

Salary Sacrifice Procedure	
Enabling Policy Statement; Executive Owner; Approval Route:	Our Colleagues - Chief Operating Officer - Operations Committee
Is the Procedure for internal use only (Non- disclosable)?	Disclosable
Associated Policy Statements:	N/A
Authorised Owner:	Director of Human Resources
Authorised Co-ordinator:	Associate Director (People Services)
Effective date:	08 July 2025
Due date for full review:	08 July 2028
Sub documentation:	N/A

Approval History

Version	Reason for review	Approval Route	Date
1.0	Migration to the POPP structure	Operations Committee	08 July 2025

1. Purpose

- 1.1.** This procedure clarifies the position of the University of Surrey in respect of salary sacrifice schemes.
- 1.2.** Employees who require more information on each scheme or wish to sign up should access the My Pay & Benefits platform via SurreyNet.
- 1.3.** A Salary Sacrifice scheme must be approved by HM Revenue and Customs (HMRC). HMRC has the powers to remove its approval, and therefore the University reserves the right to withdraw a scheme should HMRC instruct this.
- 1.4.** This procedure does not form part of any employee's contract of employment. It may be amended from time to time with appropriate consultation with recognised trade union representatives.

2. Scope and Exceptions to the Procedure

- 2.1.** This procedure applies to all employees from their first day of employment at the University of Surrey and subsidiaries as long as they meet the eligibility criteria in section 4.2.

3. Definitions and Terminology

3.1. Salary Sacrifice

A salary sacrifice, also called a Salary Exchange Agreement is an arrangement whereby an employee agrees to give up part of their basic salary received under their contract of employment in return for a non-cash benefit provided by the University.

Tax and National Insurance (NI) is not payable on the sacrificed portion of the salary. By electing to receive a lower salary in exchange for a sacrifice, Tax and NI contributions are reduced.

Entering into a salary sacrifice arrangement will change the employee's terms and conditions of employment in relation to their basic salary.

4. Procedural Principles

4.1. Schemes Offered

- USS Pension
- Cycle to Work*
- Purchase of Additional Leave*
- Tusker Car Leasing*
- Workplace nursery
- Childcare vouchers (closed to new entrants)

*Employees are not permitted to opt out of or cancel reducing balance salary sacrifice schemes. The amount must be repaid over the specified period and cannot be settled early. If an employee leaves employment before the end of the payment term, any outstanding balance will be deducted from their final salary.

- **USS Pension**

This scheme known as “Pension Plus” is a way of making the Universities Superannuation Scheme (USS) pension contributions through salary sacrifice. All eligible members of the USS pension scheme are put into Pension Plus by default, unless an individual requests to be excluded by completing an opt-out form.

- **Cycle to work**

Employees can benefit from obtaining a tax-free bike and accessories, up to the value of £2,000 through the University’s chosen provider, CycleScheme. The employee applies for a voucher to redeem against their goods from a participating bicycle shop.

- **Purchase of Additional Annual Leave**

Employees may opt to apply for 10 days of additional annual leave to add to their annual leave entitlement (pro rata for part-time employees). The annual application window typically opens towards the end of the previous annual leave year and any application should be approved by the employee’s line manager. The leave will be purchased in hours using the employee’s hourly rate of pay and deducted over the leave year. This scheme is intended to offer employees additional paid leave and does not in any way affect their right to request leave under the University’s procedures for compassionate or special leave.

- **Tusker Car Scheme**

Employees can lease an electric or plug-in hybrid car without any deposit or ongoing running costs. This includes road tax, insurance, MOTs, breakdown assistance and routine servicing and maintenance. As a company car employees would be liable for a Benefit in Kind tax, which is broken down in the quote.

- **Workplace Nursery (Guildford Day Nursery and Pre School)**

The University of Surrey has a workplace nursery, called Guildford Day Nursery and Pre School managed on behalf of the University by Bright Horizons. The nursery provides childcare for children aged 3 months to 5 years with preferential rates for staff.

- **Childcare Vouchers (closed to new entrants as per HMRC rules)**

In October 2018 the Government closed all employer led childcare salary sacrifice vouchers replacing all schemes with its own Tax Free Childcare scheme. Pre-existing childcare voucher users, who registered with the University’s provider Computershare, before 10th September 2018, are still able to benefit from the scheme as long as they continue to meet the eligibility criteria : <http://www.computersharevoucherservices.com>. Staff wanting more information on the Government’s replacement scheme should visit: <https://www.gov.uk/get-tax-free-childcare>.

4.2. Eligibility

Employees are eligible to join as many salary sacrifice schemes as they wish provided:

- they are a University of Surrey or subsidiary employee paid through the University payroll.
- they receive a regular monthly salary sufficient to cover their chosen salary sacrifices. Employees with irregular hours, such as Associates, are not eligible.
- they remain above the National Minimum Wage and/or NIC Lower Earnings Limit.

