



Introduction

The University of Nottingham (UoN) offers employees 26 or 30 days* paid holiday entitlement each year, dependent on their contractual provisions. It is recognised, however, that some employees may wish to take longer periods of holidays and for this reason, the University has introduced a voluntary Annual Leave Purchase Scheme. The 'Scheme' enables employees to "buy" additional annual leave via a salary sacrifice scheme, subject to certain conditions and eligibility criteria. Annual leave purchase schemes have wellbeing benefits as they provide staff more flexibility to take time off for reasons not normally covered by other paid time off to give a better work-life balance.

**Dependant on job family and level -*

<https://www.nottingham.ac.uk/hr/guidesandsupport/absenceandannualleave/annualleave/annualleaveentitlementbyjobfamilystaffgroup.aspx>

Scheme Eligibility and Criteria

- Any annual leave purchased through the scheme needs to be booked in line with the normal holiday booking process/local leave policies. Please discuss any plans for taking the purchased annual leave with your manager prior to enrolling.
- All employees on permanent or fixed-term year-round contracts are eligible to enrol on the scheme regardless of length of service.
- Employees on fractional, term-time only contracts are excluded from this scheme because the nature of their role requires them to be present during term-time and, therefore, it would not be possible to agree to them taking leave. Some employees have fractional, term-time only contracts to work a fewer number of weeks during the year and, therefore, already have access to periods of longer time off.
- To recognise different working patterns, the annual leave purchase will be worked out in hours.
- The maximum amount of additional annual leave that any employee may "buy" in any one-holiday year is one week (for most full-time staff this is equivalent to 36.25 hours).
- Part-time staff are eligible to apply, however, the maximum amount of leave that can be purchased will be pro-rated to allow for a purchase of the equivalent weekly hours.
- The UoN reserves the right to refuse an employee's application to buy annual leave in exceptional circumstances when an application would cause significant business or operational detriment. Prior to declining an application, managers should speak to their HR Business Partner about any exceptional circumstances.
- Fixed-term contract staff are eligible if they have at least six months remaining on their contract at the time of purchasing the leave. Where a contract is due to finish prior to the end of the holiday year, payments will be spread over the remaining months in the annual leave year that the purchase applies ie if a contract runs until June then payments will be spread over nine months (October–June). This applies even if the contract is subsequently extended.

- Any purchased annual leave must be used within the holiday year that it is purchased within (ie within the leave year the salary sacrifice payments are deducted). If, having bought additional holiday, the employee fails to take it before the end of the relevant holiday year, the leave will be lost altogether. In these circumstances, no compensatory payment will be made. Carry-over of leave will be considered in line with the existing annual leave policy, ie a maximum of five days (pro-rata) in exceptional circumstances, only with agreement of the Head of School/Department or designated person.
- Enrolment to the scheme will normally open in August regardless of the staff member's leave year. Deductions will start in the first pay run of the relevant leave year ie October if you have an October-September leave year, or January if you have a January-December leave year.
- The scheme is run via a salary sacrifice arrangement whereby the employee agrees to reduce their salary in return for additional benefits, in this case extra annual leave. This constitutes a change to an employee's terms and conditions of employment - please see the Terms and Conditions of Employment section below for more details.
- When the agreement is signed by the employee, you agree to amend your contract of employment for a fixed period of time and the amounts will be in place for the term of the agreement. If your salary changes after the first deduction, for any reason, the salary sacrifice will continue at the original rate agreed.

Examples	
1)	A staff member purchases 36.25 hours at £530 annual at Level 3, they are promoted or re-graded to Level 4 and receive a pay increase, they continue to pay £530 as this was the amount agreed when they entered the scheme.
2)	A staff member purchases 20 hours at £200 and was Level 2 when they signed the agreement. They are re-graded to Level 1 and pay is reduced, they continue to pay £200, as this was the amount agreed when they entered the scheme. However, please see the lifestyle changes section for details of when the agreement could be ended due to an eligible lifestyle event.
3)	A staff member works 35 hours per week in October and purchases 35 hours at £400. In February, they reduce their hours to 25 hours per week. The deduction will continue at £400 and they will still have purchased 35 hours annual leave.

- The UoN will decline the application if the salary deduction takes the employee under the National Minimum Wage (NMW) rate. The UoN will monitor the NMW on a monthly basis and if your salary drops below the NMW at any point, the Payroll Team will contact you and ask you to reselect your optional deductions, which could include annual leave purchase, pensions, season ticket loans etc to ensure your salary remains above the NMW rate.

