

# LTHT Nurseries

## Salary Sacrifice for Childcare Costs



Part of The Leeds Teaching Hospitals NHS Trust  
In line with Ofsted registration

# LTHT Nurseries

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The Leeds Teaching Hospitals are committed to promoting “back to work” and employees maintaining a good work life balance and aim to be an employer of choice. As such the Trust recognises that the provision for affordable childcare is an important issue. The Trusts are trying to lighten the burden of childcare costs through the provision of salary sacrifice when using Trust operated nurseries. Depending on your personal circumstances it will be possible to reduce your childcare costs up to 40%. These savings are achievable through NHS pension contributions, Tax and National Insurance efficiencies.

This booklet aims to explain these efficiencies in more detail, with an explanation of the proposals and points which you will need to take into consideration when deciding whether to participate.

There is no obligation to participate in the scheme, in which case you will pay for your agreed nursery sessions from your net pay.

(Figures used are examples only and may not reflect those of the trust settings)



# What's involved?

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- a) In exchange for agreeing to enter into the proposed salary sacrifice agreement, the Trust will not charge you for an agreed amount of your childcare fees. 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.
- b) You will agree that your gross basic pay will be reduced. The amount of the reduction will depend on the level of childcare you select. For example If an employee's nursery fees amount to £700 per month (£8400 annually) they may choose under the proposed arrangement, to reduce their gross basic pay by this amount rather than paying the amount from their net pay.
- c) This arrangement will only be available to you if you have parental responsibility for any children placed in the Trust operated nurseries. This is one of the conditions required to ensure that a free nursery place is not a taxable benefit-in-kind (for the purpose of these arrangements, parental responsibility means heaving all the rights, duties, powers, responsibilities and authority which by law a parent of a child has in relation to the child and the property of the child).
- d) The proposed arrangements can have an impact on entitlements to benefits such as the Childcare Element of Working Tax Credits and as a consequence the Trust recommends that you consider this matter before opting to participate in the arrangement.

***For further information please contact the NHS Nurseries.***

**Below are two examples which show the possible difference with and without Salary Sacrifice for childcare.**

*Please note that the figures shown are examples only and actual figures and savings may differ from those shown below. The examples are based on 2018 /19 tax, pension and NI rates and assumes that the employee has a standard tax code and all calculations are subject to statutory changes in future years.*

**Example A - Employees Net Pay before Salary Sacrifice**

Monthly Income		Outgoings	
Gross Basic Pay	£2500	Tax	£256.00
		Employee NIC	£215.76
		NHS Pension Contribution	£232.50
			<b>(9.3%)</b>
		<b>Total Deductions</b>	<b>£704.26</b>
		Net Pay	£1795.74
		Childcare Payments	£700.00
		<b>Net Monthly Disposable Income</b>	<b>£1095.74</b>



### Example B - Employees Net Pay before Salary Sacrifice

Monthly Income		Outgoings	
Gross Basic Pay	£2500	Tax	£136.93
<b>Salary Sacrifice for Childcare</b>	£700	Employee NIC	£131.76
		NHS Pension Contribution	£127.80
			<b>(7.1%)</b>
		<b>Total Deductions</b>	<b>£369.49</b>
		Net Pay	£1403.51
		Childcare Payments	£0
		<b>Net Monthly Disposable Income</b>	<b>£1403.51</b>

In Example B, by agreeing a fixed Salary Sacrifice for Trust provided childcare the employee’s monthly disposable income has increased by **£307.77** per month.

An employee will not be able to Salary Sacrifice, or only be able to Salary Sacrifice part of their childcare cost, if removing the costs from their gross basic rate of pay takes their remaining basic pay below the National Minimum Wage. If this is the case the remaining fees not salary sacrificed will be deducted from their net pay. In the case of there not being enough net pay to deduct their child care costs an invoice will be issued.

