The individual cost elements considered here are:

- *Changes to the P11 form*
- *Changes to the P14 and P35 forms*
- *Recovery of ASPP from HMRC*
- *Advance Funding from HMRC*
- *Changes to Current Compliance and Audit Checks*

#### *The Wider Compliance Burden*

47. There are several areas of employer compliance for statutory payments that are not covered by the SCM. Although these obligations are not legislative requirements they still form part of the employer compliance regime and as such require costing as part of the wider employer compliance burden:

- *Payments Deductions records - P30BC/P32 Forms*
- *Application for ASPP from employee to employer*
- *Employer Checklist*
- *ASPP2 Record Sheet*

48. The full costing methodology and key assumptions used for each of these elements is presented in annex B.

49. The cost estimates are summarised in table 4 below. On the basis of the assumptions used in the analysis, option 2 would amount to additional compliance costs for employers of between £0.22 million and £0.86 million.

### **Option 3: Certification by the mother's employer**

50. Option 3 would add to the employer burden set out above, as the mother's employer would be required to check and certify the information provided by the mother on the form self-certifying her intention to return to work and unused SMP. In effect this would require the mother's employer to complete an additional form.

51. However, for mothers who are paid Maternity Allowance (MA) rather than Statutory Maternity Pay (SMP), it is the Department for Work and Pensions (DWP) who bears the administrative cost as MA is paid directly to the mother. Therefore the costs estimated here are made on the basis of only those mothers in receipt of SMP<sup>14</sup>. Hence the number of employed mothers potentially affected ranges from around 8,400 to 16,000<sup>15</sup>.

52. Under option 3 it is estimated that overall employer burdens would increase to between £0.25 million and £1 million.

### ***Summary of recurring administrative costs to employers***

53. The table below provides a summary of all the additional costs of both options of introducing Additional Statutory Paternity Pay. The costs have been estimated as ranging between £0.22 million and £0.86 million for option 2 and between £0.25 million and £1 million for option 3. These costings would of course be subject to change should the estimated number of employees claiming ASPP increase significantly above the initial estimates set out in table 1 above.

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<sup>14</sup> DWP data indicate that around 84% of employed mothers receive SMP with the remainder receiving MA. See the Work and Families Bill: Choice and Flexibility RIA, October 2005

<sup>15</sup> i.e. 84% of the estimated 10,000 to 19,000 fathers taking up APL&P.

**Table 4: Summary of Estimated Recurring Costs to Employers under Options 2 and 3**

	10,000 recipients		19,000 recipients	
	Main estimate	Upper Limit	Main estimate	Upper Limit
<b>Option 2 Costs</b>				
Changes to the P11	£16,700	n.a.	£31,900	n.a.
Changes to the P14&P35	£39,700	n.a.	£75,400	n.a.
Recovery of ASPP	£16,800	n.a.	£32,000	n.a.
Advance funding of ASPP	£600	n.a.	£1,100	n.a.
Partial advance funding of ASPP	£5,100	n.a.	£9,700	n.a.
Payments Deductions records - P30BC/P32 Forms	£28,700	n.a.	£54,400	n.a.
Employee application for ASPP	£6,300	n.a.	£12,000	n.a.
Employer checklist	£48,200	£173,900	£91,600	£330,400
Employer checklist (additional enquires)	£14,700	£48,200	£28,000	£91,600
ASPP2 record sheet	£34,300	£90,100	£65,100	£171,200
Changes to current compliance and audit checks	£5,700	£28,400	£10,800	£54,000
<b>Option 2 Total Costs</b>	<b>£216,800</b>	<b>£454,500</b>	<b>£412,000</b>	<b>£863,700</b>
<b>Option 3 Costs</b>				
Certification by the mother's employer	£28,800	£75,700	£54,700	£143,800
Postage costs	£2,900	n.a.	£5,300	n.a.
<b>Option 3 Total Costs</b>	<b>£248,500</b>	<b>£530,300</b>	<b>£472,000</b>	<b>£1,007,600</b>

Source: HMRC; \* These costs form part of the wider compliance effect and as such are not calculated using only SCM evidence and data

## 2. Administrative cost to the Exchequer

54. There will be operational costs borne by HMRC who will be responsible for employer support and guidance; for any forms development including impacts on systems for processing employers' end of year return data; and for processing employers' claims for advance funding of ASPP. The associated Exchequer costs are presented in Table 5 below. In addition DWP may have some involvement where mothers are in receipt of MA as they may be required to provide information for the father's employer.

55. The costs for both setup activities and for the recurring IT costs are assumed to be the same for both options. Overall setup costs amount to £6 million in the first year and ongoing IT costs are estimated at £0.42 million per annum.

56. Ongoing operational costs to HMRC are estimated to be £0.25 million annually under option 2, but rise to £0.3 million under option 3 reflecting the additional work needed each year for supporting mothers' employers and dealing with associated disputes and compliance.

**Table 5: Estimated operational costs to HMRC associated with introduction Additional Paternity Leave and Pay (£ millions)**

	Option 2	Option 3
One-off administrative set-up cost	£0.33	£0.33
One-off IT cost	£5.67	£5.67
Recurring administrative cost	£0.25	£0.30
Recurring IT cost	£0.42	£0.42
<b>Total one-off cost (first year)</b>	<b>£6.67</b>	<b>£6.72</b>
<b>Recurring cost (year 2 onwards)</b>	<b>£0.67</b>	<b>£0.72</b>

Source: HMRC estimates

## BENEFITS

57. The November 2006 RIA set out a number of wider benefits to arise from APL&P, including:

- Enhancing child welfare;
- Providing an opportunity for fathers to take time off work to care for their baby, responding to growing numbers of fathers who want greater opportunities to care for their child;
- Providing both parents with more flexibility over their childcare arrangements;

- Enabling mothers to return to work earlier where their preferred option is for the father or partner to take over responsibility for caring for the child;
- By providing mothers with a real choice over their timing of return to the labour market, this not only supports their connection to the workforce and hence their future career development, but also helps maintain an important source of labour supply, thereby helping the UK meet the Lisbon employment objectives<sup>16</sup>.

