

GRL Workplace Nursery Salary Sacrifice Scheme



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1) GUIDANCE ON THE GRL WORKPLACE NURSERY SALARY SACRIFICE SCHEME

a) About the Scheme

What is a salary sacrifice arrangement?

A salary sacrifice arrangement enables an employee to give up part of their cash pay in return for the employer providing a non-cash benefit. The sacrifice is actioned through a change in the employee's contractual terms of employment.

The effect of this contractual change is that the employee sees a reduction in their cash pay in return for the non-cash benefit e.g. payment of nursery fees. The value of the non-cash benefit normally equates, over the annual cycle, to the amount of salary sacrifice.

Why join the GRL Workplace Nursery Salary Sacrifice Scheme?

The GRL Workplace Nursery Salary Sacrifice Scheme enables you to save tax and National Insurance Contributions (NICs) on your nursery fees. This is possible because the reduction in pay happens prior to the calculation and deduction of tax and NICs.

It is estimated that GRL Employees will be able to save up to 32% of their fees for standard taxpayers, or 42% for higher rate payers, if they choose to enter the Scheme [subject to individual circumstances].

b) Scheme eligibility and duration of membership

Who is eligible to join the GRL Workplace Nursery Salary Sacrifice Scheme?

All employees either full time or part time using the on site nursery are eligible for the GRL Workplace Nursery Salary Sacrifice Scheme.

Where GRL employs both parents, they can split the salary sacrifice between them. However, they should consider how best to split the sacrifice to achieve the most savings.

Are there any circumstances in which an employee could not make use of the GRL Workplace Nursery Salary Sacrifice Scheme?

Yes. There are a number of circumstances where an employee could not make use of the scheme:

- You must have a child with a place at the on site nursery.
- You must be able to commit to a minimum of one year's membership to the Workplace Nursery Salary Sacrifice Scheme.
- The employee's remaining salary after the sacrifice for nursery fees [and any other salary sacrifice arrangements e.g. Childcare Vouchers] must not fall below the National Minimum Wage. For further information on the National Minimum Wage go to: <https://www.gov.uk/national-minimum-wage-rates>

Does an employee have to be part of the GRL Workplace Nursery Salary Sacrifice Scheme to enrol a child at the on site nursery?

No. An employee does not have to be a member of the GRL Workplace Nursery Salary Sacrifice Scheme to have a child at the on site nursery. Any GRL employee (full or part time), Visiting Worker or PhD Student may apply for a place at the on site nursery for their child or children.

If an employee, PhD Student or Visiting Worker leaves GRL, can their child/children retain their nursery place(s)?

No. When the employee, Visiting Worker or PhD Student leaves GRL, they will be required to remove their child from the on site nursery. They will receive a minimum of two months' notice, following their leaving date, to remove their child or children. There will be an exception for those taking up employment at the EBI or with other campus employers eligible to access on site nursery places.

Example scenario:

An employee hands in their resignation on **1 August**. Their notice period is one month so leaving date will be **31 August** (or nearest working day before this if this falls on a weekend).

Final eligibility date for a nursery place would be **30 October** (or nearest working day before this if this falls on a weekend).

This means that from the date of resignation an employee would have 3 months in total to find alternative nursery/ childcare arrangements.

This enables the scheme to maximise spaces at the nursery for on site Campus workers.

NB. This requirement only applies to GRL parents joining the Workplace Nursery on or after 1 November 2014.

Is there a minimum duration of membership of the GRL Workplace Nursery Salary Sacrifice Scheme?

Yes. Membership to the Salary Sacrifice Scheme has a minimum term of 12 months. Once a member of the scheme you cannot leave or change the amount sacrificed for nursery fees except at the Annual Renewal Date unless:

- your child leaves the nursery
- you leave the employment of GRL or
- there is a significant personal 'Lifestyle event'. See Section (d) below for examples of a 'Lifestyle event'.

Membership of the Salary Sacrifice Scheme may only commence from the 2nd month of nursery occupancy. Fees for the first month must be settled directly with the Nursery by cheque, direct debit or by using childcare vouchers.

c) Childcare Vouchers and Early Years Funding (EYF)

Can a member of the Workplace Nursery Salary Sacrifice Scheme continue to receive Childcare Vouchers?