Impact on Terms and Conditions

The Scheme is run via a salary sacrifice arrangement whereby the employee agrees to reduce their salary in return for additional benefits, in this case extra annual leave. This constitutes a change to an employee's terms and conditions of employment. When the application is approved, the employee will be notified in writing of the change to their terms and conditions of employment and the appropriate change to their pay.

Note: Additional earnings such as overtime and benefits, including pensions, are calculated on pre-salary sacrifice salary, therefore, are not impacted by salary sacrifice arrangements. We will use your salary as of the first day of the leave year to calculate any deductions.

Please see the Frequently Asked Questions on the HR web site at:

<https://www.nottingham.ac.uk/hr/guidesandsupport/absenceandannualleave/annualleave/index.aspx> for more information on how salary sacrifice could impact any state benefits such as maternity pay.

Life Events

The UoN recognises that staff may need to change a salary sacrifice arrangement where a lifestyle change significantly alters an employee's financial circumstances. This may include:

- Marriage/civil partnerships
- Divorce
- Redundancy
- Promotion/re-grading

If a lifestyle event does occur, staff can opt out of the scheme by notifying the Payroll and Pensions team (Payroll@nottingham.ac.uk) with their payroll number, details of the life event and when they wish to stop their deduction. This will stop the deductions from their pay and the annual leave would be amended to reflect the amount of annual leave purchased prior to opting out.

Example

You purchase 20 hours holiday starting in October, but are re-graded in February and opt out of the scheme in March. Your final deduction would be from your March pay and you would have made six payments, which is equivalent to half the purchase, therefore, you would have purchased 10 hours holiday.

To be eligible for this, staff must have the holiday entitlement still available to take so that it can be amended to reflect the new purchase amount.

- **New starters** can enrol in the scheme at the next available enrolment window (usually August).
- **Leavers** – upon leaving, the final balance for the annual leave purchase scheme will be deducted from a staff member's final pay, and any holiday entitlement will be calculated including the amount of annual leave that was purchased. Payroll will make any necessary adjustments within the final salary where staff have overtaken or undertaken annual leave entitlement.
- **Maternity, adoption and shared parental leave*** – the UoN will suspend the payments and re-start them on return to work while an employee is on maternity, adoption or shared parental leave. NB: These types of leave are a valid lifestyle event meaning staff can opt out of the scheme if needed.

Examples

- 1) You purchase 10 hours holiday and go on maternity leave in August. You will not be deducted in August and September pay, therefore, when you return to work the payments will re-start for 2 months.
- 2) You purchase 20 hours holiday, but go on maternity leave in March and opt out of the scheme in March. Your final deduction would be from your March pay and you would have made six payments, which is equivalent to half the purchase, therefore, you would have purchased 10 hours holiday. NB: To be eligible for this option, you must not have already taken all of your annual leave.

- **Paternity leave*** - the Scheme and deductions will continue throughout paternity leave. If pay does not cover the deduction, then it will be carried over and be deducted when the staff member returns.
- **Ordinary parental leave (unpaid)*** - the Scheme and deductions will continue throughout ordinary parental leave. If pay does not cover the deduction, then it will be carried over and be deducted when the staff member returns.
- **Sickness*** – Annual Leave Purchase Scheme deductions will continue for staff in receipt of occupational sick pay allowances**. If paid Statutory Sick Pay only, then any deductions will be suspended and will continue when normal salary pay re-starts, for example, if you miss two payments then when you return the payment window will be extended by two months.

NB: Where staff are unable to take leave purchased through the Annual Leave Purchase Scheme within the leave year because of long-term absence due to ill health, then they can carry it over into the next leave year.

- **Unpaid absences*** – the Scheme works through payroll deductions, if pay is reduced to zero for any length of time it will affect the UoN ability to make these deductions. Therefore, if pay does not cover the deduction, then the deduction will be carried over and deducted upon return to work.

