

## 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

Hazel Nodder  
Childcare Service Manager  
Sunshine Day Nursery  
Northern General Hospital  
Herries Road  
Sheffield  
S5 7AU



## Childcare Salary Sacrifice Cost Saving Illustrations (Lower Rate Tax Payer)

<b>Childcare Cost over 5-days per week (Monthly Cost) NOT currently contributing via Childcare Vouchers</b>	
Current cost of childcare 5 days @ £45 per day	£ 977.68
Savings on Tax**	£ 177.35
Savings on NI ***	£ 117.32
Savings on NHS Pension*	£ 90.92
Total Cost of childcare	£ 592.08
<b>Potential Savings on Current Cost</b>	<b>-£ 385.60</b>

<b>Childcare Cost over 5-days per week (Monthly Cost) Currently contributing via Childcare Vouchers</b>	
Current cost of childcare 5 days @ £45 per day	£ 977.68
Current monthly contribution via Childcare Vouchers	£ 243.00
Savings on Tax**	£ 177.35
Savings on NI ***	£ 117.32
Savings on NHS Pension*	£ 90.92
Total Cost of childcare	£ 592.08
<b>Potential Savings on Current Cost****</b>	<b>-£ 289.76</b>

<b>Childcare Cost over 3-days per week (Monthly Cost) NOT currently contributing via Childcare Vouchers</b>	
Current cost of childcare 3 days @ £45 per day	£ 586.61
Savings on Tax**	£ 106.41
Savings on NI ***	£ 70.39
Savings on NHS Pension*	£ 54.55
Total Cost of childcare	£ 355.25
<b>Potential Savings on Current Cost</b>	<b>-£ 231.36</b>

<b>Childcare Cost over 3-days per week (Monthly Cost) Currently contributing via Childcare Vouchers</b>	
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Savings on Tax**	£ 106.41
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Savings on NHS Pension*	£ 54.55
Total Cost of childcare	£ 355.25
<b>Potential Savings on Current Cost****</b>	<b>-£ 135.52</b>

Please note the above examples are for illustration purposes only and may vary from employee to employee dependent on personal circumstances and in line with the rules of the Salary Sacrifice Scheme, the following assumptions have been made in the above illustrations:

\* Based on an employee contributing 9.3% to the NHS Pension Scheme

\*\* Based on employee paying 20% Tax

\*\*\* Based on employee with gross earnings after salary sacrifice has been deducted of over £680 per month

\*\*\*\* Savings Illustration showing savings in addition to those already recognised through participating in the Childcare Voucher Scheme



## Childcare Salary Sacrifice Cost Saving Illustrations (Higher Rate Tax Payer)

<b>Childcare Cost over 5-days per week (Monthly Cost) NOT currently contributing via Childcare Vouchers</b>	
Current cost of childcare 5 days @ £45 per day	£ 977.68
Savings on Tax**	£ 354.70
Savings on NI ***	£ 117.32
Savings on NHS Pension*	£ 90.92
Total Cost of childcare	£ 414.73
<b>Potential Savings on Current Cost</b>	<b>-£ 562.95</b>

<b>Childcare Cost over 3-days per week (Monthly Cost) NOT currently contributing via Childcare Vouchers</b>	
Current cost of childcare 3 days @ £45 per day	£ 586.61
Savings on Tax**	£ 212.82
Savings on NI ***	£ 70.39
Savings on NHS Pension*	£ 54.55
Total Cost of childcare	£ 248.84
<b>Potential Savings on Current Cost</b>	<b>-£ 337.77</b>

<b>Childcare Cost over 5-days per week (Monthly Cost) Currently contributing via Childcare Vouchers</b>	
Current cost of childcare 5 days @ £45 per day	£ 977.68
Current monthly contribution via Childcare Vouchers*****	£ 124.00
Savings on Tax**	£ 354.70
Savings on NI ***	£ 117.32
Savings on NHS Pension*	£ 90.92
Total Cost of childcare	£ 414.73
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Savings on Tax**	£ 212.82
Savings on NI ***	£ 70.39
Savings on NHS Pension*	£ 54.55
Total Cost of childcare	£ 248.84
<b>Potential Savings on Current Cost****</b>	<b>-£ 266.37</b>

**Please note the above examples are for illustration purposes only and may vary from employee to employee dependent on personal circumstances and in line with the rules of the Salary Sacrifice Scheme, the following assumptions have been made in the above illustrations:**

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\*\* Based on employee paying 40% Tax

\*\*\*Based on employee with gross earnings after salary sacrifice has been deducted of over £680 per month

\*\*\*\* Savings Illustration showing savings in addition to those already recognised through participating in the Childcare Voucher Scheme

\*\*\*\*\* Based on employee only receiving maximum Childcare Voucher amount of £124 per month

## Childcare Salary Sacrifice Cost Saving Illustrations (Lower Rate Tax Payer)

<b>Childcare Cost over 5-days per week (Monthly Cost) NOT currently contributing via Childcare Vouchers</b>	
Current cost of childcare 5 days @ £45 per day	£ 977.68
Savings on Tax**	£ 177.35
Savings on NI ***	£ 117.32
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## Childcare Salary Sacrifice Cost Saving Illustrations (Higher Rate Tax Payer)

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\*\*\*\*\* Based on employee only receiving maximum Childcare Voucher amount of £124 per month



## Salary Sacrifice for Childcare Application Form

ALL FIELDS **MUST** BE COMPLETED TO PROCESS YOUR APPLICATION.