Yes. Employees may use the Workplace Nursery Salary Sacrifice Scheme and Childcare Vouchers; however, their remaining salary after all sacrificed amounts have been deducted must not fall below the National Minimum Wage. If they already receive Childcare Vouchers these will continue to be constrained within the limits dictated by HMRC.

If you have been in receipt of Childcare Vouchers prior to 6th April 2011 the following table outlines the maximum amount of Childcare Vouchers you can receive as part of the salary sacrifice process:

Exempt amounts for Childcare Vouchers and directly-contracted childcare - employees who are already members of your scheme before 6 April 2011

Weekly £55
Monthly £243
Annually* £2915

* The annual figure is based on 53 weeks a year as the 1 or 2 (for a leap year) days at the end of the year are treated as a complete week.

If you have been in receipt of Childcare Vouchers after 6 April 2011 the following table outlines the maximum amount of Childcare Vouchers you can receive as part of the salary sacrifice process:

Exempt amounts for Childcare Vouchers and directly-contracted childcare - employees joining schemes on or after 6 April 2011

| | Basic Rate | Higher Rate | Additional Rate (*) |
|-----------------|-------------------|--------------------|----------------------------|
| Weekly | £55 | £28 | £25 |
| Monthly | £243 | £124 | £110 |
| Annually | £2915 | £1484 | £1320 |

In October 2015 the way Childcare Vouchers are managed is changing and you should go to Helix for more information. <https://helix.wtgc.org/services/childcare-vouchers>

Early Years Funding (EYF)

Receiving EYF is regarded as a 'Lifestyle event' and employees will be able to change their salary sacrifice to reflect the reduction in nursery fees.

If you need more information on how the nursery manages Early Years Funded sessions you should contact them directly at hinxton@brighthorizons.com.

How do I know how much to sacrifice?

It is your responsibility to decide how much you wish to deduct from your own salary.

It is recommended that you plan ahead and consider what your nursery fees are likely to be over the forthcoming months.

You are also advised to compare your current tax credit award with the award you would receive with the tax and NI savings gained by participating in the Salary Sacrifice Scheme.

The HR team will **not** be able to give you financial advice. If you require further guidance please seek independent financial advice or contact the Citizen's Advice Bureau.

Where both parents work for GRL it is possible to split the salary sacrifice between the two salaries.

Please note: It is not possible to refund any overpayment of nursery fees made through the Salary Sacrifice Scheme.

If you wish to avoid any possible overpayments then err on the side of caution and sacrifice a lower amount to avoid overpayment.

d) Change in lifestyle or childcare requirements

What happens if childcare requirements change?

If you experience a 'Lifestyle event', as outlined below, which results in the need to alter your nursery booking pattern, you **can** modify the amount of your salary sacrifice. However, if you increase and/or decrease your child's nursery place for any other reasons, you **cannot** alter your Salary Sacrifice Scheme membership due to HMRC regulations.

If you currently do not have the booking pattern you want and are looking to increase your place over the next year, you should consider salary exchanging to cover your current monthly fees and cover the future additional hours by paying the fees directly to the nursery. Childcare Vouchers can also be used to cover these additional hours enabling you to continue to receive tax and NIC savings.

If you wish to decrease your nursery hours, you should consider salary exchanging the amount you plan to reduce to and pay additional fees directly to the nursery. Again, you can use Childcare Vouchers for the period before the reduction takes place.

Lifestyle events

Acceptable 'Lifestyle events' are further opportunities throughout the year to amend your salary sacrificed amount and are as follows:

- Annual Renewal (effective from 1 November each year)
- Commencement of Early Years Funding
- Child's birthday resulting in different nursery fees
- Child leaving the nursery
- Sibling starting school or nursery
- Marriage or civil partnership
- Notification of pregnancy or commencement of/return from maternity leave
- Birth or at key stages in adoption of a child
- Change in formal custody arrangements
- Moving house
- Commencement of/return from long-term sick leave, or starting receipt of group income protection payments
- Redundancy, loss of job or change of working pattern of spouse/partner

- A significant change in working hours (20% or more)
- Commencement of/return from unpaid leave of greater than 3 months
- Commencement of or return from overseas secondment
- Divorce/legal separation/dissolution of a civil partnership
- Death of a partner or dependant

e) Impact of Scheme membership on pay and benefits

Will the rate of payment of overtime or pay increases be impacted if an employee is a member of the GRL Workplace Nursery Salary Sacrifice Scheme?