- In the case of fixed-term contracts, colleagues are eligible to join, but if they are joining a scheme with a fixed agreement (reducing balance scheme), their contract term should be sufficient to cover this.
- In the case of Tusker they have passed their probation period and are not in receipt of a live disciplinary warning. Tusker is not currently available to Surrey Sports Park staff.

Prioritisation of Schemes

If an employee falls below the eligibility levels for National Minimum Wage or the NIC Lower Earnings Limit then an employee is exchanging too much of their pay in return for benefits. If this is the case the employee will be removed from Salary Sacrifice scheme in the following order:

- Purchase of Additional Leave
- Cycle to Work
- Childcare Vouchers (existing members only)
- Onsite Nursery
- Tusker Car Scheme
- PensionPlus

4.3. Payment

Payment is made directly from the employees' salary each month, and the Payroll department will make the appropriate payments to the organisations directly or those managing the sacrifice scheme.

4.4. Joining a Salary Sacrifice Scheme

An eligible employee is automatically enrolled in the Pension Plus scheme. For the other schemes employees are required to ensure My Pay & Benefits is updated. Please refer to the FAQs on My Pay & Benefits for further information about joining each scheme.

4.4.1 Contractual Implications

For all schemes, the employee will electronically agree to a variation of their contract when applying, known as the salary exchange agreement, which will confirm their reduced salary amount and terms and conditions of the scheme.

Where an employee holds two or more established posts, membership of a Salary Sacrifice scheme will be applied proportionally per post, to ensure correct costing.

4.5. Amending or varying the Salary Sacrifice Scheme/Agreement

If permitted by the scheme (i.e. this doesn't include reducing balance schemes where there is a fixed commitment) an employee can vary the amount they are sacrificing each month by giving the appropriate notice to both the benefit provider and submitting the change through the My Pay & Benefits platform.

Payroll will pay the salary sacrifice amount agreed by the employee until the employee updates the platform with the change in the monthly amount.

Delays in making these changes will mean that only the amount deducted between changes to fees and the receipt of authority from the employee to change the monthly salary sacrifice will be tax and NI exempt. The University cannot reimburse any overpayment and tax and NI benefits

retrospectively arising from any changes in fees. In particular, if payments made by payroll to the campus nursery provider have not been adjusted to show an increase or decrease in fees, it will be up to the nursery provider and the employee to agree how a credit note might apply in the event of an overpayment or how the employee will top up the shortfall in fees in the event of an underpayment. These payments will not benefit from the salary sacrifice arrangements.

Where an employee is unable to pay the Salary Sacrifice deductions or would go below the eligibility criteria to stay in the Salary Sacrifice scheme, they will be suspended from the scheme, depending on their circumstances. However, an employee should note that whilst their membership of the Salary Sacrifice scheme will be suspended, they may still be contractually obliged to meet the benefit providers' fees, and this should be discussed by the employee direct with the provider.

4.6. Leaving a Salary Sacrifice scheme

When the employee is entered into a Salary Sacrifice arrangement there is a fixed commitment for a year (this is per scheme where the employee is a member of more than one). However, if the employee experiences a lifestyle change (Life Event) that significantly alters their financial circumstances, they may be able to opt-out of the arrangement. This may include a divorce, a partner becoming redundant or pregnant etc. It is the responsibility of the employee to instigate this with HR.

If they leave a scheme within the year (and not due to a Life Event), they will be liable for previous Tax and NI savings.

For schemes where an exit is permitted, at least one month's notice must be given by updating the My Pay & Benefits system. It is the employee's responsibility to contact the benefit provider directly to give them the required notice period for terminating membership or stopping a nursery place. The relevant notice period may vary from provider to provider.

4.7. Specific Scheme Guidance:

Pension Plus - There is an annual window where an employee can opt in and out of the Pension Plus scheme. The anniversary year runs from April to March. Due to HMRC guidelines for this scheme, an employee will only be able to opt in and opt out twice in any one anniversary year.

Childcare Vouchers - Employees must note that if they hold any unused childcare vouchers there will be no entitlement to any refund as they will have already benefitted from the tax efficient fund and the University cannot retrospectively apply a different set of criteria involved in a refund and would be contrary to the rules agreed with HMRC.

Nursery - Employees must note that due to payment for the nursery being taken one month in advance, if they leave the scheme, they will have to retroactively repay the National Insurance and tax savings they gained in this time period. When notification is received from the employee through My Pay & Benefits, Payroll will make the relevant adjustments in the employees' pay.

4.8. Leaving Employment

Leaving employment will mean that the workplace nursery place can no longer be guaranteed. The employee should notify the nursery of their change in employment.

