



Royal Holloway, University of London

Workplace Nursery Salary Sacrifice Scheme

Introduction

The Royal Holloway, University of London (the “College”) Workplace Nursery Salary Sacrifice Scheme (the “Scheme”) is for staff of the College who are users of the onsite nursery. The nursery is Englefield Green Nursery and Preschool (the “Nursery”) which is managed by Bright Horizons Family Solutions.

Under the Scheme, the staff member agrees to reduce their salary by a set amount each month up to the value of the nursery fee (the “sacrificed amount”) and in return benefits from lower tax and national insurance deductions on the reduced salary. The sacrificed amount is paid direct by the College to the Nursery to set against an employee’s fee liability, any additional fees over the sacrificed amount must be paid by the parent to the Nursery directly.

Under HMRC legislation, the Scheme only applies to nurseries where the employer takes part in “financing and managing the provision of the care”. Staff using other nurseries are therefore not eligible for the scheme.

This Q&A provides information on how the Scheme works, guidance on possible financial savings and details the procedure should staff wish to join the Scheme.

Key Principles

- Any Royal Holloway, University of London member of staff who has their child/ren registered at Englefield Green Nursery and Preschool is eligible to join the Scheme subject to the sacrificed amount not taking the staff member’s salary below the National Minimum Wage.
- The staff member agrees to reduce their salary by the sacrificed amount and in return benefits from lower tax and national insurance deductions. The salary deduction is paid direct by the College to the Nursery to cover part or all of the cost of the nursery place. Any fees over the sacrificed amount
- Staff of the College have priority places at the Nursery when a waiting list is operated.
- The College has received HMRC approval for the Scheme. The Scheme will be reviewed if the HMRC rules change.
- For further details of Englefield Green Nursery and Preschool, including how to register a child and organise a visit, contact englefield@brighthorizons.com or phone 0203 780 3028.

What is the Workplace Nursery Salary Sacrifice Scheme?

Under the Scheme, the staff member agrees to reduce their salary by a set amount each month up to the value of the nursery fee (the “sacrificed amount”) and in return benefits from lower tax and national insurance deductions on the reduced salary. The sacrificed amount is paid direct by the College to the Nursery to set against your fee liability, any additional fees over the sacrificed amount must be paid by the parent to the Nursery directly.

This is done by signing an amendment to the terms and conditions of the contract of employment to sacrifice an amount of their salary in return for childcare provided by the College workplace nursery. As no Tax or National Insurance (NI) is payable on the sacrificed portion of the salary, the nursery provision is effectively provided tax & NI free, delivering a potential financial saving to those taking part.

Who is eligible to join the Scheme?

Any full or part-time employee of the College using a full or part-time place at the Nursery are eligible.

You must have been offered a place at the nursery before applying to join the Scheme.

You can use the Workplace Nurseries’ Salary Sacrifice Scheme for as many children as you wish. Where both parents are employed by the College, you can split the salary exchange between you. However, you should consider the split in order to maximise tax savings as there is a greater benefit for a higher-rate taxpayer.

You must be the parent, legal guardian or have parental responsibilities for the child or children for whom you require the place.

Students are not eligible to join the Workplace Nursery Salary Exchange Scheme.

Are there any circumstances where I cannot join or continue to participate in the Scheme?

You are not able to join the Scheme if your salary, after the sacrifice, would fall below the National Minimum Wage. The current National Minimum Wage rates can be found online at www.gov.uk/national-minimum-wage-rates.

Similarly you may choose not to join the Scheme if it would take your earnings below the NI Earnings Threshold, as this may affect your state pension and may affect your entitlement to Statutory Maternity Pay. For current rates please visit <http://www.hmrc.gov.uk/rates/nic.htm>.

If, at any point during your membership in the Scheme, your earnings fall below the National Minimum Wage, then this would count as a ‘significant lifestyle change’ and you would be required to withdraw from the Scheme or sacrifice a reduced amount each month.

How do I apply?

You will need to download and complete the application form and send it to Human Resources, HR@RHUL.ac.uk before the 1st of the month preceding the month in which you wish to start using the scheme. Your salary will then be reduced from the agreed date and the nursery fees will be invoiced directly to the College.

For example: A staff member wishes to join the Scheme to pay for September nursery fees. The application form would need to be sent to Human Resources by 1st August. Their August salary would be reduced to allow the College to pay the fees due for November.

HR will confirm the contractual change to the terms and conditions of your employment arising from your participation in the scheme.

Due to HM Revenue & Customs (HMRC) conditions, the Scheme depends on a commitment of membership for a period of one year. Once you have opted to join, you cannot leave the Scheme or change the amount you have agreed to exchange for nursery fees, within the 12 month period, unless your child leaves the nursery or if there is a significant personal 'Lifestyle Change'.

A Lifestyle Change as defined by HMRC is:

- leaving to go on maternity leave, parental leave, paternity leave or adoption leave
- returning from maternity leave, parental leave, paternity leave or adoption leave
- termination of your or your partner's employment
- change of your or your partner's employment or hours of work
- relocation - home or office
- death of a family member or dependant which affects your use of the Childcare Scheme
- marriage, divorce or legal separation
- significant change in childcare arrangements/circumstances, e.g. child starts school
- long term sickness, or starting receipt of long-term disability benefit

You have the option to leave the scheme at the end of the 12 month period. If you remain in the scheme after this period, two months' notice is required of all changes, this notice period will only be waived in exceptional circumstances.

I am a Parent with an existing nursery place and paying fees by direct debit. How does this affect me?

Parents who already have a nursery place and who wish to join the scheme are advised that, in addition to ensuring that their application to participate reaches the HR Department, HR@RHULac.uk, by the 1st of the month preceding that in which the sacrifice is to commence. They should also cancel any previous arrangement they have set up for the payment of the nursery fees from the date participation in the Scheme commences.

Can I backdate my Salary Sacrifice to a time when my child/ren first attended the Nursery?

Due to HMRC regulations, it is not possible to backdate the salary sacrifice to a date before the application form is signed by both the staff members and approved by the HR department. Therefore under these circumstances any fees during the period before commencement on the scheme must be paid directly to the Nursery and would not benefit from the Salary Sacrifice Scheme.

What happens if I go on sick leave or unpaid leave?

Provided your earnings remain above the National Minimum Wage you can continue in the scheme.

What happens if I go on Maternity/Adoption/Parental Leave?

This is regarded as being a lifestyle change event and you can decide to leave the scheme. However, you will continue in the scheme whilst on paid maternity/adoption leave, provided that your monthly pay covers the nursery fees and it does not fall below National Minimum Wage.

How will this affect my credit status e.g. applying for a mortgage?

In replying to credit reference checks the College will inform companies of the situation with regard to your total remuneration package.

What will happen to my Pension?

Pension contributions are based on reference salary (i.e. unreduced salary) and therefore would include any salary sacrificed.

Leaving the Scheme

You may only withdraw from the scheme when your child leaves the nursery, or if you experience a 'Life Change' or if your employment ends.

Parents must email the HR department. HR@RHUL.ac.uk, giving at least two months' notice if they intend to leave the Scheme. Parents are also obliged to provide the relevant notice to the Nursery.

When the employee leaves the scheme and continues in employment with the College, the deduction from his/her salary will be discontinued.