## How long does the arrangement last for?

Your Salary Sacrifice agreement will run from the starting point to the end of each Tax year, however the agreement is subject to change for example if you reduce/increase your sessions at nursery or if your child becomes eligible for the Education Grant. Otherwise your Salary Sacrifice agreement will be renewed every April.

You can request to change or opt out of your agreement by completing a Salary Sacrifice Change Form and returning it to your nursery. 1 months' notice is required to change. Children leaving the nursery will be automatically opted out of their agreement.

Additionally, you will be automatically opted out of the Salary Sacrifice arrangement (**without notice**) should your rate of **basic pay** fall below the current National Minimum wage. Similarly, if you're level of earnings is insufficient to support the Salary Sacrifice, for example if you are on long term sick the Trust will opt you out of the scheme. This action ensures that your right to a legal rate of pay is maintained.

You will also be opted out of your Salary Sacrifice arrangement, **without notice**, should you not sign and return your Salary Sacrifice Variation agreement by the date stated on the agreement. ***This document is different to your Salary Sacrifice application form.***

## Maternity, Paternity and Adoption Leave and Pay

If you are taking part in any Salary Sacrifice Scheme while you're Maternity, Paternity or Adoption Pay is calculated this will affect the calculations.

**If you are in the Salary Sacrifice Scheme when your pay is calculated for the above reasons your options are:**

1. If you wish to continue using your childcare during your leave you can continue to use a childcare place at one of the Trust operated nurseries, via the Salary Sacrifice Scheme, through out your paid and unpaid Maternity Leave.

**If you choose to take this option, then your Contractual/Occupational pay will be calculated on the reduced Gross Basic Pay you receive under the Salary Sacrifice agreement.**

2. Alternatively, if you do not wish your Contractual/Occupational pay to be reduced, do not expect to be using childcare or you think your childcare costs will change during your maternity leave then you might choose to opt out of the scheme. This will need to be effective before your calculation period (period when your pay is calculated).

**If you choose to take this option, you will receive Contractual/Occupational Pay at your normal basic rate of pay, but you will lose out on any Salary Sacrifice savings you could have made and your nursery fees will be taken from your Net Pay, and then invoiced if your pay falls below the required amount to cover your fees.**

It is very important that you decide what course of action will suit your family best and that this decision is made early giving enough notice to change your Salary Sacrifice agreement (1 months' notice via a completed salary sacrifice change form). There are a number of situations which could affect your nursery fees while you are on Leave for example your child could become entitled to the Nursery Education Grant thereby reducing your monthly fees. So it is recommended that you contact the nursery to discuss your options as **any lost savings will not be refunded.**

## What is the general effect of reducing taxable salary?

If you decide to participate in the proposed arrangement you will pay a reduced amount of NHS pension contributions, tax and NIC and therefore in net salary terms will be better each month. However, a number of state benefits are dependent on paying a minimum level of NIC's, for instance Statutory Sick Pay.

You should be aware that a reduction in taxable salary may affect other Trust and state benefits such as long term sick pay and the level of benefits in the event of death in service.

All other earnings/payments (i.e. over and above basic pay) such as shift allowances, overtime payments, and redundancy entitlements would continue to be calculated based on the employees gross pay before the Salary Sacrifice agreement.

## What about my NHS pension arrangements?

The fact that your contractual pay is being reduced means that your level of NHS pension contributions will also be reduced and the percentage of pension paid in relation to your gross pay may also be reduced.

*Please see that in Example A, 9.3% of the employees gross pay is taken as pension contributions and in Example B the percentage of pension taken had reduced to 7.1% of the employee's gross pay. This is because the amount Salary Sacrificed is taken from gross salary and the amount of pension contributions and the percentage in relation to salary are taken after.*

Changes to the NHS Pension Scheme from 1st April 2015 will change the way a salary sacrifice impacts on retirement benefits for some staff.