As well as providing appropriate notice to the benefit provider, leavers should be aware that this will cause their membership of the Salary Sacrifice scheme to end, and they may be required to pay

their fees directly to the benefit provider.

4.9. Fixed Term Contracts

An employee on a temporary contract is eligible to join a Salary Sacrifice scheme so long as the fixed term contract outlasts the duration of the fixed agreement. In the event that employment is not extended and the employee leaves employment, this would be considered as a valid lifestyle change, and therefore the employee would still keep the tax and NI savings they had made. However, the employee should be aware of any commitments they are making to the benefit provider.

4.10. Rejoining a Salary Sacrifice Scheme

Subject to the rules of the scheme, an employee can re-join a salary sacrifice scheme. The exception to this is Pension Plus, as outlined in section 4.7.

Re-joining the scheme will always be subject to eligibility, the terms and conditions of the scheme, the employee's acceptance of a change to their contract of employment and the scheme continuing in existence.

4.11. Impact on State Benefits

An employee should seek further advice from HMRC prior to commencing a Salary Sacrifice, if they are in receipt of any state benefits, such as Statutory Maternity Pay (SMP), Statutory Sick Pay (SSP) or the childcare element of Working Tax Credits. An HMRC guide to Salary Sacrifice is available from: <https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-pay>

By reducing their basic salary an employee may lose or reduce their entitlement to certain statutory payments paid or funded by the Government. This is because their entitlement to the statutory benefits (and level of, payments in the case of some benefits) is based on the basic salary after the Salary Sacrifice reduction.

Such statutory benefits include, but are not limited to, statutory maternity, paternity and adoption pay, employment and support allowance, job seekers allowance, state pension, maternity allowance, state second pension, statutory sick pay, universal credit, and reduced rate NI Contributions.

Any statutory payments (e.g. maternity, adoption, etc) will be based on the post sacrificed salary. Any occupational payments (e.g. maternity, sickness) will be based on the pre-sacrificed salary.

4.11.1 Impact on other Benefits

If an employee is currently making standard employee pension and AVC contributions, there will be no change to the amount they pay because the pension contribution deduction(s) will continue to be based on the pre-sacrificed salary. If an employee has any queries in relation to their pension scheme membership, they should contact the Pensions Department.

In the case of pay awards the percentage increase will be on the full value of the employee's gross salary i.e. before it is reduced by the cost of Salary Sacrifice membership. Increments will be treated likewise.

Any additional hours worked as overtime or enhancements will be paid at the pre-sacrifice rate.

If an employee is applying for a mortgage, a loan or a similar financial transaction, they should quote their full pre-sacrificed salary as their earnings from the University.

4.12. Family Leave

Employees who qualify for maternity leave and pay may have their salary sacrifice arrangements protected by the University if their pay during the leave reduces to a level that is insufficient to cover their salary sacrifice obligations. This benefit is non-contractual and is subject to case law in the UK and European Courts. Should the decisions of the Courts remove any obligation on the employer to underwrite salary sacrifice payments the University will apply the law prevailing at the time.

4.13. Further Information and Advice

Employees are advised to seek independent advice if they have specific queries regarding their personal circumstances. This can be obtained from a variety of sources, such as their Trade Union, the Citizens' Advice Bureau, an independent financial adviser, an accountant, or a solicitor. The University's Employee Assistance Programme may be able to provide advice for onward support. The University cannot give independent advice.

5 Governance Requirements

5.1 Implementation: Communication Plan

The procedure is available on SurreyNet (HR Procedures Page) for all staff to access.

5.2 Implementation: Training Plan

Support will be provided to colleagues implementing the procedure when required.

5.3 Review

This procedure will be reviewed every 3 years or sooner if required by a change in legislation or practice.

5.4 Legislative Context and Higher Education Sector Guidance or Requirements

- National Minimum Wage
- HMRC Salary Sacrifice Rules

5.5 Sustainability

- 5.5.1** Car and cycle-to-work schemes support the Sustainable Development Goals (SDGs) by promoting sustainable transport (SDG 11: Sustainable Cities and Communities), reducing carbon emissions (SDG 13: Climate Action), and encouraging employee well-being (SDG 3: Good Health and Well-being).

6 Stakeholder Engagement and Equality Impact Assessment

- 6.1** An Equality Impact Assessment was completed on 30 May 2025 and is held by the Authorised Co-ordinator.

- 6.2** Stakeholder Consultation was completed, as follows:

Stakeholder	Nature of Engagement	Request EB Approval (Y/N)	Date	Name of Contact
Governance	Review of V1.0	N	18/06/2025	Kelley Padley, Governance Officer
H&S	Review of V1.0	N	04/06/2025	Matt Purcell, Director of Health and Safety
Sustainability	Review of V1.0	N	15/07/2025	Martin Wiles
Academic Freedom of Speech	Review of V1.0	N	20/06/2025	Abigail Bradbeer