58. In terms of quantifiable benefits that may be derived directly from the choice of administration system for ASPP, these are likely to be negligible. Given the need for some form of administration system for ASPP and in order to achieve a balance between system efficiency and necessary efforts to combat fraudulent claims, the options chosen here are light touch and are intended to meet these requirements without undue burden on either employers or the Exchequer. As far as possible we believe the options considered here will produce the best available outcome and certainly aim to avoid unnecessarily costly and burdensome obligations on employers.

### **Small firms' impact test**

59. It was noted in the November 2006 RIA that small businesses may experience a disproportionate impact on the running of their business when an individual takes leave, compared to larger businesses, particularly where small businesses do not have a dedicated HR function. As a group, small businesses are as likely to encounter requests for APL&P as larger businesses, though individual small businesses will be much less likely to be affected by the new entitlements, as they have fewer employees per business.

60. However, it should also be noted that smaller employers are entitled to recover 100% of any ASPP payments they make (plus 4.5% compensation for the extra National Insurance Contributions payable), compared to a 92% recovery entitlement for larger firms. To some extent, this will offset the disproportionate impact on small firms, although other costs such as the cost of covering for absence will still remain.

### **Social impacts**

61. A full Equality Impact Assessment will be published in conjunction with the final Regulatory Impact Assessment, to be published alongside the draft APL&P regulations later in 2007.

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<sup>16</sup> In 2005, the UK female employment rate was 65.9%, already exceeding the Lisbon target of 60% to be achieved by 2010. This is according to Eurostat's employment rate measure using total female population aged 15-64. Source: Table 5, *Employment in Europe 2006*, DG Employment and Social Affairs, European Commission

## Competition assessment

62. The results of the competition filter test showed that there is no need to do a detailed assessment of the impact of APL&P on competition. In the filter test, the issue of market share is not relevant because the proposals apply to all sectors of the economy and at the same time, with the total number of paternity cases per year expected to be low, the likelihood of any particular employer being affected by a case is low.

63. The proposed policies will not affect market structure or the potential of new firms to enter markets nor are the proposals expected to have an impact on firms' production decisions.

## Summary of costs and benefits

64. A summary of the estimated quantifiable costs and benefits associated with the administration of APL &P is given in table 6 below.

**Table 6: Summary of costs and benefits for the administration of Additional Paternity Leave and Pay (£ millions)**

	Estimated additional costs and benefits	
	Option 2	Option 3
<b>COSTS (year 1)</b>		
Exchequer admin cost	£6.67m	£6.72m
Employer one-off costs	£1.53m-£4.50m	£1.53m-£4.50m
Employer recurring costs	£0.22m-£0.86m	£0.25m-£1.0m
<b>Total quantifiable costs (yr 1)</b>	<b>£8.42m-£12.03m</b>	<b>£8.5m-£12.22m</b>
<b>COSTS (year 2)</b>		
Exchequer admin cost	£0.67m	£0.72m
Employer one-off costs	£1.53m-£4.50m	£1.53m-£4.50m
Employer recurring costs	£0.22m-£0.86m	£0.25m-£1.0m
<b>Total quantifiable costs (yr 2)</b>	<b>£2.42m-£6.03m</b>	<b>£2.5m-£6.22m</b>
<b>BENEFITS</b>		
<b>Total benefits</b>	Quantifiable benefits arising directly from the choice of administration system are assumed to be negligible.	

Source: DTI / HMRC

## Enforcement, sanctions and monitoring

### Enforcement

65. In putting enforcement mechanisms in place, the Government is aware of the need to strike a balance between avoiding placing undue burdens on business and ensuring that employees receive their rights. Where Statutory Payments are concerned we also need to consider the balance between these interests and protecting the tax payer from payments made or claimed either in genuine error or fraudulently. We expect the compliance

risks for the new scheme to be relatively low and the steps taken to ensure compliance will be appropriate and proportionate.

66. Advice for employers and employees about laws for working parents is available from Acas. The HMRC Employer Helpline provides advice to employers about Statutory Payments.

### **Sanctions**

67. Support will be provided by HMRC, as well as by Acas and DTI to make it easy for employers and employees to get things right. To discourage those who may not be so minded there will be financial penalties as a sanction. HMRC will conduct an appropriate level of compliance checks, both for employees and for employers. In addition third parties may bring to HMRC's attention any abuse of the scheme by employees.

68. There may be cases where there is a dispute between the employee and the employer over eligibility for ASPP, its timing or amounts payable. As with other Statutory Payments it will be possible to raise such disputes initially with HMRC for resolution - and occasionally to take them further via a formal appeals process.

