

BARNSELEY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

REPORT OF THE EXECUTIVE DIRECTOR - CORE SERVICES TO CABINET ON 20 MARCH 2019

PROVISION OF EMPLOYEE BENEFITS

1. PURPOSE OF REPORT

- 1.1 To update Cabinet on the provision of Employee Benefits to our workforce.
- 1.2 To seek approval to continue to utilise a range of employee benefit schemes including employee discounts, cycle to work scheme, childcare voucher scheme, and technology scheme.
- 1.3 To seek approval to enhance the employee benefits offer with the introduction of a salary sacrifice lease car scheme.
- 1.4 For Cabinet to acknowledge that there will be an impact on employee's Pensionable pay, should the salary sacrifice lease car scheme be given approval.
- 1.5 For Cabinet to acknowledge a further decision will be required on the rates of pay to be applied to fund employee's car mileage, should the salary sacrifice lease car scheme be given approval.

2. RECOMMENDATIONS

- 2.1 **To continue to utilise a range of employee benefit schemes through our Just4YOU employee benefits offer including employee discounts, cycle to work scheme, childcare voucher scheme, and technology scheme procured under the ESPO Framework.**
- 2.2 **To seek approval to enhance our Just4YOU employee benefits offer with the introduction of a salary sacrifice lease car scheme as outlined at paragraph 4.6.**
- 2.3 **To acknowledge that there will be an impact on employee's pensionable pay as outlined at paragraphs 8.2.1/ 2 should a salary sacrifice lease car scheme be given approval as proposed at section 4.6.**
- 2.4 **To acknowledge that a further decision will be required on whether to fund lease car mileage at a rate of 0.45p in line with the current HMRC Approved Mileage Allowance Payments rate (AMAP) as outlined at 8.2.3 acknowledging the taxable benefit to the employee.**

3. INTRODUCTION

- 3.1 In order to deliver high quality services the council needs to be able to recruit and retain the best staff.
- 3.2 Research continues to show that employees seek more from their work than basic salary alone and the council must ensure that its offer to employees continues to be beneficial.
- 3.3 To position the council as an 'employer of choice' and to improve our organizational appeal we have a wide range of employee benefits available to employees that is brought together through our internally developed Just4YOU employee benefits offer.
- 3.4 Just4YOU has a range of benefits that employees can take advantage of including:
- **Local Government Pension Scheme** – access to one of the largest public sector pension schemes in the UK
 - **Leave** – A generous annual leave entitlement with additional forms of leave that employees can access such as special leave.
 - **Flexible Working Arrangements** – Employees can take advantage of a vast range of flexible working options to manage work life balance including flexible working, job share, compressed hours, annualised hours, agile working and term time working.
 - **Maternity and Adoption Leave/Pay** – Up to 52 weeks leave, with pay for a specified period depending on length of service and personal choice.
 - **Shared Parental Leave** – Which entitles the mother/adopter to switch part of their maternity/adoption leave and pay over to their partner so they can share the caring responsibilities.
 - **Training and Development** – The Council is committed to the training and development of its employees so that they have the necessary skills, knowledge and behaviours to do their job effectively. Where possible, the Council will also support training opportunities so that its employees have the chance to develop their chosen career.
 - **Free Eye Tests** – Help towards eye care if the job involves using display screen equipment.
 - **Discounted Gym Membership** – Employees have the opportunity to access discounted rates at Barnsley Premier Leisure, DW Fitness First, Bannatyne Health Club, Lifestyle Fitness and Snap Fitness 24-7.
 - **Health Care Cash Plans** – Employees have the opportunity to take advantage of corporate rates for Health Care Cash Plans with Westfield Health Scheme or Health Shield Friendly Society.
 - **Annual Leave Purchase Scheme** – employees have the option to purchase additional annual leave via salary sacrifice.
 - **Car Parking** – salary sacrifice scheme to pay for workplace parking
 - **Employee Discount Scheme** – National and local leisure and retail discounts
 - **Cycle to Work** – salary sacrifice scheme to purchase a cycle and accessories.
 - **Child Care Vouchers** – Available to employees with children who were signed up to the Councils workplace scheme and receiving vouchers via salary sacrifice prior to 4th October 2018. The vouchers can be used to pay for most types of

child care including nurseries, child minders, before and after school clubs and holiday schemes.

- **Technology Scheme** – Providing employees with the ability to purchase the very latest technology and gadgets via salary sacrifice.

- 3.5 The employee discount scheme (Wider Wallet), cycle to work and the childcare voucher scheme were all procured via the Eastern Shires Purchasing Organisation (ESPO) framework agreement in April 2015 (Cab.25.3.2015/8.4). The technology scheme was also procured via the ESPO Framework in 2015 (Cab.9.9.2015/11).
- 3.6 The ESPO framework agreement offers all public sector establishments a simple and cost effective route to selecting and implementing a variety of employee benefits without the need for time consuming tendering processes and all at no charge. The current contracts expire in March 2019.
- 3.7 Employee discount and salary sacrifice schemes are a simple, quick and cost effective way of helping us to achieve our ambition of being an employer of choice in addition to helping us demonstrate that we value our employees.
- 3.8 Having a range of employee benefits to choose from is an additional reward for employees which also enables their finances to stretch a little further.
- 3.9 The Just4YOU employee benefits portfolio supports several of the Councils Town Spirit Themes, particularly around Build it, Love it, Develop it, Protect it and Live it which are detailed within the relevant sections of this report.

