



## **Annual Leave Purchase Scheme Policy**

### **1. Introduction**

- 1.1. The University is committed to protecting the health and well-being of its staff, and supporting them to achieve a healthy work-life balance.
- 1.2. It is recognised that there may be times when some members of staff may wish to take more than the standard contractual entitlement of annual leave. This Policy provides the opportunity for staff to apply to purchase additional annual leave through salary sacrifice (defined in 3.3. below), subject to certain conditions. This does not affect existing unpaid leave provisions.

### **2. Scope**

- 2.1. The Policy applies to all staff meeting the earnings criteria set out in paragraph 5.2, excluding those:
  - 2.1.1. engaged on fixed term/temporary contracts which are due to end before the end of the leave year to which the additional leave applies;
  - 2.1.2. engaged on 'casual' or 'variable hours' contracts;
  - 2.1.3. engaged via agencies;
  - 2.1.4. employed by University subsidiary companies.

### **3. Principles**

- 3.1. The annual leave year runs from 1 October to 30 September each year.
- 3.2. Members of staff who satisfy the eligibility criteria can apply to buy additional annual leave of up to ten days (pro rata for part-time staff, based on FTE, and calculated in hours).
- 3.3. The purchase of additional annual leave is via a salary sacrifice arrangement. Salary sacrifice is an agreement between the University and the member of staff to vary their terms and conditions of employment to reduce their entitlement to cash pay in return for a non-cash benefit. The non-cash benefit in this case is additional annual leave. The salary sacrifice arrangement is financially beneficial, as the non-cash benefit is exempt from tax and national insurance contributions.
- 3.4. Requests to purchase additional annual leave can be submitted during two windows in the year;
  - 3.4.1. Window 1: 01 July to 31 August – the window for applications will open on 1<sup>st</sup> July, and all completed applications must be received by HR by the close of business on 31<sup>st</sup> August in time for the commencement of the leave year beginning 1<sup>st</sup> October

- 3.4.2. Window 2: 01 January to 28 February – the window for applications will open on 1<sup>st</sup> January, and all completed applications must be received by HR by the close of business on 28<sup>th</sup> February, in time for commencement in April.
- 3.5. The maximum number of days/hours of additional annual leave purchased for applications in window 2 will normally be 5 days (i.e. the pro-rata amount of the full year equivalent of 10 days).
- 3.6. The purchase of additional annual leave must be used in full within that current leave year (or the forthcoming leave year, if requesting additional leave in advance for the start of the new leave year). Staff will be required to book the additionally purchased leave, in the same way as they book all other leave, the approval of additionally purchased leave will be subject to the same managerial considerations as 'normal' leave arrangements.
- 3.7. Deductions will be made from salary based on the number of months remaining in the leave year i.e. Window 1 twelve equal monthly deductions, commencing in October. Window 2, six equal monthly deductions, commencing in April.
- 3.8. The application and authorisation of requests are treated individually, (i.e. previous access to additional leave will not form a precedent, subsequent requests in following leave years will be treated on a case by case basis), and will only be valid for the current leave year. A fresh application will need to be submitted for any subsequent leave years.
- 3.9. The University reserves the right to refuse a member of staff's application to purchase additional annual leave for operational reasons related to their job and/or service needs.
- 3.10. Additional annual leave that is bought will be added to the member of staff's annual leave entitlement for the year and may be taken at any time during the annual leave year, subject to the usual approval arrangements.
- 3.11. Any additional leave purchased cannot be carried over into the next leave year unless there are exceptional circumstances that prevent the leave being taken in the current leave year. It is assumed, therefore, that additional leave purchased is used before normal contractual annual leave entitlement. There will be no reimbursement for unused purchased additional annual leave. Carry over rules for normal contractual annual leave remain unchanged.
- 3.12. Once the variation to contract has been issued, and the deduction of payments has commenced, it becomes a binding agreement between the member of staff and the University. The member of staff cannot normally reverse their decision unless there are exceptional circumstances. The circumstances referred to are significant life changes, which might include (but are not limited to) marriage, divorce, severe illness of either the member of staff or their partner, bereavement, having to reduce hours of work or pay, or the potential job loss of either the member of staff or their partner. Such cases should be discussed with HR.
- 3.13. Where a member of staff leaves the University part way through the leave year, their annual leave allowance will be recalculated on a pro rata basis up to their last day of employment, plus any additional leave purchased. Any debit in the amount of leave taken, or balance of

monies to be repaid in respect of days bought, will be recovered automatically from the member of staff's final pay. Any outstanding leave of any type should normally be taken in the notice period.