### **Contact**

69. Any comments on this regulatory impact assessment should be addressed to:

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70. Any general comments or queries regarding the policy detail should be addressed to:

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Email: [workandfamilies@dti.gsi.gov.uk](mailto:workandfamilies@dti.gsi.gov.uk)

## Annex A: Underlying assumptions used for estimating recurring employer costs

In order to assess the additional compliance cost to employers, it is necessary to attach some monetary value to the time spent in compliance. The wage rates used for the costings in this paper for those who engage in compliance activities are set out in table A1 and are obtained from SCM estimates. The rates found in the SCM are wage rates as of May 2005. As such, the wage rates used for these costings have been updated to 2007 prices in accordance with HMT green book methodology. The wages given are noted as the 'blended wages' and are weighted averages of wage rates across activities in the SCM.

**Table A1: Average hourly wage rates**

Employer Size	Blended Wage Rates
Micro: 1-9 employees	£21.29
Small: 10-49 employees	£16.66
Medium: 50-249 employees	£16.66
Large: 250+ employees	£16.18

Source: HMRC Calculations

The standard cost model makes the assumption that a normally efficient business will complete payroll on a monthly basis. This is therefore the assumption used to assess the administrative costs to employers. However, when assessing the wider compliance cost the assumption that a normally efficient business will adopt a monthly payroll schedule is dropped and data from the Labour Force Survey (LFS) on employer pay period frequency is used as an alternative assumption. We drop this assumption in order to reflect the realistic compliance burden to employers as closely as possible. The pay period frequencies used are set out in the table below:

**Table A2: Pay period Frequencies**

Employer Size	Micro	Small	Medium	Large
Weekly	38%	29%	22%	15%
Fortnightly	2%	2%	2%	1%
Four weekly	5%	2%	9%	10%
Monthly	54%	66%	67%	74%

Source: LFS employee pay period frequency data

Any further assumptions made in order to estimate additional burdens are obligation-specific and will be outlined in each relevant section in Annex B.

## Annex B: Methodology used for estimating employers' recurring costs under Option 2

### Option 2 – Self Certification:

#### The administrative burden

The costs that are presented in the following section reflect changes to the employer administrative burden baseline as measured by HMRC's standard cost model.

#### **1. Changes to the P11 form**

At present, every employer is required to complete a P11 deductions workings sheet (or equivalent) in order to keep the necessary information on PAYE and NICS deductions, Statutory Payments, and student loans deductions. When ASPP is introduced changes will need to be made to the current P11 form in order to facilitate the recording of 'in-year' ASPP payments and deductions. This will require the addition of a new column on the P11 form in order to record the total amount of ASPP paid to the recipient each pay period.

It has been assumed that this change will incur a time cost of an additional 2 minutes per employee for employers each time they are required to complete the statutory payments information on the P11 and the deductions calculations that will need to be made on this pay. Taking these assumptions as the basis for the costing, the SCM yields an increase of between £17 and £32 thousand in administrative costs.

**Table B1: Estimated increase in P11 costs to employers**

Employer size band	10,000 recipients	19,000 recipients
B: Micro: 1-9 employees – Insourced*	£1,400	£2,600
B: Micro: 1-9 employees – Outsourced*	£1,500	£2,800
C: Small: 10-49 employees – Insourced	£1,800	£3,500
C: Small: 10-49 employees – Outsourced	£1,000	£1,900
D: Medium: 50-249 employees – Insourced	£1,800	£3,400
D: Medium: 50-249 employees – Outsourced	£800	£1,500
E: Large: 250+ employees – Insourced	£7,300	£14,000
E: Large: 250+ employees – Outsourced	£1,100	£2,200
<b>Total</b>	<b>£16,700</b>	<b>£31,900</b>

Source: HMRC Calculations; NB: Insourced refers to employers complying with obligations themselves, in house, while outsourced refers to employers using external services providers, such as payroll bureaux or accountants, to carry out much of the process

#### **2. Changes to the P14 and P35 forms**

The P14 and P35 are the employer end of year return forms. Specifically, the employer is required to record: income tax and National insurance deducted from every employee the amount of Statutory Payments paid, received, compensated recovered, and funded in advance, and the amount of student loans deductions paid. With the introduction of ASPP, employers of recipients will be required to meet the reporting and recording obligations for an

additional statutory payment. An extra box on the P14 form for reporting the amount of ASPP paid to the employee will be required and two extra boxes will be needed on the P35 form in order to record the amount of ASPP recovered and the amount of NICs compensation of ASPP. In addition, the total costs will also have to be up-rated to reflect the additional calculations and deductions to be made on the pay. The SCM assumes that micro employers (1-9) employees currently spend on average, 5 minutes to complete a P14 form for each of their employees and 5 minutes to complete a P35 form. We assume that by adding an extra box on the P14 form the time spent will increase by 1 minute and for two boxes on the P35 the time spent will be 2 additional minutes. Taking this assumption on board and up-rating for small medium and large employers we estimate the additional costs in the tables below:

**Table B2: Estimated additional P14 costs to employers**

Employer size band	3,158 employers	6,000 employers
Micro: 1-9 employees – Insourced	£700	£1,400
Micro: 1-9 employees – Outsourced	£200	£400
Small: 10-49 employees – Insourced	£1,900	£3,500
Small: 10-49 employees – Outsourced	£800	£1,600
Medium: 50-249 employees – Insourced	£8,200	£15,600
Medium: 50-249 employees – Outsourced	£700	£1,300
Large: 250+ employees – Insourced	£5,600	£10,600
Large: 250+ employees – Outsourced	£200	£400
<b>Total</b>	<b>£18,300</b>	<b>£34,800</b>