4. PROPOSAL AND JUSTIFICATION

4.1 Eastern Shires Purchasing Organisation (ESPO) Framework Agreement

- 4.1.1 It is proposed to continue to utilise the ESPO framework agreement to procure employee benefits. The ESPO framework agreement offers all public sector establishments throughout the UK a simple and effective route to selecting and implementing a variety of employee benefits.
- 4.1.2 The framework is essentially a select list of suppliers, all with a proven track record of delivering employee benefit services from which local authorities may purchase services quickly and simply. The suppliers listed have already been assessed through a tendering process offering value for money as well as quality, experience and technical and professional ability.
- 4.1.3 The framework has been advertised and established in full compliance with procurement legislation. Using the framework allows exemption from further advertising, supplier assessment or adherence to lengthy EU procurement procedures. There is no charge by ESPO for utilising the framework; therefore there are no procurement costs to the Council.
- 4.1.4 ESPO have developed a new Employee Benefits framework which we are informed will include more providers and be a more comprehensive offering. The new framework will commence on 21 February 2019 and will be in place for two years, with an option to extend for a further two years thereafter.

- 4.1.5 Whilst ESPO will not be involved in the day-to-day management of the suppliers and the services they provide, they will however closely monitor the progress and performance of the arrangements throughout the entire duration of the framework.
- 4.1.6 The scope of the ESPO Contract 319 includes a number of 'lots' that employers can choose to implement. These have previously included:
- Cycle to Work Salary Sacrifice Scheme
 - Childcare Vouchers Salary Sacrifice Scheme
 - Mobile and IT Purchasing Salary Sacrifice Scheme
 - Car Leasing Salary Sacrifice Scheme
 - Lifestyle Voluntary Benefits (Retail and Leisure Discounts)
- 4.1.7 It is anticipated that in addition to the council's current scheme providers there will also be new providers included in the ESPO Framework agreement. It is therefore intended for a review of providers to take place for the employee discount scheme, cycle to work scheme and technology scheme to ensure the council continues to offer fit for purpose and cost effective schemes to our employees.
- 4.1.8 The review will be undertaken in collaboration with colleagues in Financial Services who administer the schemes.

4.2 Employee Discount Scheme

- 4.2.1 The council has offered an employee discount scheme which has been provided by Wider Plan since 2013.
- 4.2.2 The scheme offers reductions in everyday shopping from supermarkets and department stores. It also offers discounted leisure and luxuries such as short breaks, days out, gifts, and dining out. The discounts operate through either a percentage reduction in store, cash back offers or vouchers.
- 4.2.3 The current Wider Plan scheme is a fully managed service and is offered via an online web portal where the discounts are regularly updated by the provider.
- 4.2.4 In addition, other negotiated bespoke employee benefits can be added on to the portal such as local business discounts, discounted travel and salary sacrifice schemes. This provides the flexibility to have a bespoke portal at a competitive cost. The ability to build bespoke offers also helps to support the councils Town Spirit, "Develop it" theme. Through being able to work together with local businesses and negotiate offers with them through our Just4YOU portfolio, we are encouraging our employees to spend locally and in return this will help local business's to thrive.
- 4.2.5 Management Information reports are received on a quarterly basis. At the time of writing, the latest report received covered the period 1st July to 30th September 2018 and shows that there were:
- 2975 registered users
 - 1,219 user logins
 - 4,205 offer views
 - 1,069 offer redemptions

4.2.6 The most popular offer redemption for the above period was the Cinema Society, which saved employees up to 40% on cinema tickets.

4.3 Child Care Vouchers

4.3.1 From 4th October 2018 the government closed childcare voucher schemes to new members replacing it with the governments' tax free childcare scheme. Employees who were signed up to a workplace scheme and receiving vouchers via salary sacrifice prior to this date can continue to remain in their existing scheme, subject to them not taking a 12 month break from vouchers.

4.3.2 There are currently 321 members signed up to the scheme of which we have 173 employees actively ordering childcare vouchers and 148 employees currently taking a break from vouchers. Those employees taking a break still have the option to continue in the scheme as long as the break from receiving vouchers is for no more than 12 months.

4.3.3 Since the launch of the scheme in 2013 the council has saved approximately £302,028 in employer NI savings and employee savings are approximately £722,240.

4.3.4 Due to the implications for existing childcare voucher recipients it is proposed to continue to use the Kiddivouchers child care voucher scheme provided by Wider Plan. It is therefore intended to renew the current contract upon its expiry in March 2019

4.3.5 By continuing the provision of the Childcare Voucher Scheme for existing users, this will help to support the councils Town Spirit theme "Achieve it" by offering an ongoing commitment to support schools and early year's settings. Childcare Vouchers are widely accepted within a range of registered childcare settings such as those which support children in preparation for starting school e.g. private nurseries, playgroups and pre-schools or for out of school settings where children can also learn such as after school care, play schemes and holiday clubs.

