

Staff & Pensions Committee

Staff Benefits

12 March 2020

1. Recommendations

That the Staff and Pensions Committee:

- 1.1 Continues to endorse the existing staff benefits provision of childcare vouchers, cycle to work scheme and the on-line discounts/offers portal, subject to each salary sacrifice scheme being cost effective for the Council by delivering financial benefits.
- 1.2 Endorses extending the number of staff benefits schemes on offer to employees as summarised at 2.3 and Appendix 1, to achieve the outcomes set out in the report.
- 1.3 Authorises the Strategic Director for Resources to determine the scope and parameters of the staff benefits scheme and its implementation following appointment of the new provider, and to extend the scheme should new benefits be offered which are considered by him to support Our People Strategy.
- 1.4 That the Strategic Director for Resources is authorised to amend the Council's Discretionary Pension Policy statement to enable delivery of the shared cost LGPS pension AVC's, if required.

2. Executive Summary

- 2.1 The Council's current staff benefits contract, which has been in place since September 2015, is due for renewal from 1 June 2020 and the procurement process for this is being carried out.
- 2.2 The purpose of this report is to propose the way forward for staff benefits as part of the delivery of the Council's Our People Vision and Strategy.
- 2.3 As well as continuing to deliver the existing staff benefits which are childcare vouchers, cycle to work and the on-line discounts/offers portal, it is proposed that the number of schemes is extended. Schemes under consideration include:

Salary Sacrifice Schemes

- Annual leave purchase
- Green car scheme
- Shared cost LGPS pension AVC's (Additional Voluntary Contributions)

Other schemes – not salary sacrifice

- Health cash plan
- Financial wellbeing scheme
- Travel season ticket purchase scheme

- 2.4 Extending the range of staff benefits is an important element in delivering the Council's Our People Vision and Strategy.
- 2.5 Extending the number of staff benefits on offer will also deliver financial benefits for the Council and for employees.
- 2.6 Each of the proposed schemes operates differently and the arrangements can be quite complex. Alongside the procurement process external specialist and internal legal advice is being taken to ensure compliance with HMRC and pension regulations and other statutory requirements and avoid potential liabilities. The external advice will be used to carry out a detailed internal assessment by the Finance team of the potential financial benefits from each of the schemes.
- 2.7 A decision on which schemes to implement and when will then need to be made, informed by the external advice and financial information, as well as by the detail of how the specific schemes are operated by the new staff benefits provider once the contract has been awarded.

3. Financial Implications

- 3.1 Salary sacrifice schemes deliver financial benefits to both employer and employee.

Employee savings

- 3.2 For salary sacrifice schemes the employee benefit is gained by not paying PAYE tax, National Insurance (NI), or pension contributions on the sacrificed portion of salary which is used to pay for the non-cash "Benefit in Kind". The detail of where the benefits are for employees differs by scheme.
- 3.3 Since the current staff benefits scheme was introduced in September 2015 employees on the childcare voucher scheme have saved in the region of £2,200,000 in total. Employees using the cycle to work scheme have saved in the region of £43,000 in total.

- 3.4 The on-line discounts and offers portal delivers in the region of £36,500 total direct savings to employees per year.

Employer financial benefits

- 3.5 For salary sacrifice schemes the employer does not pay National Insurance and/or pension contributions on the sacrificed portion of salary.
- 3.6 For the proposed annual leave buy back scheme the employer also saves direct salary costs of the salary sacrificed to purchase annual leave.
- 3.7 Since the current staff benefits scheme was introduced in September 2015 the Council has realised a reduction in employer National Insurance/pension contributions of around £520,000 from the childcare scheme and £18,600 from the cycle to work scheme.
- 3.8 There is the potential for further reduction in employer National Insurance and pension contributions by implementing the salary sacrifice schemes recommended in this report – see Appendix 1.

Costs

- 3.9 The staff benefits contract is structured so that the contractor charges a % of the employer National Insurance savings, rather than a fixed charge per employee, which means that there is no direct ongoing cost to the Council.