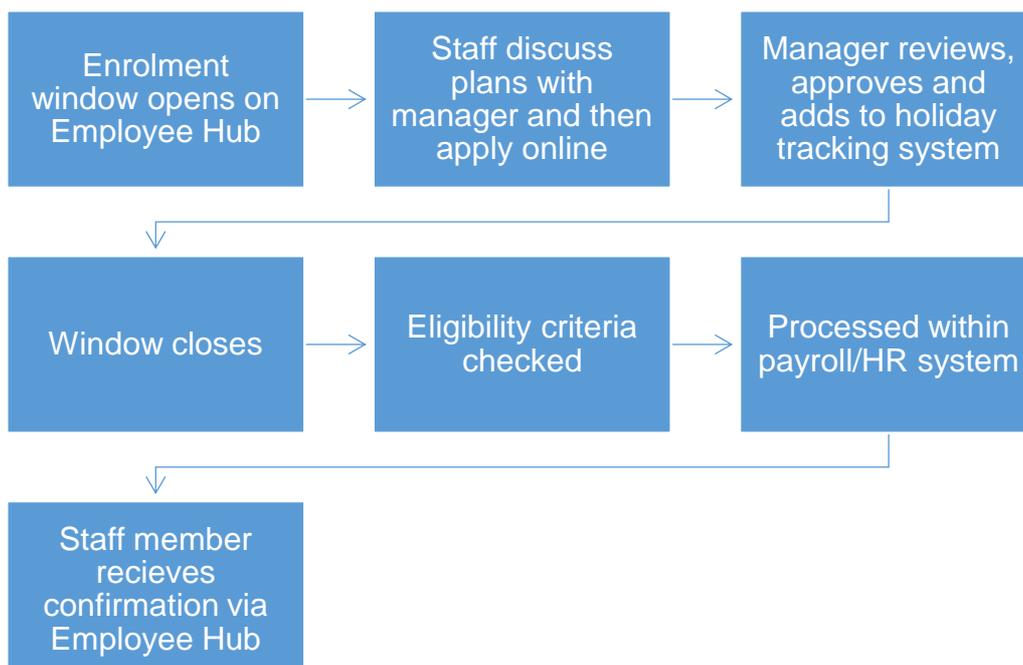
* If payments are carried over into a new holiday year, you will not be able to reapply until the balance is paid off in full

** See the sickness absence scale of allowances for more details

(<https://www.nottingham.ac.uk/hr/guidesandsupport/absenceandannualleave/sicknessabsence/scaleofallowances.aspx>)

Application and Approval Process

The UoN will hold an application window in August/September. An employee who wishes to buy annual leave must apply during the window, see process map below for more details.



NB: Where staff have a holiday leave year starting in January, then they are able to apply in August. Applications will be taken using the process above in August/September and deductions will start in January.

Any applications received outside of the application windows will not be processed. The exact dates of the application window for buying annual leave entitlement will be communicated each year via relevant staff communications such as Campus News.

Employees will need to make a new application each year. There will be no assumption that they wish to continue with buying annual leave for the future.

Impact on Pay

Where an employee opts to buy annual leave, this will result in a reduction to their monthly salary either for the whole holiday year or in line with their contract of employment if shorter. The new monthly salary will be calculated and notified to the employee as soon as possible after the employee's application to buy annual leave has been received and approved. The salary used to calculate the deduction will be the salary as of the 31 August.

Example	
Annual salary of £20,000 and works 15 hours per week	
Divide the employee's annual salary by 52 and then by the number of hours worked per week - this works out the hourly rate	$\text{£}20,000 / 52 / 15 = \text{£}25.64$
Multiplying this figure by the number of hours the employee wishes to buy - this works out the total cost	$\text{£}25.64 \times 15 = \text{£}384.60$
Divide this figure by the remaining number of months in the holiday year - this works out the monthly deductions	$\text{£}384.60 / 12 = \text{£}32.05$
Subtract this figure from the monthly salary - this works out the new monthly pay figure (pre-tax and NI)	$\text{£}1,666.67 - \text{£}32.05 = \text{£}1,634.62$
As the deduction is made from the pre-tax and NI salary, you will also save tax and NI on the deductions	

Further Information

The Scheme process and this guidance will be reviewed after two years once the Scheme has been embedded.

- Frequently Asked Questions (FAQs) for staff and managers are available on the HR web site at:
<https://www.nottingham.ac.uk/hr/guidesandsupport/absenceandannualleave/annualleave/index.aspx>
- For information on how to apply through the Employee Hub, please contact the Annual Leave Purchase hotline at Sodexo, tel: 01908 303 498
- For policy related questions please contact the HR Department, tel: 0115 748 4800 or email: hr@nottingham.ac.uk
- For payroll related queries, please contact the Payroll Team via email at: Payroll@nottingham.ac.uk