4.3.6 By retaining the current provider there is no change over arrangements to be made by employees who will simply see a continuation of their current provision.

4.4 Cycle to Work Scheme

4.4.1 The cycle to work salary sacrifice scheme enables employees to save income tax and national insurance contributions made for the loan of a bicycle.

4.4.2 The scheme works by the employer purchasing bicycles and then loaning them to the employee. The employee pays a contribution to the employer for the loan of the bicycle via a salary sacrifice arrangement which over a 12 month period covers the cost of the initial purchase of the bicycle by the Council.

4.4.3 As the arrangement is a salary sacrifice arrangement the employee saves income tax and national insurance contributions on the value of their contribution and the Council saves Class 1 National Insurance contributions on the amount of the salary sacrificed.

- 4.4.4 There are currently 50 employees who have purchased bikes since 2015 and based on a 13.80% NI rate between implementation of this scheme in 2015 up to October 2018 the council have saved £8,216 in employer NI savings and employees have saved £7,144 in employee NI savings.
- 4.4.5 Feedback received from the workforce on the Cycle to Work scheme highlighted that being able to purchase electric bikes through the scheme was very limited due to them being far more expensive than the agreed £1000 scheme limit. Approval was therefore sought from the Senior Management Team on 27/11/18 to increase the limit to £2,500. This was subsequently agreed by SMT and communicated out to the workforce. The increased scheme limit now means a wider selection of bikes are now available which also includes electric bikes.
- 4.4.6 Having a cycle to work scheme in place not only helps to save money it also supports our corporate social responsibility objectives and supports Town Spirit through the following themes;
- Change it - by listening to the workforce and acknowledging what they want, the current scheme limit has been increased to recognise the appetite for commuting using electric bikes
 - Live it - using a regular or electric bike for all or part of the daily commute will help to increase the employee's fitness, health and wellbeing.
 - Protect it –by changing from a car/motorcycle commute to a cycling commute this will help contribute towards protecting our borough and keeping Barnsley green through reducing pollution and congestion on the roads.
 - Develop it – with a wider choice of bikes now available to employees we can help to support several of our local businesses (who are part of the Cyclescheme Partner Retailer Network) and help them to thrive by promoting them and encouraging our employees to spend local.
- 4.4.7 There is no contract cost to the council to retain this benefit.

4.5 Computer and Home Technology

- 4.5.1 A computer and home technology benefit scheme is a benefit-in-kind programme which provides employees with opportunity to acquire information technology and associated equipment
- 4.5.2 Schemes typically offer a wide range of products including desktop and laptop computers tablet devices, smart televisions and mobile phones.
- 4.5.3 The council has operated a computer and home technology benefit scheme since 2015 which has proved very popular amongst the workforce. Since implementation of the scheme it has generated £277,836.57 in employee payroll deductions and £33,340.39 in employee NI savings.
- 4.5.4 The benefits to the council of running a computer and home technology employee benefit are:
- Improved IT skills and literacy within the workforce and their families
 - Provides a beneficial scheme for employees at a difficult economic time
 - Potentially improves employee motivation, loyalty and retention
 - Complements council strategies for digital inclusion and economic regeneration

4.5.5 The benefits for employees are:

- Large savings on brand new technology equipment
- Monthly payments taken directly from salary – affordable and convenient
- No deposit and credit checks required
- National Insurance savings

4.5.6 There are a range of providers within the ESPO framework, some supply the equipment directly, others provide customer relationship management and obtain the equipment from third party suppliers. Most providers offer a similar range of products and operate a similar service from a customer perspective.

4.5.7 The schemes operate by salary sacrifice which means that the council provides the equipment to the employee for an agreed period (usually 12, 24 or 36 months). The employee then sacrifices part of their salary each month over the agreement period to cover the cost of the equipment. The salary deduction is taken from gross salary (i.e. before tax and National Insurance) meaning the employee will save on NI contributions for the period of the agreement.

4.5.8 At the end of the agreement, the employer can offer the option to transfer ownership of the equipment to the employee for a Fair Market Value. For tax purposes, this is classed as a Benefit in Kind, on which income tax must be paid. If the employee chooses to return the equipment to the supplier no tax is owed but the employee does not own the equipment and the supplier may charge a fee for collection and recycling of the equipment. Where an employee chooses not to retain the equipment at the end of the agreement, the supplier will arrange for collection and recycling of the equipment. The vast majority of participating employees choose to retain the equipment, particularly as there is a charge to them to return the equipment. To date no employees have returned equipment.

4.5.9 The salary sacrifice deductions do not include any interest payments and so provide employees with a convenient method of spreading the cost. By comparison, a leading high street retailer would apply 24.9% interest on a payment by instalments basis. Likewise, buying equipment outright on a credit card could incur interest charges. Ultimately, it is for the individual employee to decide their own preferred method of obtaining computer technology equipment.