Each year of pensionable pay counts separately towards the build-up of final pension benefits. Therefore entering into any salary sacrifice arrangement that reduces gross pensionable pay, will affect the amount of pension built up in that year. The overall effect from participating in a salary sacrifice scheme would reduce the amount of final benefits.

For further information on how Salary Sacrifice will affect your pension please contact:

Pension Advisors for the Trusts: **0113 206 5036**

## What If I am in receipt Tax Credits?

If you are entitled to Tax Credits the amount you receive depends on your household income. If you are currently receiving Tax Credits or think you might be eligible please contact the nursery to discuss how this might affect your Salary Sacrifice arrangements. Participating in a Salary Sacrifice arrangement will have an affect on the amount on Tax Credits you receive, and may in some cases result in your Tax Credit payments being increased.

**The Childcare Element** of Tax Credits is a payment directly related to the amount of childcare you pay for, and again based on your household income. **You can not Salary Sacrifice any amount of your childcare fees which your Childcare Element is calculated on.** However any amount of your childcare costs not included in the calculation of your Childcare Element could be Salary Sacrificed.

Please note it is your responsibility to inform us that you are in receipt of The Childcare Element and failure to do so could mean you receiving both benefits and result in your Tax Credits being stopped and you having to pay any money owed back to HMRC.

## What if I required extra sessions (ad hoc) childcare?

In the event that you require extra ad hoc days or sessions at the nursery you will first need to speak to the nursery management team to see if there is space for your child on the extra session. The fees from these “ad hoc” sessions will be taken from your net pay as they are out side of the agreed amount of salary sacrifice.

## What if my child qualifies for the Nursery Education Grant?

If your child becomes eligible for the Education Grant, and you intend to use any or all of your entitlement at the NHS Nursery your salary sacrifice amount will be reduced by your nursery manager.

## What if I change the number of Childcare sessions?

If you change the number of childcare sessions you use at the nursery. You will need to fill out a Salary Sacrifice change form and give 1 months notice. A new minimum wage audit will be completed to make sure the amount salary sacrificed will not take you below minimum wage. ***(Please note that even though only one months notice is required to change your Salary Sacrifice agreement nursery policy requires two months written notice to leave nursery or reduce your sessions)***

## What If I use another OFSTED registered childcare?

The Salary Sacrifice Scheme outlined in this document is designed for those who use the Trust Operated Nurseries only.

You can use Childcare Vouchers alongside the Salary Sacrifice for Trust Operated Nurseries if for example you are also paying for Private OFSTED registered childcare as well.

However the total amount you sacrifice must not bring your Basic Pay below the National Minimum Wage. *Please note that as of October 2018 Childcare Voucher schemes were closed to new applicants.*

Tax Free Childcare is now available however you cannot be part of any other childcare savings scheme and use Tax Free Childcare.

For more information on Tax Free Children place go to:  
**[www.childcarechoices.gov.uk](http://www.childcarechoices.gov.uk)**

## How do I proceed?

If you wish to participate in the scheme please complete a Salary Sacrifice Application form and return it to your nursery manager with a current wage slip.

In order of us Salary Sacrifice or Salary Deduct (from net pay) you must have an NHS Assignment/Payroll number. If you are new or returning to the Leeds NHS Trusts this could mean that there may be a delay in setting up your Salary Sacrifice.



If you require any further information or have any questions please contact your nursery manager



### Clarendon Nursery

**Lisa Wightman** | Nursery Manager

tel: **0113 392 6763**

email: **[lisawightman@nhs.net](mailto:lisawightman@nhs.net)**



### The Mosaic Centre

**Clinton Duckworth** | Nursery Manager

tel: **0113 307 0684**

email: **[c.duckworth@nhs.net](mailto:c.duckworth@nhs.net)**



### Rosewood Nursery

**Lydia Smith** | Nursery Manager

tel: **0113 248 4705**

email: **[lydia.smith10@nhs.net](mailto:lydia.smith10@nhs.net)**

