

**Report of Alex Watson HR Head of Service**

**Report to Alan Gay Deputy Chief Executive**

**Date:** 7<sup>th</sup> July 2015

**Subject: Improvements to the Employee Benefits offered by LCC and the introduction of a range of salary sacrifice schemes.**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. It is proposed LCC improves the benefits and discounts packages it offers its staff. This will be done by renewing existing contracts and entering into new arrangements with suppliers and where possible working on a regional basis to achieve better value.
2. Funding for this will be achieved by widening employer savings from salary sacrifice schemes which will be of benefit to all eligible employees.
3. The report highlights some of the employee benefit arrangements that are already in place, timescales for renewing them, options for new benefits and discounts and work on salary sacrifice schemes. Subject to uptake it is expected that the value to LCC in employer savings could be in the region of £450k per annum.

**Recommendations**

4. It is recommended that the Deputy Chief Executive approves the procurement and implementation of employee benefit packages, and that the Deputy Chief Executive approves the introduction of the salary sacrifice schemes to provide savings of up to £450k.

## 1 Purpose of this report

- 1.1 This report sets out the reasons for LCC procuring a new and enhanced platforms to provide retail discounts and to set up a range of salary sacrifice schemes to enable LCC employees to purchase goods and services at a reasonable cost through monthly salary deductions.

## 2 Background information

- 2.1 As part of the strategy to introduce a number of employee benefits which contribute to the low pay agenda, it is proposed to procure a web based platform and other options to provide store discounts to a range of retail stores. It is proposed to select an existing scheme which complies with procurement regulations and offers a wide selection of discounts which appeal to all employees. The current platform the 'Wider Wallet' scheme expires in 2016, there are a number of alternative schemes on the market which offer a wider range of discounts and which can be tailored to meet the needs of all employees.
- 2.2 A salary sacrifice scheme is an arrangement where an employee has their contractual pay reduced by an agreed amount in return for a benefit in kind. The schemes operate differently in that some are taxable benefits and have implications for pensionable salary. The employee makes savings as they pay reduced NI and tax and the employer sees a reduction in the overall salary cost through reduced employers' NI. There are a number of salary sacrifice schemes currently operated by LCC, these are
- Cycle to work
  - Child Care Vouchers
  - Restricted Parking scheme
  - Staff discount vouchers
- 2.3 It is proposed to increase the schemes to include car leasing, white goods, holiday purchase and training.

## 3 Main issues

- 3.1 The suite of proposals to improve employee benefits within the council is linked to the Low Pay Charter signed by the Executive Board on 22 April 2015. Underlying the charter is research and evidence to consider how local authorities can address the needs of colleagues at the lower end of the pay scale and what actions can be taken to break the cycle of in work poverty and provide career progression. This has led to a regional initiative, which is in development, to use the combined purchasing power of the regional authorities to achieve economies of scale which will be passed on to the end user.
- 3.2 The suggested proposals support the delivery of the Best Council Plan by tackling in work poverty, becoming a more efficient and enterprising council and inculcate the values of working as a team for Leeds and spending money wisely.
- 3.3 **Web based platform for employee benefits:** the next step for this initiative is to identify a suitable existing contract which is open to the public sector. This reduces the costs by obviating the need to go through a full procurement process. Collaborative discussion is underway to work with the regional authorities to

procure a shared platform which will increase economies of scale. There is a per head fee charged and attractiveness of discounted offers can be negotiated if more authorities join. This fee will be found from the income generated from the salary sacrifice schemes making it cost neutral. The current contract expires in April 2016 and it is anticipated that the new contract will be in place at this time.

3.4 **Salary sacrifice schemes** (see appendix 1): the web based platform can be used as the hosting site for the salary sacrifice schemes which the council chooses to operate – or can supplement the operation of these on an in-house basis where staff receive services from the Council. It is envisaged that the following schemes will be included:

- (i) **Child care vouchers** – government legislation is being introduced in October 2015 which means that there will be no new entrants to the existing scheme. The implementation of this legislation is currently proposed to be October 2017. The current contract for the provision of this scheme is due to end in March 2016. It is proposed to re-procure this contract which will ensure that the contract can be ended should the legislation come into force in October 2017, the scheme has already had a successful challenge from Voucher Scheme providers which has resulted in the recent extension to the implementation date, or to run through for a period not exceeding four years to 2020. The current income generated by the scheme is £122,600 per year
- (ii) **Cycle to work scheme** – it is proposed to continue to operate a cycle to work scheme as this has proved to be popular with employees and generates an income to LCC of £15,000 per year. The current contract is due to expire in March 2016 when it is proposed that a new procurement exercise is undertaken and providers are asked to tender in order to allow a larger of range of cycles to be purchased
- (iii) **Car parking scheme** – LCC operate a closed salary sacrifice car parking scheme for the LCC owned car parks which generates £10,000 in savings per year. This scheme was introduced in April 2015 as a pilot following the Collective Agreement with the Trade Unions which removed all car parking subsidies. The scheme operates as a closed scheme limited to anyone who received a subsidy previously. It is not envisaged that the scheme for LCC owned car parks will be opened up to all employees due to the number of limited places. However, if other privately owned car parks wish to offer parking places an expansion of the scheme could be considered if there are relevant business cases
- (iv) **Car Leasing scheme** – it is proposed to introduce a green car leasing scheme to allow all eligible employees to lease a new car at a reasonable cost through salary sacrifice. The Council is looking to access a framework for the introduction of this scheme which will reduce the cost of the actual procurement exercise. The scheme will be a 'green' car scheme and will consider carbon emissions and air quality. It is envisaged that the scheme will generate £250,000 income per year depending on take up.
- (v) **White goods and small electrical items scheme** – it is proposed to procure a salary sacrifice scheme to enable eligible employees to purchase

white goods and small electrical items through salary sacrifice. The items will be paid for by monthly instalments. This scheme will offer a low cost alternative to high street stores with high rates of interest on repayments and it is envisaged that this will be of particular benefit to low paid employees. The scheme will generate approx. £30,000 income per year depending on usage.

- (vi) **Annual Leave purchase scheme** – employees can opt to sacrifice part of their salary in return for additional annual leave. This reduces the pay bill and gives the employee extra leave with reduced net pay impact. This could reduce the pay costs by £15,000. If introduced leave will only be approved if the service manager can continue to deliver services with no detriment.
- (vii) **Training and education scheme** – under this scheme employees will sacrifice part of their salary in return for work related training, including IT and language courses. Depending on take up this could reduce the pay bill by £10,000 through savings in NI. This would contribute to the flexible work force agenda and allow employees to improve their chances of career progression.

3.5 The Council will look at working to develop frameworks with other West Yorkshire Local Authorities in an attempt to generate the best price per head as there are approximately 100,000 Local Government employees across West Yorkshire.

3.6 There is a requirement for the Council to provide specific health related schemes which are currently in procurement and cover;

- Physician Services and additional occupational health advisors,
- Wellbeing practitioner,
- Eye care services, and
- Physiotherapy service

3.7 A waiver has been completed to extend these contracts however they will be required be re-procured by 31<sup>st</sup> March 2016.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.3 The Chief Executives of the West Yorkshire Councils and York City have been consulted on the overall proposal to use income generated from the salary sacrifice schemes to invest in a positive benefits programme and approve of this approach. The Low Pay Charter has now been accepted by all the authorities.

4.1.4 The Member responsible for this workstream has been appraised of the work. This report will be shared with the Leader of the Council.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The scheme is open to all employees who meet the financial requirements e.g their salary does not fall below the minimum wage after the salary sacrifice.
- 4.2.2 An Equality Impact Screening scorecard is attached in appendix 2.

#### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The scheme supports the Best Council Plan by providing a low cost alternative to commercial high interest credit schemes and brings savings to the staffing budget as the scheme contributes to tackling in work poverty, reducing inequalities and engaging our employees.
- 4.3.2 The car leasing scheme will be aimed vehicles generating 130g/km carbon emissions to encourage the purchase of cars with lower emissions and hybrid cars and to provide an alternative to diesel vehicles in line with recommendations on air quality. The scheme needs to ensure that there is a sufficient variety of vehicles to be attractive for staff to take up. The contract will look to be tailored to promote specific vehicles as more and more low emission and hybrid vehicles become available and affordable.
- 4.3.3 Other schemes such as the Cycle to Work scheme encourage other means of transport to work other than car use as part of the green agenda and the commitment to reduce CO2 emissions within the city.
- 4.3.4 There is already a subsidised scheme for the use of public transport whereby an annual metro card can be purchased at 15% discount and is paid from net salary.