4.5.10 Schemes are easy to set up, flexible to the employer's requirements and are fully managed and offered via an online web portal. The employer can decide which products to offer, maximum order values, and which employees are eligible to participate. For example, the council could decide to restrict the benefit to employees with a minimum length of service or exclude employees who are placed on notice of redundancy, disciplinary or other sanction. This is different to cycle to work schemes where HMRC regulations dictate that all employees must be allowed to access the scheme.

4.5.11 There is no contract cost to the council to retain this benefit.

4.6 **New Employee Benefit - Lease Car Scheme**

4.6.1 Feedback received from the workforce has identified that there is an appetite for the Council to enhance the Just4YOU employee benefits portfolio. One scheme in particular that keeps emerging is to provide the opportunity for employees to lease a car and pay through salary sacrifice.

4.6.2 Several local authorities offer lease car schemes in their employee benefits portfolio's and the benefits of doing so are highlighted below.

4.6.3 **Benefits for the Council:**

- Staff retention and motivation tool
- Employers pension savings on the salary being sacrificed
- Employer National Insurance savings (where applicable on Ultra Low Emission Vehicles - ULEVs)
- Minimal risk – risk protections available from provider for the employee
- Environmentally friendly low CO2 vehicles are available on the scheme
- Excellent employee benefit to compliment current schemes and at no cost to the Council.
- Helps meet Duty of Care obligations through a fully maintained and insured vehicle
- Proven HMRC and VAT compliant scheme
- No initial upfront or any ongoing costs payable

4.6.4 **Benefits for employees:**

- Simple and budgeted fixed cost motoring
- No deposit
- No credit check
- Salary sacrifice deductions taken direct from gross monthly pay by employer
- Tax savings (where applicable on ULEVs), National Insurance savings and Pension savings
- Brand new fully maintained and insured car
- Considerable savings over private lease/retail deals (estimated savings detailed at 4.6.13)
- A wide range of risk management protections (as detailed at 4.6.8/ 9)
- Fully interactive easy to use online system for quotes and information
- One number for all vehicle needs and dedicated online chat option
- Expert management of vehicle down time
- A number of no additional cost features (as detailed at 4.6.10)

4.6.5 Approval is therefore sought to offer a lease car scheme that allows employees to undertake a private lease on any car of choice with the exclusion of diesel cars.

- 4.6.6 By offering any car of choice with the exclusion of diesels, this would give employees a wider variety of choice with the ability to select a car according to their own taste and budget. This may also appeal to a wider audience and maximize the appeal of the car lease scheme.
- 4.6.7 By excluding diesels from the scheme, this will support the Governments long term strategy to combat air pollution along with supporting the Council's Town Spirit theme "Protect it" by improving the air quality and additionally supporting the Councils sustainable travel initiatives along with South Yorkshires clean air campaign, Care4Air.
- 4.6.8 If approved, it is intended to keep the lease car scheme under review for developments in the market, particularly around electric cars and availability of charging points in the Barnsley and surrounding areas. There is the option that in the future the council could decide to restrict the availability of vehicles on the scheme to electric/ultra-low emission vehicles (with reduced or capped emissions currently set at 75g/KM of CO₂ emissions or below) if it is evident that the market has changed.
- 4.6.9 To remove the risks associated with the car lease scheme for both the employee and employer, a number of risk management protections are available for the employee for protection against the event of terminating the arrangement early in the circumstances of:
- Resignation
 - Redundancy
 - Retirement
 - Dismissal
 - Loss of Licence (Medical Grounds)
 - Death in Service
 - Terminal Illness
 - Disablement or Mental Illness
 - Loss of Sight
 - Loss of a Limb
 - TUPE
 - Maternity, Paternity, Adoption, Shared Parental Leave
 - Long Term Sickness
 - Loss of Licence on Medical Grounds
 - Loss of Licence due to Driving Convictions
 - Reduction in Working Hours
 - Career Breaks
- 4.6.10 In addition to the risk management protections identified at 4.6.8 above and 8.2.7, there is still protection available at no cost to the Council in the event of rare cases such as where a charge needs to be recouped from the employee, but the Council is unable to recover the money from the employee's net pay. The Council would need to be able to demonstrate that all reasonable measures have taken place to recoup any money owed from the employee directly, in order for the lease car scheme's debt management team to deal with.

4.6.11 What's included:

The associated costs for the employee will be for the lease of the car; for fuel and for any risk management protections. The lease car scheme includes all of the following features at no additional cost:

- All servicing, MOT and maintenance (via FleetAssist but the council can also request use of local garages to undertake maintenance where possible to support the local economy)
- Fully comprehensive motor insurance (with Aviva which includes business cover for the employee and domestic partner and even includes young drivers from age 17)
- 'No quibble' replacement tyres (via Kwikfit at 570 centres throughout the UK or via a mobile unit visit.)
- Annual Vehicle Excise Duty (Vehicle Tax)
- Accident Management
- Total Loss Protection
- Glass and Windscreen cover
- Comprehensive breakdown and recovery assistance, including a free of charge hire car for 48 hours.
- Relief vehicle should the car be off the road for more than 48 hours due to mechanical issues
- Annual driver licence checks via Licence Bureau who liaise directly with DVLA
- Dedicated employee and driver support

4.6.12 The cost of the lease hire is deducted via salary sacrifice from the employee's gross monthly pay due to lease cars being classed as a company car and is therefore a benefit in kind liability (BIK) for the employee.