Source: HMRC Calculations

**Table B3: Estimated additional P35 costs to employers**

Employer size band	3,158 employers	6,000 employers
Micro: 1-9 employees – Insourced	£900	£1,700
Micro: 1-9 employees – Outsourced	£200	£500
Small: 10-49 employees – Insourced	£2,200	£4,100
Small: 10-49 employees – Outsourced	£1,000	£1,800
Medium: 50-249 employees – Insourced	£9,600	£18,200
Medium: 50-249 employees – Outsourced	£800	£1,600
Large: 250+ employees – Insourced	£6,500	£12,300
Large: 250+ employees – Outsourced	£300	£500
<b>Total</b>	<b>£21,400</b>	<b>£40,600</b>

Source: HMRC Calculations

### ***3. Recovery of ASPP from HMRC/NIF***

Currently for Statutory Paternity Pay (SPP), the employer is able to recover 92% of the total paid out to the employee or 100% of SPP if the employer is a “small” business (i.e. the total Class 1 NIC bill paid over the entire previous year is less than £45,000). The amounts to be recovered must be deducted from other payroll deductions such as PAYE, NIC and student loan repayments that the employer is collecting for the relevant month or quarter. The additional administrative burden has been calculated by up-rating the

existing populations in the SCM and is estimated to be between roughly £17 and £32 thousand. No increase in time assumption is required to calculate the additional cost for this burden, as the costs represent a proportion of the internal costs from completing this obligation for other SPs.

**Table B4: Estimated cost of recoveries to employers**

Employer size band	3,158 employers	6,000 employers
Micro: 1-9 employees – Insourced	£10,800	£20,500
Micro: 1-9 employees – Outsourced	£3,000	£5,700
Small: 10-49 employees – Insourced	£2,500	£4,700
Small: 10-49 employees – Outsourced	£300	£500
Medium: 50-249 employees – Insourced	£300	£500
Medium: 50-249 employees – Outsourced	£0	£0
Large: 250+ employees – Insourced	£100	£100
Large: 250+ employees – Outsourced	£0	£0
<b>Total</b>	<b>£16,800</b>	<b>£32,000</b>

Source: HMRC Calculations

#### **4. Advance Funding from HMRC**

Where an employer is required to pay ASPP, in certain circumstances, the employer will be able to apply to HMRC for advance funding from HMRC. The advance funding cannot be more than 92% of ASPP unless the business is a 'small' business. If the business is 'small' (i.e. its total Class 1 NIC for the previous year is £45,000 or less) then the funding can be 100% of SPP plus an additional supplement (4.5%). The application for advance funding for ASPP can be made where the ASPP payments due in an income tax month or income tax quarter are greater than the total of the following items for that quarter:

- The PAYE deducted from all employees' emoluments
- The NIC deductions operated on all employees' emoluments
- The student loan deductions collected that month
- Any payments deducted for sub-contractors under the construction Industry scheme
- The other Statutory Payments the employer is required to pay to his employees.

Using information from HMRC's SCM it has been determined that roughly 350 employers (out of the total 6,000) may make an application for advance funding to HMRC. This is based on the data held in the model of proportions of employers that apply for advance funding of other Statutory Payments. As with the recoveries obligation set out above, no time increase assumption is required to calculate the additional cost for this burden, as the costs represent a proportion of the internal costs from completing this obligation for other SPs. Taking these assumptions into consideration it has been estimated that administrative burdens for advance funding will increase by between £600 and £1000.

**Table B5: Estimated cost of advance funding to employers**

Employer size band	3,158 employers	6,000 employers
Micro: 1-9 employees – Insourced	£355	£675
Micro: 1-9 employees – Outsourced	£115	£215
Small: 10-49 employees – Insourced	£65	£120
Small: 10-49 employees – Outsourced	£10	£20
Medium: 50-249 employees – Insourced	£15	£30
Medium: 50-249 employees – Outsourced	£0	£5
Large: 250+ employees – Insourced	£5	£10
Large: 250+ employees – Outsourced	£0	£0
<b>Total</b>	<b>£565</b>	<b>£1,075</b>

Source: HMRC Calculations

An additional part of the advance funding procedure had been costed separately in table B6 below and refers to employers applying for partial advance funding to pay the ASPP to their employees: currently, when an employer has made a payment of SPP he is entitled to recover some or all of the SPP from HMRC. This is usually done by deducting the recoverable amount from the other withholding payments that the employer is making to HMRC for the relevant income tax month or quarter (in the same way discussed above).

Where these payments are not sufficient to cover the SPP due, the employer can make an application to HMRC for the **difference** to be paid to him. The option to do this will be extended to include ASPP payments with policy implementation.

**Table B6: Estimated cost of partial advance funding to employers**

Employer size band	3,158 employers	6,000 employers
Micro: 1-9 employees – Insourced	£3,195	£6,070
Micro: 1-9 employees – Outsourced	£1,015	£1,930
Small: 10-49 employees – Insourced	£580	£1,100
Small: 10-49 employees – Outsourced	£85	£165
Medium: 50-249 employees – Insourced	£15	£30
Medium: 50-249 employees – Outsourced	£155	£300
Large: 250+ employees – Insourced	£35	£70
Large: 250+ employees – Outsourced	£5	£5
<b>Total</b>	<b>£5,100</b>	<b>£9,700</b>

Source: HMRC Calculations

## ***5. Changes to Current Compliance and Audit Checks***

A combination of random and risk based checks on employers and employees will be imposed. For the purpose of these costings it has been assumed that between 1% and 5% of the 6000 employers will face a compliance check per year. This, in effect, will increase the auditing and inspection checks population of the SCM (currently 60,000) by between, 0.1% and 0.5% per year for 6,000 employers and between 0.053% and 0.027% for 3158 employers, which will increase costs as illustrated in the table below:

**Table B7: Estimated costs of increasing the Audit and Inspection baseline**

Employer Size	3,158 employers			6,000 employers		
	1%	3%	5%	1%	3%	5%
Micro: 1-9 employees	£4,700	£11,600	£23,400	£8,900	£22,000	£44,600
Small: 10-49 employees	£700	£1,400	£3,600	£1,400	£2,700	£6,900
Medium: 50-249 employees	£200	£400	£1,000	£400	£800	£2,000
Large: 250+ employees	£100	£100	£300	£100	£300	£700
<b>Total</b>	<b>£5,700</b>	<b>£13,600</b>	<b>£28,400</b>	<b>£10,800</b>	<b>£25,800</b>	<b>£54,000</b>

Source: HMRC Calculations

It has also been assumed that only internal costs of compliance checks will alter and those companies that outsource will not be affected by additional costs due to the small scale effects of this policy proposal

### **The Wider Compliance Burden**

There are several areas of employer compliance for Statutory Payments that are not covered by the standard cost model. Although these obligations are not legislative requirements they still form part of the employer compliance regime and as such require costing as part of the wider employer compliance burden.

#### ***6. Payments Deductions records - P30BC/P32 Forms***

The P32 and P30BC forms are designed to help the employer maintain records of when deductions payments have been made to HMRC and help the employer to complete the P35 form. With the introduction of ASPP employers who have employees who are recipients of ASPP will be required to fill in additional information on one of these two forms. In practical terms, two new columns will be required so that the employer can detail the amount of ASPP recovered and the amount of NIC compensation on ASPP.

It has been assumed for the purpose of this costing that employers will take an additional 1 minute per pay period to report the recoveries and compensation on the P30BC/P32 form. Assuming that no additional cost will be met by employers that outsource their payroll, we find that the additional compliance burden to be borne by employers will be between £29 and £55 thousand.

**Table B8: Estimated cost from P30BC/P32 forms**

Employer size	10,000 recipients	19,000 recipients
Micro: 1-9 employees – Insourced	£1,700	£3,200
Micro: 1-9 employees – Outsourced	£0	£0
Small: 10-49 employees – Insourced	£3,700	£7,100
Small: 10-49 employees – Outsourced	£0	£0
Medium: 50-249 employees – Insourced	£4,700	£8,900
Medium: 50-249 employees – Outsourced	£0	£0
Large: 250+ employees – Insourced	£18,600	£35,300
Large: 250+ employees – Outsourced	£0	£0
<b>Total</b>	<b>£28,700</b>	<b>£54,400</b>

Source: HMRC Calculations

## **7. Application for ASPP from employee to employer**

A new form (or change to existing SC3 form <http://www.hmrc.gov.uk/forms/sc3.pdf> ) will be required for the employee to make an application to their employer for ASPP. The employer will not be required to complete or amend the form but will be required to keep in on file for three years. The form will also be used by the employer to help assess the employee's entitlement to ASPP and will help with providing information for completion of the 'Employer Checklist'. The only real financially tangible burden for this form is the storage costs which would be imposed on large and medium sized employers. The SCM assumes that small and medium sized employers would not require additional storage space for an extra form.

**Table B9: Estimated storage costs**

Employer size band	3,158 employers	6,000 employers
Micro: 1-9 employees – Insourced	£0	£0
Micro: 1-9 employees – Outsourced	£0	£0
Small: 10-49 employees – Insourced	£0	£0
Small: 10-49 employees – Outsourced	£0	£0
Medium: 50-249 employees – Insourced	£2,900	£5,500
Medium: 50-249 employees – Outsourced	£1,100	£2,200
Large: 250+ employees – Insourced	£2,000	£3,700
Large: 250+ employees – Outsourced	£400	£700
<b>Total</b>	<b>£6,300</b>	<b>£12,000</b>

Source: HMRC Calculations

## **8. Employer Checklist**

A new form required under ASPP that will add to the compliance burden of the employer is the ASPP 'employer checklist'. The employer will be required to assess the entitlement of the employee for ASPP using a checklist provided by HMRC. They will then be required to keep a copy of this checklist for three years following the tax year. It has been assumed that it will take an employer 15 minutes to complete the checklist. Sensitivity analysis surrounding this assumption has been presented below, allowing for up to 60 minutes to complete the checklist. The storage costs reflect costs assigned to the storage of the P11 form from the standard cost model. The evidence base used for this costing is not statistically robust but is indicative.

Taking first the 10,000 recipients assumption as the base for the calculations, we estimate the additional compliance costs for this requirement as presented in the tables below:

**Table B10: Estimated costs from introducing the employer checklist (assuming 10,000 recipients and 15 minutes to complete)**

Employer size band	No of forms			
	processed	Internal cost	Storage cost	Total cost
Micro: 1-9 employees – Insourced	342	£1,800	£0	£1,800
Micro: 1-9 employees – Outsourced	477	£2,500	£0	£2,500
Small: 10-49 employees – Insourced	979	£4,100	£0	£4,100
Small: 10-49 employees – Outsourced	544	£2,300	£0	£2,300
Medium: 50-249 employees – Insourced	1,230	£5,100	£2,900	£8,000
Medium: 50-249 employees – Outsourced	486	£2,000	£1,100	£3,200
Large: 250+ employees – Insourced	5,027	£20,300	£2,000	£22,300
Large: 250+ employees – Outsourced	915	£3,700	£400	£4,100
<b>Total</b>	<b>10,000</b>	<b>£41,900</b>	<b>£6,300</b>	<b>£48,200</b>

