

Flexible Benefits – Frequently Asked Questions

Introduction

The University is committed to supporting working parents and as such operates a flexible benefits scheme to assist parents with the costs of childcare. This benefit is not contractual. In accordance with HMRC guidelines, employees of the University are able to benefit from savings on the cost of fees at the University Day Nursery.

What options do I have to pay for my childcare?

There are three ways in which you can pay for childcare as follows:

1. Pay the fees **directly** to the childcare provider. (The University Day Nursery accepts cash or debit card).
2. Pay for some or all of the fees through the **Childcare Voucher Scheme**. The childcare voucher scheme can be used to pay any registered childcare provider.
3. Pay for some or all of the fees through the **Flexible Benefits Scheme**. The flexible benefits scheme can only be used to pay fees at the University Day Nursery. The Day Nursery also offers reduced rates for members of staff regardless of the method of payment.

It may also be possible to use a combination of these methods.

Am I eligible for flexible benefits?

All temporary, fixed-term and permanent employees of the University of Essex or any subsidiary company who have an agreed place at the University Day Nursery are eligible to join the flexible benefits scheme.

If you are on a temporary or fixed-term contract the deductions may be made over a shorter period of time to reflect the end date of the contract.

To qualify for salary sacrifice, you must earn sufficient that you will still receive at least the National Minimum Wage (NMW) once the salary sacrifice deductions have been made.

How do I save money with flexible benefits?

The benefit of entering into a salary sacrifice agreement is that you can save tax and National Insurance on the amount of fees you would normally pay for that financial year. This is because you only pay tax and National Insurance on the reduced salary.

Example 1 (Lower rate tax payer)

A member of staff earns £20,000 p.a. (£1666.67 gross per month) and the fees for the Day Nursery are £6,000 p.a.

Example 2 (higher rate tax payer)

A member of staff earns £45,000 p.a. (£3750.00 gross per month) and the fees for the Day Nursery are £10,000 p.a.

Example 1

	Monthly	Current Salary p.a.	Monthly	New Salary (less childcare) p.a.
Pay	£1,666.67	£ 20,000.00	£1,166.67	£ 14,000.00
USS (7.5%)	£ 125.00	£ 1,500.00	£ 87.50	£ 1,050.00
Tax (810L)	£ 173.00	£ 2,076.00	£ 80.60	£ 967.20
NI	£ 107.08	£ 1,284.96	£ 54.08	£ 648.96
Net	£1,261.59	£ 15,139.04	£ 44.49	£ 11,333.84
Less Childcare	£ 500.00	£ 6,000.00		
TOTAL	£ 761.59	£ 9,139.04	£ 944.49	£ 11,333.84

Saving to the employee **£2194.80 p.a.**

Example 2

	Monthly	Current Salary p.a.	Monthly	New Salary (less childcare) p.a.
Pay	£3,750.00	£ 45,000.00	£2,916.67	£ 35,000.00
USS (7.5%)	£ 281.25	£ 3,375.00	£ 18.75	£ 2,625.00
Tax (810L)	£ 558.40	£ 6,700.80	£ 04.40	£ 4,852.80
NI	£ 299.95	£ 3,599.40	£ 16.39	£ 2,596.68
Net	£2,610.40	£ 31,324.80	£2,077.13	£ 24,925.52
Less Childcare	£ 833.33	£ 10,000.00		
TOTAL	£1,777.07	£ 21,324.80	2,077.13	£ 24,925.52

Saving to the employee **£3600.72 p.a.**

How does the flexible benefits scheme work?

You will enter into a salary sacrifice agreement, whereby your salary is reduced by an equivalent amount to the Day Nursery fees. The fees are then paid directly from the University to the Day Nursery.

The scheme runs each financial year from 1 August to 31 July of the following year.

The fees for each month of the current financial year are added up and divided by the number of months that you are participating in the scheme. Therefore you will have the same amount deducted from your salary each month based on the average fee. If you choose to leave the scheme part-way through the calendar year there may be a positive or negative adjustment to your salary in the final month to reflect the actual Day Nursery fees. When calculating the fees for the year, the Nursery will take into account any potential Early Years funding from the government and reduce the total fees by this amount.

How do I sign up for the flexible benefits scheme?

Once you have secured a place at the University Day Nursery and have indicated that you wish to join the flexible benefits scheme, the team at the Day Nursery will ask you to complete a flexible benefits request form. This is then passed to the HR department to set up the salary sacrifice agreement.

You will be sent a written agreement to sign to indicate your acceptance of the salary sacrifice arrangement.

What are the differences between childcare vouchers and the flexible benefits scheme?

Both schemes operate on a salary sacrifice basis; however there are a number of differences:

Childcare voucher scheme	Flexible benefits scheme
Managed online direct with voucher provider	Administered by Human Resources
Maximum amount that can be sacrificed is £243 per month	There is no maximum amount that can be sacrificed (although salary cannot be reduced to lower than NMW)
The amount of vouchers can be changed online at any time, subject to meeting payroll deadlines	The salary sacrifice agreement cannot generally be changed within the financial year

What do I need to do if I want to leave the scheme?

You can leave the flexible benefits scheme at any time with written notification. If you are leaving the scheme because you no longer require a place at the University Day Nursery or are changing childcare arrangements, you must give the Day Nursery at least 6 weeks' notice. If you are continuing with your place at the Day Nursery you must make alternative arrangements to pay for the fees.

If you leave the scheme you will not be able to rejoin again within the current financial year, although you can set up a new agreement at the start of the following financial year.

Please note that you will need to leave the Scheme when you are on Maternity Leave during periods of Statutory Maternity Pay (SMP) only or periods of unpaid leave, as it is not possible to salary sacrifice from your Statutory Maternity payments.

Can I change the amount I can sacrifice through flexible benefits during the course of the financial year?

Only if you experience a “life change event” for example, birth of a second child or a significant change in working pattern e.g. a reduction of hours.

I want to increase/decrease my sessions in the Day Nursery, how will this affect my flexible benefits agreement?

If you want to decrease the sessions during the financial year you can continue in the flexible benefits scheme, but this is likely to result in a greater reduction of your salary than the value of the Day Nursery fees. Alternatively, you may leave the flexible benefits scheme and pay the Day Nursery by another method.

If you want to increase the sessions you can continue in the flexible benefits scheme but as the deductions cannot be varied within the financial year you will need to make alternative arrangements to pay the additional fees.

How will it affect other benefits and entitlements?

A salary sacrifice agreement reduces your basic salary and therefore may affect other benefits and/or entitlements, which are calculated based on your basic salary. For example: State Pension, Statutory Maternity Pay, Statutory Sick Pay, Incapacity Benefit, Working Tax Credit and Child Tax Credit.

If you are unsure how your benefits and entitlements may be affected you are advised to seek independent financial advice. Your local job centre will be able to advise you on working tax credits and child tax credits.

The Human Resources Section will be happy to talk you through any implications for maternity pay. If you know you are pregnant you are advised to request a meeting at the earliest possible opportunity.