4.6.13 A lease car scheme would be run at no cost to the Council due to the employee covering all the costs associated with the vehicle.

4.6.14 Detailed below are estimated savings* based on a typical gross salary sacrifice deduction of £4172.64 per annum for a 20% and 40% tax payer and employer pension contribution of 14.7%. It is worth noting that the savings for the Council are the same irrespective of the employee's rate of tax. Actual savings for the Council will be dependent upon the structure of the scheme and our objectives.

Estimated Council Savings

Typical employer Pension saving is **£561.12** per annum

Estimated Employee Savings 20% Tax Payer

Typical net saving is **£641.88** per annum

Estimated Employee Savings 40% Tax Payer

Typical net saving is **£144.63** per annum

*Estimated savings provided by a Salary Sacrifice Lease Car Scheme Provider and based on an Audi A1 30 Sport back 1.0TFSI 116 Sport 5dr over 36 months and 12,000 miles per annum.

4.6.15 End of Agreement Options

Six months prior to the end of the agreement the driver is contacted by the provider and made aware of all the options available to them. This then continues at regular intervals until the end of the agreement is due. The options available to employees at the end of the agreement are;

- To return the car – Drivers are however responsible for any unacceptable damage to the vehicle before returning it and are provided with a copy of the British Vehicle Rental and Licensing Association fair wear and tear guide so they can understand what is considered as acceptable and unacceptable. Any unacceptable damage will be invoiced to the driver.
- To purchase the car – Drivers are offered a purchase price 2 months prior to the end of the agreement

4.6.16 Should approval be given to implement a lease car salary sacrifice scheme, it is proposed to procure a provider via the new ESPO Framework agreement.

5. CONSIDERATION OF ALTERNATIVE APPROACHES

5.1 The council could choose not to provide an employee discount scheme, cycle to work scheme and childcare voucher scheme however this would significantly reduce the appeal of our employee benefits offer and therefore impact on our ability to be an employer of choice.

5.2 The council could undertake a tendering exercise to procure an alternative provider utilising existing frameworks currently available. Our research indicates that there are only two frameworks available for employee benefits. These are Crown Commercial Services RM3704 and ESPO 319 – 15. Research shows that the current ESPO framework covers all aspects of the employee benefits identified at paragraphs 4.6 and 5.1 compared with the Crown Commercial Services framework which is rather limited.

5.3 The council could undertake a stand-alone tendering exercise. This isn't recommended as it would duplicate work that has already been undertaken by others as part of the framework agreement and would add time and cost to the procurement exercise. However, should no suitable provider be identified under the ESPO framework this is an option that would be available to utilise.

6 IMPLICATIONS FOR LOCAL PEOPLE/SERVICE USERS

6.1 There are no implications for Local People and Service Users arising from this report.

7. FINANCIAL IMPLICATIONS

Consultations have taken place with representatives of the Service Director – Finance (S151 Officer)

7.1 Existing Schemes

The current 2018/19 framework costs for the councils existing schemes are:

- Childcare Voucher Scheme - £2,760 (current admin charge is 0.85% of the vouchers face value and can be variable based on the employees requirements (Voucher value as at December was £230)
- Cycle to Work Scheme - There is no administration cost to the Council
- Technology Scheme - There is no administration cost to the Council
- Wider Wallet Scheme - £1,856

7.2 Car Lease Scheme

- 7.3 There is no initial upfront or any ongoing costs payable by the Council to the provider for a lease car scheme. Financial Services will arrange for monthly deductions to be taken from the employee's pensionable pay and the provider then issues a monthly invoice to the Council for payment for all vehicles on lease.
- 7.4 Significant officer time will be spent on implementing and administering the new employee benefit package, depending on take up, which will be contained within existing establishments. HR, Payroll, IT, Procurement and Legal will all be involved in the procurement of a provider should the scheme be approved. External tax advice may also be required to ensure the new scheme is compliant with HMRC. Any associated costs would be contained within existing resources
- 7.5 There is no impact on the Authority's Medium Term Financial Strategy arising from the proposals outlined in this report. Existing scheme costs or any costs associated with establishing new schemes will be contained within existing resources.
- 7.6 The lease car scheme has a number of protections in place to ensure the council can recover all costs of handling the car lease via salary sacrifice arrangements on the employee's behalf as detailed at 4.6.9/10.
- 7.7 The example below suggests a gross salary sacrifice deduction of £4,172 per annum from pensionable pay for a 20% and 40% tax payer. As the employees pensionable pay would be reduced, so would the council's employer pension contribution by £561.12 per annum.