Source: HMRC Calculations

**Table B11: Estimated Costs from introducing the employer checklist (alternative time assumptions)**

Employer size band	Time assumptions			
	15 minutes	30 minutes	45 minutes	60 minutes
Micro: 1-9 employees – Insourced	£1,800	£3,600	£5,500	£7,300
Micro: 1-9 employees – Outsourced	£2,500	£5,100	£7,600	£10,200
Small: 10-49 employees – Insourced	£4,100	£8,200	£12,200	£16,300
Small: 10-49 employees – Outsourced	£2,300	£4,500	£6,800	£9,100
Medium: 50-249 employees – Insourced	£8,000	£13,100	£18,300	£23,400
Medium: 50-249 employees – Outsourced	£3,200	£5,200	£7,200	£9,200
Large: 250+ employees – Insourced	£22,300	£42,600	£63,000	£83,300
Large: 250+ employees – Outsourced	£4,100	£7,800	£11,500	£15,200
<b>Total</b>	<b>£48,200</b>	<b>£90,100</b>	<b>£132,000</b>	<b>£173,900</b>

Source: HMRC Calculations

Taking the alternative assumption that 19,000 employees will become recipients of ASPP we yield the following set of results:

**Table B12: Estimated costs from introducing the employer checklist (assuming 19,000 recipients and 15 minutes to complete)**

Employer size band	No of forms			
	processed	Internal cost	Storage cost	Total cost
Micro: 1-9 employees – Insourced	649	£3,500	£0	£3,500
Micro: 1-9 employees – Outsourced	907	£4,800	£0	£4,800
Small: 10-49 employees – Insourced	1,861	£7,700	£0	£7,700
Small: 10-49 employees – Outsourced	1,033	£4,300	£0	£4,300
Medium: 50-249 employees – Insourced	2,338	£9,700	£5,500	£15,200
Medium: 50-249 employees – Outsourced	923	£3,800	£2,200	£6,000
Large: 250+ employees – Insourced	9,551	£38,600	£3,700	£42,400
Large: 250+ employees – Outsourced	1,739	£7,000	£700	£7,700
<b>Total</b>	<b>19,000</b>	<b>£79,600</b>	<b>£12,000</b>	<b>£91,600</b>

Source: HMRC Calculations

**Table B13: Estimated Costs from introducing the employer checklist (alternative time assumptions)**

Employer size band	15 minutes	30 minutes	45 minutes	60 minutes
Micro: 1-9 employees – Insourced	£3,500	£6,900	£10,400	£13,800
Micro: 1-9 employees – Outsourced	£4,800	£9,700	£14,500	£19,300
Small: 10-49 employees – Insourced	£7,700	£15,500	£23,200	£31,000
Small: 10-49 employees – Outsourced	£4,300	£8,600	£12,900	£17,200
Medium: 50-249 employees – Insourced	£15,200	£25,000	£34,700	£44,400
Medium: 50-249 employees – Outsourced	£6,000	£9,800	£13,700	£17,500
Large: 250+ employees – Insourced	£42,400	£81,000	£119,600	£158,300
Large: 250+ employees – Outsourced	£7,700	£14,700	£21,800	£28,800
<b>Total</b>	<b>£91,600</b>	<b>£171,200</b>	<b>£250,800</b>	<b>£330,400</b>

Source: HMRC Calculations

There may also be some costs that are incurred by employers who have employees who make enquiries into ASPP but don't actually claim the benefit. This could be due to either non entitlement or a decision not to claim. The employer would complete the checklist to test for eligibility, timing and amounts payable which would clearly increase the costs of compliance to that employer. Some scenarios are presented below which reflect additional costs subject to a percentage change in the population that employers are required to complete checklists for; this analysis uses the assumption that it takes 15 minutes to complete the checklist.

**Table B14: Sensitivity analysis around the employer checklist (assuming 10,000 recipients)**

Employer size band	20%	40%	60%	80%	100%
Micro: 1-9 employees – Insourced	£400	£700	£1,100	£1,500	£1,800
Micro: 1-9 employees – Outsourced	£500	£1,000	£1,500	£2,000	£2,500
Small: 10-49 employees – Insourced	£800	£1,600	£2,400	£3,300	£4,100
Small: 10-49 employees – Outsourced	£500	£900	£1,400	£1,800	£2,300
Medium: 50-249 employees – Insourced	£3,900	£4,900	£6,000	£7,000	£8,000
Medium: 50-249 employees – Outsourced	£1,500	£1,900	£2,400	£2,800	£3,200
Large: 250+ employees – Insourced	£6,000	£10,100	£14,200	£18,200	£22,300
Large: 250+ employees – Outsourced	£1,100	£1,800	£2,600	£3,300	£4,100
<b>Total</b>	<b>£14,700</b>	<b>£23,100</b>	<b>£31,500</b>	<b>£39,900</b>	<b>£48,200</b>

Source: HMRC Calculations

**Table B15: Sensitivity analysis around the employer checklist (assuming 19,000 recipients)**

Employer size band	20%	40%	60%	80%	100%
Micro: 1-9 employees – Insourced	£700	£1,400	£2,100	£2,800	£3,500
Micro: 1-9 employees – Outsourced	£1,000	£1,900	£2,900	£3,900	£4,800
Small: 10-49 employees – Insourced	£1,500	£3,100	£4,600	£6,200	£7,700
Small: 10-49 employees – Outsourced	£900	£1,700	£2,600	£3,400	£4,300
Medium: 50-249 employees – Insourced	£7,400	£9,400	£11,300	£13,300	£15,200
Medium: 50-249 employees – Outsourced	£2,900	£3,700	£4,500	£5,200	£6,000
Large: 250+ employees – Insourced	£11,400	£19,200	£26,900	£34,600	£42,400
Large: 250+ employees – Outsourced	£2,100	£3,500	£4,900	£6,300	£7,700
<b>Total</b>	<b>£28,000</b>	<b>£43,900</b>	<b>£59,800</b>	<b>£75,700</b>	<b>£91,600</b>

