

Additional Leave Purchase Procedure

Document Date: January 2022
Purpose: To set out the procedure that permanent staff must follow if they wish to purchase additional annual leave through salary sacrifice.
Audience: Permanent staff

1. Introduction

- 1.1 This procedure acts as a guide for all staff to follow if you wish to purchase additional annual leave through salary sacrifice.
- 1.2 It forms part of our Benefits Policy and is aimed to enhance the flexible working ethos which is fundamental to the principles of the great people and culture of RHSU.
- 1.3 It is available to all employees except those on fixed term contracts with less than 12 months remaining in the leave year or those staff on zero or variable hours' contracts.

2. How many days can I buy?

- 2.1 You can purchase between one and ten days additional leave per annual leave year (August to July). This can be converted to hours for those staff with non-standard working hours.
- 2.2 This amount is pro-rated for part-time staff, based on Full Time Equivalent hours (FTE).
- 2.3 The limitations on taking leave, as specified in the Leave Policy, still apply – i.e. you may only take a maximum of 15 days at any one time, subject to operational requirements.

3. When do I apply?

- 3.1 You can apply only once per year and this must be done in advance of the new annual leave year commencing.
- 3.2 Applications will open between 1 July and 31 July each year.

4. How do I apply?

- 4.1 You should apply by email to the HR team stating:
 - i. How many days you wish to purchase
 - ii. A summary of the reason for the additional purchase
 - iii. An indication of when you might use the additional leave purchased
- 4.2 A member of the HR team will arrange to meet with your line manager to discuss the application and whether there are any operational reasons why your application may be declined.

- 4.3 Once your line manager has had input into the application, it will finally be reviewed by the senior management team along with all other applications to enable a holistic view across the organisation to be taken.
- 4.4 A member of the HR team will send you a response by email. If your application is accepted, HR will write to you with a variation to your terms and conditions of employment.

5. Can my application be declined?

- 5.1 Line managers may decline your application where there are operational reasons related to your role and/or service needs.
- 5.2 If your application is declined the reasons will be clearly explained to you.
- 5.3 There will be no entitlement to appeal any decision to decline an application.

6. How do I pay for the additional leave I purchase?

- 6.1 The purchase of annual leave is via salary sacrifice. Salary sacrifice is an agreement between you and RHSU to vary the terms and conditions of your employment, which will reduce your entitlement to cash pay in return for a non cash benefit (in this case additional leave).
- 6.2 The benefit of buying additional leave under salary sacrifice is that you will save tax and national insurance contributions on the salary you sacrifice, as additional holiday is not subject to tax and NI deductions.
- 6.3 The total cost of annual leave purchased will be divided by the number of months in the leave year, or the number of months in your contract (whichever is fewer) and deducted from your monthly salary in equal instalments.

7. How can I calculate the cost of the additional leave purchased?

- 7.1 The cost of additional annual leave will be based on your total salary and on how much tax you pay.
- 7.2 As a guide, the calculation is based on the following formula:
- i. Basic annual salary / 52 = basic weekly pay
 - ii. Basic weekly pay / working days in a week = basic daily pay
 - iii. Daily pay x number of additional leave days requested = total amount to be deducted from salary
 - iv. Total amount to be deducted from salary / number of months in the year (or contract) = gross monthly deduction from salary
- 7.3 Additional leave is not a taxable benefit, therefore there is no tax or national insurance payable on the value of the days bought. Therefore the net cost is reduced for basic and higher rate tax payers (approximately between 30 – 40% reduction).

7.4 Where your leave entitlement is calculated in hours, additional leave will be purchased in hours rather than days. In these circumstances your hourly rate of pay is used and multiplied by the number of hours you wish to purchase.

7.5 The calculation is made based on your annual salary at the time. If you subsequently reduce your hours or receive a pay increase, the annual leave will be recalculated and deducted from your salary accordingly.

8. What happens if I go on Adoption leave, Maternity leave, Partners' leave or Sick leave?

8.1 If you enter a period of unpaid leave you will be allowed to suspend salary sacrifice payments until you return to work.

8.2 If you decide not to return to work, any outstanding payment for additional leave purchased (and taken) will be deducted from your final salary payment. Alternatively, you can opt to pay off the remaining months in full before you take unpaid leave.

8.3 You should be aware that Statutory Maternity Pay, Statutory Adoption Pay and Statutory Sick Pay will be calculated on your reduced gross salary, which may result in a lower value of these benefits.

9. What happens if I purchase additional leave and I leave RHSU part way through the year?

9.1 You will be expected to use any additional leave purchased before you leave RHSU as reimbursement for untaken additional leave will not normally be made.

9.2 All remaining deductions for additional leave purchased will be taken from your final pay.

10. Can I carry forward untaken additional leave into the next annual leave year?

10.1 You will not be allowed to carry forward any untaken additional leave into the next annual leave year unless there are exceptional circumstances which have prevented you from taking additional leave.

10.2 Existing carry forward rules, as set out in the Leave Policy, will apply for contractual annual leave.