Estimated Council Savings

Typical employer Pension saving is **£561.12** per annum

Estimated Employee Savings 20% Tax Payer

Typical net saving is **£641.88** per annum (Tax Cost £130.08 NI saving £500.76 Pension saving £271.20)

Estimated Employee Savings 40% Tax Payer

Typical net saving is **£144.63** per annum (Tax Cost £293.40 NI saving £83.40 Pension saving £354.72)

* Example figures provided by a Salary Sacrifice Lease Car Scheme Provider based on an Audi A1 30 Sport back 1.0TFSI 116 Sport 5dr based on a 3 year lease

- 7.8 It is worth noting that the savings for the Council are the same irrespective of the employee's rate of tax and the employer pension contribution is 14.7%

The actual savings for the employee and Council will be dependent upon the cost, fuel type and size of vehicle chosen.

- 7.9 Although the salary sacrifice lease car scheme savings examples above and as detailed at 4.6.14 represents pension savings for the employer and employee, there are financial implications for Local Government Pension Scheme members arising from this which are detailed at 8.2.1/2.
- 7.10 Should the lease car scheme be given approval, a further decision will also need to be taken on whether employees will continue to claim mileage at a rate of 0.45p in line with the current agreed HMRC Approved Mileage Allowance Payments (AMAP) rates or at a reduced rate of between 0.07p and 0.21p (depending on engine size and fuel type) in line with HMRC Advisory Fuel Rates, which applies to benefit in kind (BIK) /company cars. If the council were to continue to pay AMAP rates, employer national insurance would be payable on the difference between the two rates, which HMRC class as a profit element
- 7.11 The Council could make savings by choosing the lower advisory fuel rates, however if we retain the agreed AMAP rates (as agreed with the trade unions etc.), this results in not only paying the higher rate £0.45 but employer national insurance would also be payable on the BIK resulting in an additional cost to the council.

8. EMPLOYEE IMPLICATIONS

8.1 Cycle to Work/Computer and Home Technology Salary Sacrifice Schemes

- 8.1.1 Employees cannot sacrifice below the National Minimum or Living Wage (age dependent) or below the Lower Earnings Limit. A salary check will be undertaken before any agreement is authorised to ensure that any deductions do not take an employee below the National Minimum Wage.
- 8.1.2 If an employee leaves before the end of the loan period the amount that is owed to the Authority is calculated and arrangements will be made for this to be deducted from the employee's final salary payment.
- 8.1.3 The Local Government Pension Scheme regulations indicate that Cycle to Work/Technology Salary Sacrifice Schemes do not affect the Local Government Pension Scheme contributions paid by the employee.
- 8.1.4 Teachers' Pension Scheme members have the ability to opt for salary sacrifice arrangements under the Teachers Pensions Regulations 2014. However, only those salary sacrifice arrangements included in the School Teachers' Pay and Conditions Document can be included as pensionable earnings.

- 8.1.5 During periods of maternity leave, shared parental leave, adoption leave or sickness absence employees will continue to have use of the equipment. Monthly payments will continue unless the employee enters a period of unpaid leave or SMP/SSP situation. In this situation, the salary reduction payments will be suspended by the number of missed monthly reductions to pay. Upon return to paid employment, the employee's obligation to allow the reduction to monthly gross pay will resume, continuing until all monthly deductions have been made.
- 8.1.6 Employees who are absent from work for any other reason, where normal salary continues to be paid, will continue to have salary reductions as per the hire agreement.
- 8.1.7 By entering a salary sacrifice agreement, an employee agrees to give up part of their salary in return for use of the equipment. As basic pay is reduced, eligibility for state benefits for example, Working Tax Credits or Child Tax Credits may be affected, and also sick pay and maternity pay etc. Employees will be advised to take independent advice if they are in any doubt about their personal financial situations.
- 8.1.8 It is the employee's responsibility to arrange appropriate insurance and ensure the security of the equipment. In the rare case of the equipment being stolen, the employee would need to replace the equipment to continue taking advantage of the tax exemption for the remainder of the lease agreement.

8.2 **Lease Car Scheme**

- 8.2.1 Although the salary sacrifice lease car scheme savings examples at 4.6.14 and 7.7 are representative of pension savings for the employer and employee, there are financial implications for Local Government Pension Scheme members arising from this which is detailed below.
- 8.2.2 A member will pay less pension contributions on a salary sacrifice scheme as the contribution rate set will be based on the pay less the sacrificed amount and contributions will only be deducted from the post sacrificed amount. Although the member will make a saving for the period of the duration of the sacrifice scheme, there will be a lasting reduction to the pension benefits that the member will receive. The council will however only realise savings as a result of employer contributions being based on the lower pensionable pay.
- 8.2.3 Should the lease car scheme be given approval, a further decision will also need to be taken on whether employees will continue to claim mileage at a rate of 0.45p in line with the current agreed HMRC [Approved Mileage Allowance Payments \(AMAP\) rates](#) or at a reduced rate of between 0.07p and 0.21p (depending on engine size and fuel type) in line with HMRC [Advisory Fuel Rates](#), which applies to benefit in kind (BIK) /company cars. If the council were to continue to pay AMAP rates, Tax would be payable on the difference between the two rates, which HMRC class as a profit element.
- 8.2.4 Employees cannot sacrifice below the National Minimum or Living Wage (age dependent) or below the Lower Earnings Limit. A salary check will be undertaken

before any agreement is authorised to ensure that any deductions do not take an employee below the National Minimum Wage.