#### **4.4 Resources and value for money**

- 4.4.1 The scheme would contribute to minimising staff reductions and job losses by reducing the overall salary costs by approx. £452,600 per year.
- 4.4.2 Where possible the authority will look to call off frameworks for the provision of these contracts as they are most economical route to procurement in terms of internal resources delivering the procurement exercises.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The schemes will meet the threshold for a key operational decision by the Deputy Chief Executive.
- 4.5.2 Any decision on contracts will be taken with advice from the procurement officer and the Senior Project Solicitor in the procurement team.
- 4.5.3 Consideration would have to be given to the implications on taxation, pensions and VAT for the individual. Some of the schemes is classed as a taxable benefit (see Appendix 1) and therefore would be declared at the year end. Any VAT liability would need to be recovered in the monthly salary sacrifice payment. The pension contributions for the employee would reduce under the terms of the scheme. The Taxation Manager, and the Head of Pension Services will be further consulted prior to the implementation of the scheme and their approval will be required. The scheme will be registered with HMRC for approval and any changes in the taxation arrangements for salary sacrifice schemes will be implemented and communicated.

4.5.4 The schemes will be subject to call in.

## 4.6 Risk Management

4.6.1 Risk to the Council could arise if an employee defaults on their payment and then leaves their employment. This could be mitigated by insurance but the risk is minimal as LCC have direct access to salary. Part of the scrutiny of the contracts would be to ensure that the payments to the provider do not mean an onerous liability to the council where payment has to be made in advance and then recouped from monthly salary. A number of local authorities operate similar schemes. Consideration would have to be made for anyone who takes maternity leave as once they move to statutory maternity pay the employer is required to pick up the cost. This could be mitigated by insurance.

4.6.2 With regard to the employee sacrifice scheme for car leasing there is a risk of potential challenge if we use the framework and open it up to all employees on the ground that it doesn't appear to have been set up for that purpose, it appears to be set up for the use of health related service employees, although there is a general clause that includes local authorities. The risk is likely to be low being that the estimated value of the scheme is between £50m and £600m which indicates an anticipated significant take up of the scheme by all "public bodies" not just those involved in the provision or commissioning of health related services . With regard to the length of the framework, it is considered that there is a low risk of challenge as the time to challenge this must have been at the time the OJEU notice was published. That risk, however, may increase if we were to continue to use the framework in year 5.

## 5 Conclusions

5.1 The employee benefit platform and salary sacrifice schemes would provide a tangible benefit to LCC employees and in particular the salary savings and discounted offers would help lower paid employees to make their salary stretch further.

## 6 Recommendations

6.1 It is recommended that the Deputy Chief Executive approves the decision to procure a web based platform to offer retail benefits to all employees, funded by the income stream from salary sacrifice arrangements

6.2 It is recommended that the Deputy Chief Executive approves the request to implement a range of salary sacrifice schemes in LCC

## 7 Background documents<sup>1</sup>

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## Appendix 1 – Summary of Salary Sacrifice Schemes

Salary sacrifice scheme	Projected annual saving	Eligibility	Taxable benefit	Salary sacrifice amount pensionable?	Risks to LCC
Childcare vouchers	£122,600	All parents	No	Yes	Minimal risk as vouchers purchased can be used over a period of time. LCC pays for vouchers for anyone who receives SNP only
Cycle to work	£15,000	All LCC employees and maintained schools	No	Yes	Minimal risk as paid for over one year and money retrieved in full if anyone leaves.
Car Parking	£10,000	Restricted group	No	No	Temporary scheme for one year only to be reviewed. Minimal risk as no external payments.
Car Leasing	£250,000	All employees and maintained schools (excluding teachers)	Yes	No	Three year lease at relatively high cost per month therefore some risk if employees leave the scheme before the three years. Leasing cost paid by LCC and recovered from employees therefore risk lies with LCC to recover costs. LCC would pick up any payments for maternity leave once OMP finishes. Cost of lease to employee could cover insurance payments to mitigate these situations.
White goods & small electrical items	£30,000	All LCC employees and maintained schools (excluding teachers)	Yes	No	Minimal risk as paid for over one year and money retrieved in full if anyone leaves.
Annual Leave	£15,000	All LCC employees	Yes	No	Minimal risk as paid for over one year and money retrieved in full if anyone leaves.
Training & education	£10,000	All LCC employees	No if work related	No	Minimal risk as paid for over one year and money retrieved in full if anyone leaves.

