

**FINANCE, BUSINESS AND INTELLIGENCE SENIOR
MANAGEMENT TEAM**

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NEW EMPLOYEE BENEFITS PROPOSALS

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Summary

Medway Council is reviewing and refreshing the suite of employee benefits following feedback from the staff survey and Medway live events held in the summer.

It was evident that benefits offered as part of the overall employee package were important to our staff, and further benefit offerings would help in cementing Medway as an employer of choice and positively impact on recruitment and retention rates as part of the workforce strategy.

Recently Medway have become part of the Money and Pensions Service's 'Workplace Financial Wellbeing Pledge' as a pilot organization. The pledge demonstrates the Councils commitment to ensuring our workers can get the most from their pay and benefits.

1. Background

- 1.1. Medway Council currently offer a range of employee benefits and currently operates two salary sacrifice schemes; the Tusker electric vehicle scheme and Childcare Vouchers (now closed to new entrants).
- 1.2. Salary sacrifice schemes allow eligible employees to 'exchange' a portion of their pay for a prescribed benefit. The exchange value is taken from employee's gross pay before the application of statutory deductions for Tax and National Insurance.
- 1.3. Salary sacrifice schemes approved by HMRC do not give rise to a benefit in kind and do not need to be reported on a P11d.
- 1.4. An existing interest free cycle loan scheme is already in operation which allows employees to borrow a sum of money to purchase a cycle with a deduction taken from their net pay.

- 1.5. Cycle schemes are a valuable way of encouraging employees to improve their physical and mental health through exercise and reduce carbon footprint as part of the climate change agenda.
- 1.6. A very small number of employees in the LGPS pay Additional Voluntary Contributions (AVCs) from their net pay. AVCs allow employees to build an additional pension pot alongside their main scheme.
- 1.7. In a shared cost AVC arrangement an employee opts to open a new and additional pension fund via Prudential or Standard Life.
- 1.8. If the shared cost AVC is added to the pension discretion document for Medway, the sacrifice does not impact the employees existing LGPS pension holding or future contributions.
- 1.9. On retirement the employee will have several options to access the additional 'pot' gained via AVCs. In the majority of cases the member will be able to take the full AVC pot as a tax-free amount.
- 1.10. Shared cost AVCs are offered by many nearby authorities, including KCC, Maidstone and Swale.

2. Recommendations

- 2.1. To offer a salary sacrifice Cycle to Work scheme with Halfords as a scheme partner for an initial term of two years, using the ESPO framework.
- 2.2. To set an initial limit of £1,500 per cycle and accessories order, with a commitment to reviewing this arrangement bi-annually, ensuring it is a fair and in line with market cycle prices.
- 2.3. To implement a shared cost AVC scheme with My Money Matters, formerly AVC Wise for an initial term of three years.
- 2.4. As part of the partnership agreement, My Money Matters will provide a number of financial wellbeing tools that support the promotion of the scheme, as well as wider financial wellbeing.
- 2.5. To ensure that employees have the best possible advice and return on their AVC investment, utilise the My Money Matters fee structure that incorporates tailored fund advice.

3. Financial Implications

- 3.1. Shared Cost AVC provisions are funded from employer on-cost savings at no direct cost to the employer or employee.
- 3.2. Employees entering a salary sacrifice arrangement will save between 28% and 42% of the exchange value due to reductions in Tax and National Insurance.
- 3.3. The reduction in gross earnings for the employee may result in a loss of, or reduction to, some income related benefits, such as Statutory Maternity Pay.
- 3.4. An Employer operating a salary sacrifice scheme can save up to:

- 13.8% on Employers National Insurance (15% from April 2025)
- 0.5% on Apprenticeship Levy
- 19.3% on LGPS contributions (where the sacrifice value is not a pensionable emolument), rising to 20.3% from April 2025.

3.5. When an employee enters the Cycle to Work scheme, the Council is required to 'purchase' the cycle from the supplier at the start of the agreement.

3.6. To facilitate the rollout of a Cycle to Work scheme, a defined sum of funds would need to be available to support any staff applications. Should the fund be fully utilised, a waiting list will be operated for new applicants.

3.7. Should an employee leave the Council whilst in the Cycle to Work repayment period, the Council is responsible for the any balance that cannot be recovered. At the point of termination, the employee would become a debtor for the purpose of recovery via normal measures.

3.8. The shared cost AVC agreement with My Money Matters attracts a management fee as detailed in the options section. This is directly related to the value of contributions made by employees and so is funded only if the scheme is successful.

3.9. If the employees currently paying AVCs moved over to a shared cost arrangement, an annual saving of just over £1,000 would be generated.

3.10. My Money Matters have a target participation rate of 7% and should the average AVC value reach £250, an expected annual saving after fees of over £45,000 per year is possible.

4. Legal Implications

4.1. A salary sacrifice arrangement reduces an employees pay for the purpose of National Living Wage. Care must be taken to ensure that gross pay remains above the threshold, even if this means an employee cannot participate in the scheme or cannot exchange the original amount requested.

4.2. Medway Council will be bound by the terms of the agreements as made with the respective scheme partners.

4.3. A number of the Council's leave policies refer to 'normal' pay and it would be prudent to update the policies to explicitly state if this references pre or post sacrifice pay and it be clear what level of pay the employee is entitled to during those leave periods.

5. Options

5.1. When utilising the ESPO framework, employers have the option to chose one of the following additional options:

- 7.5% discount for employees, all employees will benefit from a discount of 7.5%
- 7.5% cashback for employers based against the total value of the invoice
- 7.5% contribution to financing costs, Halfords would discount your invoice by 7.5%
- 10% Free Accessories for employees who redeem within Halfords stores or via Halfords.co.uk

- 5.2. The standard fee levied by My Money Matters is 5% of the employee exchange value. To provide tailored advice which meets with the employee's goals and risk appetite, the fee proposal increases to 6%.
- 5.3. Consideration of how the employer savings on the new benefits are to be utilised, potentially funding any new costed workforce benefits and keeping the proposition(s) cost neutral.

6. Lead officer contact

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