- 8.2.5 Teachers are currently unable to participate in a lease car scheme as The School Teachers Pay and Conditions Document 2018 (STPCD) does not allow for this scheme under the present salary sacrifice arrangements.
- 8.2.6 By entering into a salary sacrifice agreement, an employee agrees to give up part of their salary in return for use of a car. As basic pay is reduced, eligibility for state benefits for example, Working Tax Credits or Child Tax Credits may be affected, and also sick pay and maternity pay etc. Employees will be advised to take independent advice if they are in any doubt about their personal financial situations.
- 8.2.7 In order to mitigate the employees risk against resignation or redundancy a bespoke early termination protection package is available to protect the employee against any termination charges* during the contract term. Early termination protection is only available to the employee once they have had the car on the salary sacrifice scheme for more than 6 months. This also protects employees in the following circumstances (and no excess period applies):
- The Main Driver's driving licence being withdrawn for medical reasons by the issuing Authority
 - The death of the Employee.
 - The Employee or their spouse or common-law partner suffering terminal illness
 - The Employee or their spouse or common-law partner suffering disablement or mental illness
 - The Main Driver losing their sight
 - The Main Driver suffering physical separation of one or more limbs at or above the wrist or ankle

*Any termination charges that may apply will be issued directly to the employee and administered by the lease car provider.

- 8.2.8 Further additional risk management protection is also available to cover for events such as long term sickness and maternity, paternity and adoption leave as detailed at 4.6.9.

9. LEGAL IMPLICATIONS

- 9.1 There are no changes in terms of legal compliance with regard to the Council utilising the ESPO Framework. Its' current and proposed future use ensures compliance with domestic and EU competition requirements and will ensure that the Council is acting lawfully.
- 9.2 The Commercial Legal Services team will review the ESPO Framework contract terms going forward and their ongoing implications prior to any agreements - including the ESPO and subsequent provider and employee agreements - being signed and provide advice and support regarding any contract management issues.
- 9.3 The car lease scheme should involve a Lease Agreement with the employee based upon the ESPO fleet supplier's form of contract (Inchcape Fleet Solutions are one of the current suppliers) which conventionally includes standard industry terms and conditions. These are not unusual legal agreements and therefore raise no real

legal concerns for the Council regarding employees who meet the qualifying criteria. Employees themselves will clearly be obliged to evaluate the costs and benefits to them of entering into such an arrangement.

10. CUSTOMER AND DIGITAL IMPLICATIONS

- 10.1 All our current employee benefit providers offer a fully interactive and compatible online solution for employees to be able to make informed choices. These are accessible outside of the Council's systems meaning employees can access these at home. Detailed guidance is offered through the Pay and Reward Team on how to access and use the different solutions.
- 10.2 Configuration of the Council's SAP system will be required to enable deductions from the employee's salary in relation to a lease car scheme. We will ensure we work collaboratively with our Payroll and IT colleagues to do this and keep them informed throughout the procurement process should approval be received to implement a scheme.

11.0. COMMUNICATIONS IMPLICATIONS

- 11.1 There will be a re-launch of the employee benefits scheme undertaken by the providers in conjunction with Human Resources. The re-launch will be promoted through internal communication channels including StraightTalk, the intranet, Sharepoint newsfeed and the Just4YOU closed Facebook Group.
- 11.2 Should approval be given to implement a lease car scheme, promotional activity will be undertaken as mentioned above. The provider would also offer support by means of a dedicated marketing specialist. Our employee communications will be engaging and exciting and promoted through a range of channels including, a single sign on enabled benefits platform, roadshows, payslip messages, pre-launch posters, launch posters, banners, leaflet drops and digital communications.
- 11.3 Getting messages out to our employees can be challenging due to them being based in different locations and issues with access to computers for frontline staff. Promotional activity has taken place and this will need to continue in all locations in order to try and raise further awareness of Just4YOU which includes:
- presentations at DMT's
 - presentations at employee talkabouts,
 - banners on display and rotated on different floors within Gateway and Westgate
 - Stickers placed in visible places such as lifts and breakout areas within Westgate and common walkways and breakout areas at Smithies Depot
 - Promotional activity via the closed Facebook group, on the intranet and Sharepoint and in StraightTalk.
- 11.4 Just4YOU roadshows have also proved popular with employees so we'll continue to welcome providers on site, giving people the opportunities to speak with a dedicated representative and to road test the different products where available. Currently this has taken place at Gateway, Westgate and Smithies Depot as these are the buildings with the most employees, but we'll also consider other locations as part of this report.