## Appendix 2 – Equality Impact Screening Assessment

### Equality, Diversity, Cohesion and Integration Screening



As a public authority we need to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

A **screening** process can help judge relevance and provides a record of both the **process** and **decision**. Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions. Completed at the earliest opportunity it will help to determine:

- the relevance of proposals and decisions to equality, diversity, cohesion and integration.
- whether or not equality, diversity, cohesion and integration is being/has already been considered, and
- whether or not it is necessary to carry out an impact assessment.

<b>Directorate: Strategy &amp; Resources</b>	<b>Service area: HR</b>
<b>Lead person: Alex Watson</b>	<b>Contact number:</b>

1. Title: Improvements to the Employee Benefits offered by LCC and introduction of a range of salary sacrifice schemes.

Is this a:

Strategy / Policy

Service / Function

Other

**If other, please specify** Procurement offer

### 2. Please provide a brief description of what you are screening

Proposals to introduce a scheme to offer retail benefits via an online platform and a range of salary sacrifice schemes to employees



### 3. Relevance to equality, diversity, cohesion and integration

All the council's strategies/policies, services/functions affect service users, employees or the wider community – city wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration.

The following questions will help you to identify how relevant your proposals are.

When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation and any other relevant characteristics (for example socio-economic status, social class, income, unemployment, residential location or family background and education or skills levels).

Questions	Yes	No
Is there an existing or likely differential impact for the different equality characteristics?		x
Have there been or likely to be any public concerns about the policy or proposal?		x
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?		X
Could the proposal affect our workforce or employment practices?		X
Does the proposal involve or will it have an impact on <ul style="list-style-type: none"> <li>• Eliminating unlawful discrimination, victimisation and harassment</li> <li>• Advancing equality of opportunity</li> <li>• Fostering good relations</li> </ul>		X X x

If you have answered **no** to the questions above please complete **sections 6 and 7**

If you have answered **yes** to any of the above and;

- Believe you have already considered the impact on equality, diversity, cohesion and integration within your proposal please go to **section 4**.
- Are not already considering the impact on equality, diversity, cohesion and integration within your proposal please go to **section 5**.

#### 4. Considering the impact on equality, diversity, cohesion and integration

If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment.

Please provide specific details for all three areas below (use the prompts for guidance).

- **How have you considered equality, diversity, cohesion and integration?** (think about the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement activities (taken place or planned) with those likely to be affected)

- **Key findings** (think about any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another)

- **Actions** (think about how you will promote positive impact and remove/ reduce negative impact)

**The scheme will be promoted to all employees and following the findings from the focus groups emphasis will be placed on the benefits which will be provided from the employee discount scheme which will be tailored to provide relevant discounts on retail items.**

#### 5. If you are **not** already considering the impact on equality, diversity, cohesion and

integration you <b>will need to carry out an impact assessment</b> .	
Date to scope and plan your impact assessment:	
Date to complete your impact assessment	
Lead person for your impact assessment (Include name and job title)	

<b>6. Governance, ownership and approval</b>		
Please state here who has approved the actions and outcomes of the screening		
<b>Name</b>	<b>Job title</b>	<b>Date</b>
Alex Watson	Head of Service HR	4/8/15

<b>7. Publishing</b>	
This screening document will act as evidence that due regard to equality and diversity has been given. If you are not carrying out an independent impact assessment the screening document will need to be published.	
If this screening relates to a <b>Key Delegated Decision, Executive Board, full Council</b> or a <b>Significant Operational Decision</b> a copy should be emailed to Corporate Governance and will be published along with the relevant report.	
A copy of <b>all other</b> screening's should be sent to <a href="mailto:equalityteam@leeds.gov.uk">equalityteam@leeds.gov.uk</a> . For record keeping purposes it will be kept on file (but not published).	
<b>Date screening completed</b>	4/8/15
If relates to a Key Decision - <b>date sent to Corporate Governance</b>	
Any other decision – <b>date sent to Equality Team (equalityteam@leeds.gov.uk)</b>	