No, although the employee agrees to receive a lower gross salary by entering the Salary Sacrifice Scheme, both overtime rates and pay review outcomes use a 'notional' salary so as not to disadvantage employees participating in the scheme. A 'notional' salary figure is the gross pay figure before the reduction of the salary sacrifice amount.

Does membership of the Workplace Nursery Salary Sacrifice Scheme have any impact on the accrual/payment of Pension, Life Assurance or Group Income Protection Benefits?

No. When an employee becomes a member of the Scheme, we use a 'notional' salary figure for the calculation of the accrual of pension benefits, life assurance and group income protection. This means the benefits provided do not reduce in line with the reduction in salary. If the employee is a contributory member of the Pension Plan, their personal contributions will be calculated using the notional salary figure not the reduced salary sacrifice figure.

Does membership of the Workplace Nursery Salary Sacrifice Scheme affect levels of State Benefits or tax credits?

When you sacrifice pay in return for a benefit that is exempt from National Insurance Contributions (NICs) you do not pay National Insurance (NI) on the portion of pay sacrificed. While the entitlement to some benefits is based on the amount of NICs paid, and others are based on the amount earned, so joining the Scheme may affect the current and future entitlement to benefits including State Pension, Statutory Maternity Pay, Statutory Sick Pay, Working Tax Credit and Child Tax Credit. If more information is required, the employee should contact the relevant benefit provider e.g. Department of Works and Pensions.

f) Maternity leave

What is the impact on Company and Statutory Maternity Pay if an employee is a member of the GRL Workplace Nursery Salary Sacrifice Scheme?

If an employee is eligible for Company maternity pay and they are a member of the Salary Sacrifice Scheme in the 15th week before their baby is due (the qualifying week) their Company maternity pay will be calculated using the sacrificed pay figure not the 'notional' pay figure.

If the employee is eligible for Statutory Maternity Pay, this is calculated by taking average earnings in the eight weeks (assessment period) before the qualifying week. Therefore, if the employee is a member of the Salary Sacrifice Scheme during the assessment period their Statutory Maternity Pay the calculation uses the sacrificed pay figure not the 'notional' pay figure.

If an employee wishes to make adjustments to the salary sacrifice arrangement that is to continue during maternity leave this change must occur prior to the qualifying week, so it is in action at the qualifying week. Notification of pregnancy or commencement of/return from maternity leave is a 'Lifestyle' change.

If the employee is only eligible for Statutory Maternity Pay and they wish to avoid a reduction any change to the salary sacrifice arrangement needs to happen prior to the assessment period, again notification of pregnancy or commencement of/return from maternity leave is a 'Lifestyle' change.

Employees should give careful consideration about how to manage any salary sacrifice arrangement as early on in their pregnancy as possible.

Is it possible to continue membership of the GRL Workplace Nursery Salary Sacrifice Scheme when on maternity leave?

If the employee is a member of the Salary Sacrifice Scheme in the qualifying week before their baby is born, their membership can continue and their level of sacrifice will remain unaltered for the period of their maternity leave. This is because during maternity leave (both "ordinary" and "additional" leave) contractual non-pay benefits provided by the employer continue. This means GRL will continue to pay nursery fees, at the same level as the qualifying week, until the employee returns from maternity leave.

What happens to membership of the GRL Workplace Nursery Salary Sacrifice Scheme if an employee is only eligible for Statutory Maternity Pay or Maternity Allowance?

In these circumstances the employee does not have any salary to sacrifice therefore their membership of the Scheme will be suspended until they return to work from maternity leave.

However, as the salary sacrifice is in return for a non-cash benefit through a contractual change, GRL, in line with legislation governing maternity leave, will continue to pay nursery fees at the level of sacrifice in place at the qualifying week until the employee returns to work. They can then decide if they wish to resume membership of the Scheme.

