

## Salary Sacrifice for Workplace Nurseries Guidance

### Introduction

The Trust recognises that the provision of affordable childcare is an important issue for many employees.

The Trust is pleased to offer those employees who use their onsite nurseries the opportunity to take part in a voluntary salary sacrifice agreement. The amount you will save will depend on your personal circumstances as the savings are achieved through Pension, National Insurance Contribution (NIC) and Tax exemptions on the value of your childcare costs.

The questions and answers detailed below explain the scheme and the changes in more detail.

### Who can apply?

This arrangement will only be available to you if you have parental responsibility for any child(ren) placed in the Trusts onsite nurseries. (for the purposes of these arrangements, parental responsibility means having all the rights, duties, powers, responsibilities and authority which by law a parent of a child has in relation to the child.

### What is Salary Sacrifice and how does this affect my salary?

In exchange for agreeing to enter into the salary sacrifice agreement, the Trust will not charge you for an agreed number of childcare sessions at your chosen onsite nursery. However, you will continue to be charged for any additional "ad hoc" nursery sessions you might request, as this is not covered by the salary sacrifice agreement.

Your gross pay will be reduced according to your annual childcare costs.

If you choose to enter into the salary sacrifice for childcare, you will reduce your salary by the total annual childcare costs. When participating in a salary sacrifice scheme for the Trusts onsite nurseries, we are required by law to amend your contract of employment to reflect changes in your remuneration. A variation of your contract will need to be completed to reflect this change.

When entering into an arrangement to replace part of cash pay with a benefit that is NIC exempt it is

essential to carefully consider any implications and understand what the sacrifice will mean.

### Eligibility Criteria

To be eligible to take part in the voluntary salary sacrifice for the Trusts onsite nurseries you must be:

- Employed by Sheffield Teaching Hospital NHS Foundation Trust.
- If both parents are employed by Sheffield Teaching Hospital NHS Foundation Trust, both qualify for the scheme however, the amount sacrificed must not exceed the total amount of your childcare costs.

### Can I also join or be a member of the childcare voucher scheme?

You can have children in the Trusts nurseries for whom you claim under the workplace nurseries salary sacrifice scheme. You may have other childcare costs for the same or another child, which are provided by another childcare provider. In this situation you would be eligible to join the childcare voucher scheme. You cannot claim the same costs under both schemes. Your salary must be greater than the cost of any proposed salary sacrifice and the sacrificed amount must not reduce your salary to below the National Minimum Wage.

### How long does the arrangement last for?

You will have the opportunity to review your agreement annually during the month of March. If you do not want to continue your agreement you will be required to give a one month notice period.

However, in exceptional circumstances known as "lifestyle events" you will have the opportunity to revisit the salary sacrifice agreement. All changes must commence on the 1<sup>st</sup> of the month. Examples of what is considered a "lifestyle events" are provided below:-

Marriage or civil partnership

A change of the number of sessions required

Notification of pregnancy

Commencement of maternity leave

Divorce

Commencement of long term sick

Unpaid leave greater than 3 months

Career break

Additionally, you will be automatically opted out of the salary sacrifice agreement should your rate of pay fall below the National Minimum wage. Also if your level of earnings is insufficient to support the

sacrifice the Trust will opt you out of the salary sacrifice arrangement until such time that your rate of pay can adequately support the sacrifice.

### How much will I save?

The exact amount you can save depends on individual circumstances in terms of how much tax and NIC you currently pay and how much you spend on childcare. If you are a member of the NHS pension you will also make an additional saving as you do not pay your employee pension contribution on the salary sacrificed.

### Does this affect overtime, shift pay rates, sick pay, and holiday pay? What about yearly pay awards?

Overtime and shift pay rates are based on your hourly rate which will remain unchanged and so these will be unaffected. However, sick pay and holiday pay are based on your new revised salary.

Employees will continue to receive the annual pay awards as appropriate.

### I receive Tax Credits – what do I have to do?

You should carefully consider the possible effect that entering into a Salary Sacrifice Scheme could have on your Tax Credits.

If you are currently receiving Tax Credits, choosing to enter into a salary sacrifice scheme for your childcare costs could affect these.

The HM Revenue and Customs have a calculator online:-  
[www.hmrc.gov.uk/calcs/ccin.htm](http://www.hmrc.gov.uk/calcs/ccin.htm) or contact the Tax Credits helpline on Tel. 0845 3003900

### What happens regarding my pension?

If you are a member of the 1995 section of the NHS Pension scheme and have protected rights to this scheme, any part of your salary taken in the form of a salary sacrifice will not form part of your salary for pension calculation purposes. This means that if you leave the NHS whilst taking part in a salary sacrifice scheme the salary figure used to calculate your pension may be less than if you had not chosen to join the scheme. This is because your pension is calculated on the best of your last three years pensionable pay.

If you joined the NHS Pension Scheme after 1<sup>st</sup> April 08, you could either be a member of the 2008

section of the NHS Pension Scheme if you have protected rights and your Pension could be affected as your pension is calculated on the average of the best three consecutive years in the last ten years prior to your retirement.

If you are a member of the 2015 section of the NHS Pension Scheme, participating in a salary sacrifice scheme will reduce your NHS Pension scheme benefits immediately until you cease participating in the salary sacrifice scheme.

If you have a state pension, the effect will be negligible should you opt into the scheme.

Other benefits which may be affected are widower/ers pension, death in service payment, temporary and permanent injury allowance.

### What is the effect on redundancy?

Redundancy pay and pay in lieu of notice would be affected as the payments would be paid on the reduced salary, after the salary sacrifice.

### Nursery Education Funding

Currently the government provides funding through the Free Early Learning (FEL) to enable all 3 and 4 year old children to receive a free part-time nursery educational place of up to 15 hours per week. Eligible parents may also claim for Extended Free Entitlement (a further 15 hours per week)

If your child becomes eligible for the FEL / EFE (this will be the term following your child's third birthday) the nursery manager will advise you on your entitlement. This will enable you to take into account your FEL / EFE funding when you calculate your annual childcare costs.

Any additional childcare costs will need to be met from your net salary or through childcare vouchers.

### What is the effect during maternity leave and adoption leave?

Maternity/Adoption Pay is calculated on your actual pay received from (and including) the 17<sup>th</sup> to the 25<sup>th</sup> week of your pregnancy. Please note continued membership of the scheme during the above period will affect the calculation of the amount of maternity pay that you are entitled to. As the childcare costs that you have chosen to sacrifice would not be considered to be part of salary, hence lowering the Maternity pay that you may be eligible for.

If you choose to join the scheme after your maternity pay has been calculated your occupational maternity pay will be re calculated to reflect the contractual change to your salary from the date you have joined the scheme.

If you choose to withdraw from the scheme you can rejoin the scheme when you return from your maternity leave.

If you still need to pay for childcare during your maternity leave you may choose to remain in the scheme. If you choose to remain in the scheme your maternity pay will be calculated on your reduced salary.

If you become pregnant whilst in the scheme please contact the Childcare Support Service to inform them of your decision to withdraw or remain in the scheme by your 13<sup>th</sup> week of pregnancy.

### How do I apply for the scheme?

Please complete the application form available from the Nursery Manager or the Childcare Services Manager.

The completed application form should be signed and returned to the Childcare and Carers Support Service. A minimum wage check will be completed by the Sheffield Teaching Hospital NHS Foundation Trust Payroll Department before your application can be approved.

### Useful contact information

#### Sheffield Teaching Hospital NHS Foundation Trust Childcare Support

Tel: 0114 2266066  
Fax No. 0114 2715256

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