Source: HMRC Calculations

## 9. ASPP2 Record Sheet

HMRC will provide an ASPP record sheet to all employers who wish to use it, in order for them to keep the necessary details on their employee's Additional Statutory Paternity Pay. This form details the minimum amount of information that the employer is required to keep on ASPP and the form must be kept for at least 3 years after the tax years to which it relates. The information that is required includes: Employee's details (Name, NINO, payroll number), the birth date of the child and entitlement, and information about payments of the Statutory Payment. An estimated assumption of 10 minutes to complete this form has been used to calculate the cost to employers.

**Table B16: Estimated costs from introducing the ASPP record sheet (10,000)**

Employer size band	No of forms		Storage cost	Total cost
	processed	Internal cost		
Micro: 1-9 employees – Insourced	342	£1,200	£0	£1,200
Micro: 1-9 employees – Outsourced	477	£1,700	£0	£1,700
Small: 10-49 employees – Insourced	979	£2,700	£0	£2,700
Small: 10-49 employees – Outsourced	544	£1,500	£0	£1,500
Medium: 50-249 employees – Insourced	1,230	£3,400	£2,900	£6,300
Medium: 50-249 employees – Outsourced	486	£1,300	£1,100	£2,500
Large: 250+ employees – Insourced	5,027	£13,600	£2,000	£15,500
Large: 250+ employees – Outsourced	915	£2,500	£400	£2,800
<b>Total</b>	<b>10,000</b>	<b>£27,900</b>	<b>£6,300</b>	<b>£34,300</b>

Source: HMRC Calculations

**Table B17: Estimated costs from introducing the ASPP record sheet (19,000)**

Employer size band	No of forms		Storage cost	Total cost
	processed	Internal cost		
Micro: 1-9 employees – Insourced	649	£2,300	£0	£2,300
Micro: 1-9 employees – Outsourced	907	£3,200	£0	£3,200
Small: 10-49 employees – Insourced	1,861	£5,200	£0	£5,200
Small: 10-49 employees – Outsourced	1,033	£2,900	£0	£2,900
Medium: 50-249 employees – Insourced	2,338	£6,500	£5,500	£12,000
Medium: 50-249 employees – Outsourced	923	£2,600	£2,200	£4,700
Large: 250+ employees – Insourced	9,551	£25,800	£3,700	£29,500
Large: 250+ employees – Outsourced	1,739	£4,700	£700	£5,400
<b>Total</b>	<b>19,000</b>	<b>£53,100</b>	<b>£12,000</b>	<b>£65,100</b>

Source: HMRC Calculations

Sensitivity analysis allowing for completion time of up to 30 minutes is outlined in the tables below:

**Table B18: Estimated costs from the ASPP record sheet 10,000 recipients (alternative time assumptions)**

Employer size band	10 minutes	20 minutes	30 minutes
Micro: 1-9 employees – Insourced	£1,200	£2,400	£3,600
Micro: 1-9 employees – Outsourced	£1,700	£3,400	£5,100
Small: 10-49 employees – Insourced	£2,700	£5,400	£8,200
Small: 10-49 employees – Outsourced	£1,500	£3,000	£4,500
Medium: 50-249 employees – Insourced	£6,300	£9,700	£13,100
Medium: 50-249 employees – Outsourced	£2,500	£3,800	£5,200
Large: 250+ employees – Insourced	£15,500	£29,100	£42,600
Large: 250+ employees – Outsourced	£2,800	£5,300	£7,800
<b>Total</b>	<b>£34,300</b>	<b>£62,200</b>	<b>£90,100</b>

Source: HMRC Calculations

**Table B19: Estimated costs from the ASPP record sheet 19,000 recipients (alternative time assumptions)**

Employer size band	10 minutes	20 minutes	30 minutes
Micro: 1-9 employees – Insourced	£2,300	£4,600	£6,900
Micro: 1-9 employees – Outsourced	£3,200	£6,400	£9,700
Small: 10-49 employees – Insourced	£5,200	£10,300	£15,500
Small: 10-49 employees – Outsourced	£2,900	£5,700	£8,600
Medium: 50-249 employees – Insourced	£12,000	£18,500	£25,000
Medium: 50-249 employees – Outsourced	£4,700	£7,300	£9,900
Large: 250+ employees – Insourced	£29,500	£55,200	£81,000
Large: 250+ employees – Outsourced	£5,400	£10,100	£14,700
<b>Total</b>	<b>£65,100</b>	<b>£118,200</b>	<b>£171,200</b>

Source: HMRC Calculations

## **Annex C: Methodology used for estimating employers' recurring costs under Option 3: *Certification combined with confirmation by the Mother's employer***

The third option would add to the employer burden set out above, as the mother's employer would be required to check and verify that the information provided by the mother on the form outlining the mother's intention to return to work and that she had unused SMP. In effect, this would require the mother's employer to complete an additional form. However, for mothers that are paid Maternity Allowance rather than Statutory Maternity Pay, it is DWP who bears the administrative cost as the allowance is paid directly to the mother. Therefore, the costings here have been calculated on the basis that of the 10,000 and 19,000 potential recipient limits roughly 84% of the respective mothers receive SMP and 16% MA. Thus the costs of option 2 will affect roughly 84% of the mother's employers, taking the population limits to 8400 (at the lower limit) and 16,000 (at the upper limit).