<b>Month the Salary Sacrifice period is to start.</b>					
<b>How are you paid? (please tick one box only)</b> Weekly <input type="checkbox"/> Monthly <input type="checkbox"/>					
<b>National Insurance Number</b>					
<b>Employee Name</b>		<b>Date of Birth</b>			
<b>Job Title, department and site base</b>		<b>Employer Name/Trust</b>	Sheffield Teaching Hospitals Foundation Trust		
<b>Payroll Number</b>					
<b>Home Address</b>	..... .....Post code .....				
<b>Home Tel No :</b>		<b>Work Tel No :</b>			
<b>Email Address:</b>					
<b>Name of Child/ren (to which the salary sacrifice is for)</b>					
<b>Relationship</b>					
<b>Child/children's date of birth</b>					
<b>Name of Nursery and sessions that your child/ren attend</b> Please state if the days are full days or half days	<b>Name of nursery</b> _____				
	Monday	Tuesday	Wednesday	Thursday	
	Friday				
	Please state the maximum number of hours your child attends each day e.g. 9 hour day or extended hours				
Is your child/ren eligible for Free Early Learning / Extended Free Entitlement? (Please confirm this with your nursery manager) <b>Yes</b> <b>No</b> If yes, please state child's name _____ the annual amount stated above will be reduced to reflect your funding entitlement.					

<b>What is your monthly cost of childcare</b>	£
<b>What is your annual cost of childcare</b>	£
The Salary Sacrifice period lasts to	

**Do you partake in any other Salary Sacrifice schemes?**

Childcare Vouchers	Yes	No	If yes, do you intend to remain in the scheme	Yes	No
If yes, please state the value of your childcare vouchers £_____					
Does anyone else pay part of your childcare fees through childcare vouchers				Yes	No
If yes, are they going to continue to pay part of the fees through childcare vouchers				Yes	No
If yes, please state the value of the vouchers they will continue to pay £_____					
Car Lease Salary Sacrifice Scheme				Yes	No
Cycle to Work Salary Sacrifice Scheme				Yes	No
Home Electronics/White Goods Salary Sacrifice Scheme				Yes	No
Car Parking Salary Sacrifice Scheme				Yes	No
Do you claim Working Family Tax Credits?				Yes	No
If yes you will need to notify them that you are entering into a salary sacrifice agreement for your childcare costs.					
Have you read and understood the "salary sacrifice for workplace nurseries question and answer information", highlighting the effects a salary sacrifice has on your pension?				Yes	No
Do you acknowledge and understand the circumstance that constitutes a "lifestyle event"				Yes	No
You have read and understood the effect on maternity pay				Yes	No
You are responsible for selecting a sacrifice value which does not exceed your expected childcare costs over the period of the agreement. No sacrificed salary can be transferred back through your salary if the value of your agreement exceeds your childcare costs.					

A minimum wage check will be carried out on all salary sacrifice agreements to verify that you qualify for the amount you have indicated on your application.

Please sign and return the fully completed form to Hazel Nodder, Childcare Service Manager to process your application form.

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

### Amendment / Cancellation for Salary Sacrifice Childcare

Month the Salary Sacrifice amendment or cancellation is to be actioned  (a one month notice period must be allowed for changes to be implemented)	Amendment _____  Cancellation _____												
Reason for amendment or cancellation (please refer to 'lifestyle events' on question & answer sheet)													
National Insurance Number _____													
Employee Name		Date of Birth											
Job Title, department and site base		Employer Name/Trust	Sheffield Teaching Hospitals Foundation Trust										
Payroll Number													
Home Address	.....Post code.....												
Home Tel No :		Work Tel No :											
Email Address:													
<b>Please complete the details below for amendments</b>													
Name of Child/ren (to which the salary sacrifice is for)													
Relationship													
Child/children's date of birth													
Name of Nursery and sessions that your child/ren attend	Nursery RHH or NGH please delete as appropriate <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 20%; text-align: center;">Monday</td> <td style="width: 20%; text-align: center;">Tuesday</td> <td style="width: 20%; text-align: center;">Wednesday</td> <td style="width: 20%; text-align: center;">Thursday</td> <td style="width: 20%; text-align: center;">Friday</td> </tr> <tr> <td style="height: 20px;"></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>			Monday	Tuesday	Wednesday	Thursday	Friday					
Monday	Tuesday	Wednesday	Thursday	Friday									
Is your child eligible for Nursery Education Grant? (Please confirm this with your nursery manager) Yes No If yes, the annual amount stated above will be reduced to reflect your funding													

	entitlement.
What is your revised monthly cost of childcare	£
What is your revised annual cost of childcare	£ Nursery to complete
The Salary Sacrifice period lasts to	

I confirm that due to the lifestyle event detailed above that I wish to cancel/amend my salary sacrifice

You are responsible for selecting an amended sacrifice value which does not exceed your expected childcare costs over the period of the agreement. No sacrificed salary can be transferred back through your salary if the value of your agreement exceeds your childcare costs.

A minimum wage check will be carried out on all amended salary sacrifice agreements to verify that you qualify for the amount you have indicated on your application.

**Please sign and return the fully completed form to Hazel Nodder, Childcare Service Manager to process your amendment/cancellation form.**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Childcare Services Manager  
Northern General Hospital  
Herries Road  
Sheffield  
S5 7AU**

**Tel. 0114 2266066  
Fax. 0114.2715256**

For Office Use only

Date received	
Minimum wage check completed	
Education Grant entitlement check	
Month agreement starts	