- 11.5 Following the success of the employee benefits fayre in 2017 we are holding a further event in spring/summer 2019 where providers will be given the opportunity to attend and represent their offer to our employees. Based on feedback from the previous event timings will need to be considered to take into account those employees who wish to attend that are based out of town or unable to attend until after work.

12. CONSULTATIONS

- 12.1 **Service Director Human Resources and Service Director Business Improvement and Communications** – Consultation has taken place and any feedback has been incorporated within the report.

Senior Management Team – Consultation has taken place and any feedback has been incorporated within the report.

Financial Services - Consultation has taken place with representatives of the Service Director –Finance (S151 Officer) and any feedback has been incorporated within the report. As administrators of the salary sacrifice schemes they will be working closely with Human Resources on the procurement of suitable providers.

Legal Services –Consultation has taken place with the Councils Legal Team on both the commercial/contract aspect and employment legal aspect and any feedback has been incorporated within the report.

Public Health – Consultation has taken place with the Public Health Principal and any feedback has been incorporated within the report.

Sustainable Travel Officer - Consultation regarding the continued provision of a cycle to work scheme and the introduction of a lease car scheme has taken place and she is fully supportive of the scheme.

Health, Safety and Emergency Resilience – Communication has taken place with the Head of Corporate Health, Safety and Emergency Resilience and any feedback incorporated.

Communications and Marketing – Communication has taken place with the Head of Communications and Marketing and any feedback incorporated.

Equality, Diversity and Social Inclusion - Consultation has taken place with the Equality and Inclusion manager and any feedback incorporated.

Procurement – Consultation has taken place with the Category Manager and Procurement Officer and any feedback incorporated.

Trade Unions – Consultation with the Trade Unions has taken place through the Employee Relations Forum and any feedback incorporated.

13. PROMOTING EQUALITY, DIVERSITY AND SOCIAL INCLUSION

- 13.1 Employees earning the minimum wage are prevented by legislation from participating in these schemes. This is beyond the control of the council but is considered unlikely to cause any serious equality issues as the council pays the living wage, which is a greater hourly rate than the national minimum wage.
- 13.2 Analysis of the equality profile of users of employee benefits schemes will be undertaken, to assess whether this differs from overall equality profile of the workforce. Findings of this monitoring will inform future reviews in this area.
- 13.3 The Council will engage with diverse groups of employees to ensure the package of employee benefits continues to offer an appropriate range of benefits for all sections of the workforce.

14. TACKLING HEALTH INEQUALITIES

- 14.1 A key foundation of the approach is the commitment to tackle the problem of poor health and health inequalities. The Marmot Review¹ recognises the important role good employment has in improving health and reducing health inequalities. By taking action to increase opportunities and improve working conditions there are potential benefits for both employees and organisations, and also as an important way to improve public health and reduce health inequalities. For example increasing physical activity through cycling to work will support the Active Travel Strategy and the Town Spirit theme of Live it by which is about looking after yourself and others and improving your health.
- 14.2 It is important that the benefits are available to all employees and that staff are considered during their development. Alongside this all employees should be made aware of the opportunities through effective communications.

15. RISK MANAGEMENT ISSUES

- 15.1 There is a risk associated with any salary sacrifice arrangement where equipment becomes damaged or lost. The responsibility to maintain adequate insurance rests with the employee under the scheme and payments will still need to be made under the respective agreement.
- 15.2 There are also risks around salary sacrifice schemes and employee's leaving that have to be managed accordingly.
- 15.3 There are a number of risks associated with the Lease Car Scheme around the employee's early termination, of which examples of these and other events such as Long Term Ill Health are detailed further at section 4.6.10 and 4.6.11. All of these risks however can be easily managed through a range of flexible risk management protections which are available for the employee to cover them against such eventualities. There is a choice around whether the Council chooses to apply any of the flexible risk management protections as a mandatory requirement in order to further minimise these risks, which would be at an added cost to the employee.

¹ Fair Society Healthy Lives - The Marmot Review (2010) <http://www.instituteofhealthequity.org/resources-reports/fair-society-healthy-lives-the-marmot-review>

15.4 The Lease Car Scheme also meets the employer's obligation of ensuring that any vehicles used for work, whether a company car or employees own vehicle complies with the following in accordance with the Corporate Manslaughter Act 2008:

- They are roadworthy
- Have a current MOT certificate for vehicles over three years old
- The driver is licensed to drive
- The vehicle is insured for business use
- The vehicle is regularly serviced
- The employee is carrying out basic maintenance checks

15.5 The Lease Car Scheme would reduce the administration and risk for Managers with regard to employees currently driving their own vehicles on company business

16. HEALTH, SAFETY AND EMERGENCY RESILIENCE ISSUES

16.1 Advice regarding bike safety will be available on the provider's website

17. BACKGROUND PAPERS

17.1 If you would like to inspect background papers for this report, please email governance@barnsley.gov.uk so that appropriate arrangements can be made

Report author: Alison Brown – Service Director Human Resources

Financial Implications/Consultation



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*(To be signed by senior Financial Services officer
where no financial implications)*