It has been assumed that it will take approximately 10 minutes for the mother's employer to collate the necessary information in order to check and certify (if appropriate) the mother's entries. The employer will also be required to keep a copy of any form they have checked and certified (or refused to certify) in the event of employee disputes or for HMRC employer compliance checking. The estimated additional costs of this for each of the projected recipient limits are outlined below:

**Table C1: Estimated costs to the mother's employer (10,000 recipients)**

Employer size band	No of forms processed	Internal cost	Storage cost	Total cost
Micro: 1-9 employees – Insourced	287	£1,000	£0	£1,000
Micro: 1-9 employees – Outsourced	401	£1,400	£0	£1,400
Small: 10-49 employees – Insourced	823	£2,300	£0	£2,300
Small: 10-49 employees – Outsourced	457	£1,300	£0	£1,300
Medium: 50-249 employees – Insourced	1,033	£2,900	£2,400	£5,300
Medium: 50-249 employees – Outsourced	408	£1,100	£1,000	£2,100
Large: 250+ employees – Insourced	4,223	£11,400	£1,600	£13,000
Large: 250+ employees – Outsourced	769	£2,100	£300	£2,400
<b>Total</b>	<b>8,400</b>	<b>£23,500</b>	<b>£5,300</b>	<b>£28,800</b>

Source: HMRC Calculations

**Table C2: Estimated costs to the mother's employer (19,000 recipients)**

Employer size band	No of forms			Total cost
	processed	Internal cost	Storage cost	
Micro: 1-9 employees – Insourced	545	£1,900	£0	£1,900
Micro: 1-9 employees – Outsourced	762	£2,700	£0	£2,700
Small: 10-49 employees – Insourced	1,563	£4,300	£0	£4,300
Small: 10-49 employees – Outsourced	868	£2,400	£0	£2,400
Medium: 50-249 employees – Insourced	1,964	£5,500	£4,600	£10,100
Medium: 50-249 employees – Outsourced	775	£2,200	£1,800	£4,000
Large: 250+ employees – Insourced	8,023	£21,600	£3,100	£24,800
Large: 250+ employees – Outsourced	1,460	£3,900	£600	£4,500
<b>Total</b>	<b>16,000</b>	<b>£44,600</b>	<b>£10,100</b>	<b>£54,700</b>

Source: HMRC Calculations

A range around the underlying time assumptions has again been presented in order to account for the possibility that it will take employers more than 10 minutes to complete an employee certification form.

**Table C3: Estimated costs to mother's employer 10,000 recipients (alternative time assumptions)**

Employer size band	10 minutes	20 minutes	30 minutes
Micro: 1-9 employees – Insourced	£1,000	£2,000	£3,100
Micro: 1-9 employees – Outsourced	£1,400	£2,800	£4,300
Small: 10-49 employees – Insourced	£2,300	£4,600	£6,900
Small: 10-49 employees – Outsourced	£1,300	£2,500	£3,800
Medium: 50-249 employees – Insourced	£5,300	£8,200	£11,000
Medium: 50-249 employees – Outsourced	£2,100	£3,200	£4,400
Large: 250+ employees – Insourced	£13,000	£24,400	£35,800
Large: 250+ employees – Outsourced	£2,400	£4,400	£6,500
<b>Total</b>	<b>£28,800</b>	<b>£52,200</b>	<b>£75,700</b>

Source: HMRC Calculations

**Table C4: Estimated costs to mother's employer 19,000 recipients (alternative time assumptions)**

Employer size band	10 minutes	20 minutes	30 minutes
Micro: 1-9 employees – Insourced	£1,900	£3,900	£5,800
Micro: 1-9 employees – Outsourced	£2,700	£5,400	£8,100
Small: 10-49 employees – Insourced	£4,300	£8,700	£13,000
Small: 10-49 employees – Outsourced	£2,400	£4,800	£7,200
Medium: 50-249 employees – Insourced	£10,100	£15,500	£21,000
Medium: 50-249 employees – Outsourced	£4,000	£6,100	£8,300
Large: 250+ employees – Insourced	£24,800	£46,400	£68,000
Large: 250+ employees – Outsourced	£4,500	£8,400	£12,400
<b>Total</b>	<b>£54,700</b>	<b>£99,300</b>	<b>£143,800</b>

Source: HMRC Calculations

In introducing this certification form for the mother's employer, other areas that add to the burden need to be considered. Any form that the employer certifies may need to be sent directly to the father's employer. This would

clearly result in a tangible postage cost being incurred by the employer, as well as the requirement of dealing with the consequences or delays of the form reaching its destination. Using the two different population assumptions the results of calculating storage and postage costs are set out in the tables below:

**Table C5: Estimated Postage costs**

<b>Employer size band</b>	<b>10,000 recipients</b>	<b>19,000 recipients</b>
Micro: 1-9 employees – Insourced	£100	£200
Micro: 1-9 employees – Outsourced	£200	£300
Small: 10-49 employees – Insourced	£300	£500
Small: 10-49 employees – Outsourced	£200	£300
Medium: 50-249 employees – Insourced	£300	£600
Medium: 50-249 employees – Outsourced	£200	£300
Large: 250+ employees – Insourced	£1,300	£2,600
Large: 250+ employees – Outsourced	£300	£500
<b>Total</b>	<b>£2,900</b>	<b>£5,300</b>

Source: HMRC Calculations