4. Environmental Implications

- 4.1 There are positive environmental implications to the proposals in this report. The existing cycle to work scheme, and the proposed green car scheme and travel season ticket scheme all lead to a reduction in carbon emissions, in support of the Council's green agenda following the declaration of a climate emergency in 2019.
- 4.2 The cycle to work scheme and the travel season ticket scheme both encourage employees to use alternatives to driving to work.
- 4.3 The green car scheme gives employees access to a brand new, fuel efficient, low emission lease car. Although it could be argued that introducing a car scheme promotes driving to work over more environmentally friendly travel, given the relatively rural nature of Warwickshire and the location of many of its offices, in reality it is highly likely that many employees will continue to drive to work. The green car scheme is designed to include only lower emission cars, and so provides an incentive for employees to switch to driving more affordable environmentally friendly cars than they otherwise would.

5. Timescales associated with the decision and next steps

- 5.1 Extending the range of staff benefits will support the Our People Vision of making “Warwickshire County Council a great place to work”, as well as being a key element in the following Our People Strategy building blocks:

Reward and Recognition

“We have fair and transparent pay and rewards”

“We attract and retain a talented workforce”

Talent Development and Career Opportunities

“We have a diverse and highly engaged workforce”

- 5.2 Extending the number of staff benefits will increase the potential levels of financial benefits for the Council and for employees.
- 5.3 Following the procurement process the staff benefits contract will be awarded in late March with the renewed contract formally taking effect from 1 June 2020.
- 5.4 Subject to approval of the recommendations by Staff and Pensions committee it is suggested that the Strategic Director for Resources is authorised to determine the scope and parameters of the staff benefits scheme and its implementation following the appointment of the new provider, including extending the scheme should new benefits be offered which are considered by him to support Our People Strategy.

Appendices

1. Summary of Additional Staff Benefits Schemes

Background Papers

1. None

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Appendix 1. Summary of Additional Staff Benefits Schemes

Annual leave purchase scheme – salary sacrifice

- Employees request to purchase extra days annual leave e.g. up to one extra working week, not exceeding five days
- Annual window for application in advance of the leave year
- Supports a culture of wellbeing and flexible working
- Estimated financial benefits to the employer, based on 227 employees take up (approximately 5% of non-schools employees) £124,964 per annum, plus pension contribution saving

Green car scheme – salary sacrifice

- Employees lease a new, fully maintained and insured car as part of a fully inclusive motoring package for a fixed monthly cost
- Proposed scheme tailored to Council's green agenda in view of declaration of climate emergency in 2019 by including only low emission cars with a maximum CO2 emissions limit
- Allows employees access to over 3,000 vehicle makes and models
- Current provider's scheme is carbon neutral from a tailpipe emissions perspective
- Provides an attractive benefit whilst encouraging employees to drive fuel efficient, low emission cars
- Estimated financial benefit £314,496 over an initial 3-year term, assuming 156 employees join the scheme over a 3-year period

Shared cost LGPS pension AVC's – salary sacrifice

- Salary sacrificed by the employee is paid by the employer into the AVC scheme (employee pays at least a nominal amount of e.g. £1/month)
- Employee saving on tax and NIC's, employer saving on NIC's
- Current AVC arrangement (51 members) can continue alongside scheme
- A new discretion would need to be added to the Council's Discretionary Pension Policy statement
- Does not affect LGPS members main pension benefits on retirement
- Estimated financial benefits £86,873 per annum, assuming 5% take up and average monthly contribution of £225 per employee

Health cash plan – not salary sacrifice

- Insurance for health costs e.g. dental, optical to help towards costs

Financial wellbeing

- Helps employees to manage finances better e.g. education, savings, debt consolidation often with lower interest rates relative to high street
- Furthers Council's wellbeing agenda

Travel season ticket purchase scheme

- Spreads employee travel costs over monthly payments
- Flexibility to cancel or change at any time
- Complements green car scheme