#### **4. Procedure**

- 4.1. A member of staff who wishes to purchase additional annual leave should obtain approval in principle from their Head of Department/Manager before making an application.
- 4.2. The Head of Department/Manager will usually confirm to the member of staff their decision within ten working days of the request being received.
- 4.3. Each request will be considered in terms of the feasibility of allowing the member of staff to buy the additional annual leave for the time requested alongside operational needs. Other requests received by the line manager from members of the same team will also be considered as to the likely impact on service delivery.
- 4.4. Where a request is refused (in full or in part), the Head of Department/Manager will notify the member of staff verbally, giving the reason(s) for refusal. There is no right of appeal against a decision to refuse the member of staff's application.
- 4.5. Once the manager has considered all requests from their reports for additional annual leave, verbal approval will be given as appropriate and the manager must submit a signed copy of the form to HR. HR will undertake the necessary checks to ensure that the application does not pose any issues in terms of the remaining contract length or in terms of the resultant net salary falling below any statutory minimums.
- 4.6. By making an application for additional annual leave, a member of staff gives consent to the salary adjustments being made to pay for the additional leave purchase, where the application is subsequently approved by the relevant Head of Department/Manager.
- 4.7. Any submissions after the stated deadline will not be accepted or progressed.
- 4.8. On receipt of the signed approval form, HR will record it and forward instructions to payroll, who will process the relevant salary deductions.
- 4.9. The cost of any approved additional leave will be deducted from the member of staff's gross salary on a monthly basis over the course of the leave year or, if part way through the leave year, over the remaining months in the leave year.

#### **5. Adjustments to Pay**

- 5.1. Additional annual leave will be purchased by the member of staff through a salary sacrifice arrangement.
- 5.2. Where the result of the requested arrangement would mean that an employee's hourly rate drops below the statutory thresholds on Lower Earnings Limit, the University will refuse the request, but may be able to offer an alternative arrangement.

- 5.3. The calculation to determine the monthly reduction in pay will be:

$$\frac{\text{hours requested} \times \text{hourly rate (based on normal pay which includes allowances which are paid on a contractual basis)}}{\text{Number of months remaining in the leave year}}$$

For this reason managers must calculate the additional annual leave requested in hours, when completing the application form.

- 5.4. As additional annual leave is not a taxable benefit, there is no income tax or national insurance payable on the value of the days bought. Therefore, the net cost is reduced by up to 33.25% for a basic rate tax payer and up to 43.25% for a higher rate tax payer, e.g. if the gross deduction figure is £50, the net cost to an employee paying basic rate tax would be approximately £33.38.
- 5.5. Members of staff should be aware that salary sacrifice schemes may have an impact on Child Tax Credits (CTC) or Working Tax Credits (WTC), which are based on income from the previous tax year ending on 5 April. Members of staff purchasing additional annual leave and making a new claim for CTC or WTC should use their revised salary figure when making an application.
- 5.6. Statutory benefits such as Sick Pay and Maternity, Paternity and Adoption Pay may be affected by the salary sacrifice arrangement, due to the impact this has on total gross pay.
- 5.7. Members of staff earning less than the lower earnings limit for National Insurance Contributions, who are in receipt of other benefits, should contact the relevant Benefit Office for advice on whether benefits would be affected by purchasing additional annual leave.
- 5.8. Pension contributions will be made on normal pay rates and not on the reduced salary levels, with the exception of the NHS pension scheme where pension deductions will be based on the salary after deductions for ALPS.

## **6. Changes to Salary**

- 6.1. If the member of staff changes their hours part way through a year, and this results in an increase or decrease in salary, the deductions will still be made as previously agreed. The annual leave will be recalculated, including the additional purchased leave.
- 6.2. If the member of staff enters a nil pay situation and the leave has already been taken, deductions will recommence once they have sufficient salary to cover the deductions.
- 6.3. The holiday calculation is based on your pay at the time the first deduction is made. The deductions will continue to be made at this rate until the end of the leave year to which the additional leave relates.
- 6.4. Where an employee's salary used for the calculation of the deductions changes mid leave year (i.e. a change to basic pay, or a change to a contractual allowance) no changes will be

made to the amounts deducted from salary, even where there is still outstanding leave to take.

- 6.5. The completed application constitutes agreement to participate in the University's Annual Leave Purchase Scheme (ALPS) and authorises the University to make commensurate adjustments to salary.
- 6.6. Staff who are subject to visa requirements and their managers, must consider the impact of any drop in pay, due to the purchase of annual leave, on these visa requirements.

## **7. Roles and Responsibilities**

### **Head of Department/Manager**

- 7.1. To consider the resource implications of granting requests to purchase additional annual leave (including any potential negative impacts on other team members) and ensure there is adequate service cover. It is important that no additional costs are incurred in order to provide cover (eg agency or overtime payments).
- 7.2. To ensure that the Policy is applied fairly for all eligible members of staff.
- 7.3. To inform the member of staff verbally of reasons for refusal of any applications to purchase additional annual leave. Heads of Department/Managers should monitor all additional annual leave purchased, and ensure that this is not carried over into future leave years.
- 7.4. To ensure that they discuss their requirements for additional annual leave with their Head of Department/Manager during the application window to ensure the impact on the work area is assessed prior to a decision being made.
- 7.5. To check with their Head of Department/Manager that, where they wish to purchase annual leave for specific dates, those dates are available, as purchasing does not guarantee that the time off will be approved.
- 7.6. Should an employee leave the University mid way through the leave year after purchasing additional annual leave, the reporting manager must inform HR of the outstanding balance of annual leave to allow HR to make the correct final salary deductions.

### **Human Resources**

- 7.7. To ensure that members of staff submitting applications are eligible to take part in the scheme.
- 7.8. To check the information supplied by the member of staff on the application for purchasing additional annual leave.
- 7.9. To monitor uptake of the Scheme.