Is it possible to begin a Salary Sacrifice arrangement after an employee has gone on maternity leave?

GRL is legally required to continue to provide the contractual benefits the employee is in receipt of at the point that they go onto maternity leave, for the duration of the maternity leave. If an arrangement is put in place after the employee goes on maternity leave, it would not meet this criterion.

g) Sick leave

What impact does going onto unpaid sick leave or unpaid additional leave have on membership of the GRL Workplace Nursery Salary Sacrifice Scheme?

In the event that an employee is unable to work due to sickness and they have exhausted their company sick pay, we will suspend their membership of the Scheme and they will be required to

pay their nursery fees directly to the nursery. When they return to work, they will be able to re-join the Scheme.

If the employee goes onto Group Income Protection, membership of the Scheme should be able to continue as long as the salary available exceeds the salary sacrifice and the salary remaining does not fall below the National Minimum Wage.

In the case of unpaid leave, this will depend on the amount of unpaid leave taken. If the amount of unpaid leave taken means the salary is less than the salary sacrifice or would fall below the National Minimum Wage then membership of the Scheme is suspended, and the employee will need to pay fees directly to the nursery. Otherwise membership of the Scheme can continue.

2) Application and withdrawal process for the GRL Workplace Nursery Salary Sacrifice Scheme

a) How do I apply for the Scheme?

Before considering an application for membership of the GRL Workplace Nursery Salary Sacrifice Scheme, it is important that you read the guidance notes above.

To apply for membership of the Scheme you must download the Workplace Nursery Salary Sacrifice Scheme Application Form and return a signed copy of this to the HR Services Team by the 11th of the month preceding the month in which you wish to start using the scheme. This complies with HMRC regulations and allows time for the contractual change and for the payroll deduction to be set up. The reduction in salary will commence from the agreed date and the nursery fees will be invoiced directly to GRL.

You will receive written confirmation of the contractual change agreed to the terms and conditions of your employment if you are about to take up a new nursery place and you wish to join the Scheme, you should pay the first month's nursery fees directly to the nursery. Therefore, any salary sacrifice arrangement may only commence from the start of the second month.

If you already have a nursery place and wish to join the Scheme, you should ensure that the application is received by the 11th of the month preceding the month you wish the sacrifice to take effect as outlined above, that you notify the nursery of the change in your circumstances, and that you cancel any direct debit mandates for payment of nursery fees.

Please be aware that you will always be liable for any differences between nursery fees and the amount sacrificed through the Scheme.

b) How do I make a change to the Scheme?

You will only be able to make a change to the Scheme on the renewal date (effective from 1 November each year) or if there is a 'Lifestyle event'. If you wish to request a change to the Scheme, you should use the Workplace Nursery Request for Change Form. The form must be

fully completed and returned to HR Services by the 11th of the month preceding the month in which you want the changes to be effective from. In the event that it is not possible to process the form, because it is incomplete or provided after the prescribed date, this may result in an overpayment of fees that are not possible to reimburse.

c) How do I withdraw from the Scheme?

You will only be able to withdraw from the Scheme on the renewal date (effective from 1 November each year) or if there is a 'Lifestyle event'. If you wish to withdraw from membership of the Scheme, you should use the Workplace Nursery Salary Sacrifice Scheme Withdrawal Form. The form must be fully completed and returned to HR Services by the 11th of the month preceding the month in which you are withdrawing from the Scheme. In the event that it is not possible to process the form, because it is incomplete or provided after the prescribed date, this may result in an overpayment of fees that are not possible to reimburse.

d) Who can provide further information on the Scheme?

The HR Services team will be able to provide further information on membership of the GRL Workplace Nursery Salary Sacrifice Scheme. They can be contacted by email on hrservices@sanger.ac.uk or you can call extension 4788.

e) Can GRL provide independent advice?

No. The HR team can only provide details of the GRL Workplace Nursery and the Workplace Nursery Salary Sacrifice Scheme and cannot provide independent advice. You may wish to seek independent advice before making a decision about joining the Scheme.

September 2014