



REPORT TO EMPLOYMENT PANEL

PORTFOLIO AREA: PERFORMANCE AND DEVELOPMENT

Date of Meeting: 8 July 2011

Public

Inside Policy Framework

Title: Employee Benefits
Report of: Chief Executive
Report reference: CE 17/11

Summary:

A report on employee benefits was brought to a previous Employment Panel meeting on 4 April 2011. Members of the Panel asked for information on the benefits other Cumbrian councils offered their staff. This report includes information on the other councils and explains how the proposed benefits would work at Carlisle City Council.

Recommendations:

The Employment Panel is asked to:

1. Consider the Additional Annual Leave and Cycle to Work schemes and approve the Additional Annual Leave Scheme for consultation
2. Approve further development work on the Cycle to Work scheme

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. BACKGROUND INFORMATION AND OPTIONS

Introduction

- 1.1 Reward and recognition initiatives were considered as part of the Pay and Workforce Strategy but the main focus was on monetary based rewards. We would now like to consider introducing new employee benefits as part of working towards a total reward approach. In April 2011 a report on employee benefits was presented to the Employment Panel. Members asked for information on what is offered by the other Cumbrian councils to be brought to a future meeting and for the sabbatical scheme to be left out.
- 1.2 There are a wide range of benefits organisations can offer to their employees which support employee engagement. Effective pay and reward strategies, together with initiatives including flexible working, recognition of achievement and learning and development opportunities contribute to successful recruitment and retention.
- 1.3 We have chosen to focus initially on holiday purchase and cycle to work in order to gauge interest from employees for these types of reward.
- 1.4 Any benefits the City Council considers introducing would not require funding as all costs would be met from income generated from the holiday purchase scheme. We suggest introducing any initiatives for an initial two year trial and then evaluating them in the light of operating experience and any changes in relevant legislation.

Other Cumbrian Councils

- 1.5 The other Cumbrian councils were contacted to see if they offered either of these schemes. South Lakeland District Council, Barrow Borough Council and Eden District Council offer holiday purchase schemes and Cumbria County Council is introducing one in September this year. All the councils offer staff the opportunity to purchase up to 10 days leave except Eden which offers 5 days. They have achieved significant savings through holiday purchase schemes. Eden, South Lakeland and Cumbria County Council all offer cycle to work schemes.

Holiday Purchase

- 1.6 A holiday purchase scheme would enable employees to buy leave in addition to their contractual leave entitlement. The cost would be paid by employees through equal monthly salary deduction over the year they are applying to take the additional leave.
- 1.7 The scheme would be available to all staff except apprentices and any other staff whose pay would be reduced to less than the National Minimum Wage after purchasing additional leave. There would be no minimum service period before employees could participate in the scheme.
- 1.8 Requests for additional leave could only be made at two fixed times each year to ease administration of the scheme. Either by 1st March for the whole leave year starting in April or by 1st September for the second half of that leave year.
- 1.9 Service Managers, or the manager that they have delegated authority for this scheme to, would need to authorise the additional leave requested and once agreed, the leave could not be altered for that year except in exceptional circumstances.
- 1.10 The maximum amount of additional annual leave that any employee may purchase in any one leave year is ten working days (pro rata for part-time staff).
- 1.11 Both employees and the employer are required to pay pension contributions on the 'notional amount' of this benefit but the income generated will be more than sufficient to cover this and any additional administrative support needed.

Cycle to Work

- 1.12 The City Council has previously considered introducing a Cycle to Work scheme but this was rejected due to concerns about the levels of administration required.
- 1.13 Cumbria County Council runs a successful Cycle to Work scheme through Cyclescheme who won the Department for Communities and Local Government's open tender contract in 2009. Approximately 1200 of their

employees have been involved in the last three years with an equal split of men and women.

- 1.14 Cyclescheme's programme would enable us to offer tax-free bikes to our employees through a nationally recognised programme with a limited amount of administration on our part. Cyclescheme partners with local bike shops and there is a good choice in Carlisle and across Cumbria.
- 1.15 We would register with Cyclescheme and then work with them to publicise the scheme to our employees. Cumbria County Council has an annual 'window' for employees to get involved in the scheme to minimise the administration burden. We would suggest a similar 'window' from May to August each year.
- 1.16 There are several stages to the scheme:
- Employees would visit a local cycle shop to choose a bike and if required, safety equipment. They would then apply for a Cyclescheme Certificate through Cyclescheme's website and sign an on-line Hire Agreement.
 - We would be notified by Cyclescheme that they had applied and would need to approve their application. Once this is done, we would pay Cyclescheme the full retail cost of the bike and equipment.
 - Cyclescheme issues a Certificate which is redeemed in the chosen bike shop and salary sacrifice commences for the hire period (usually 12 months)
 - At the end of the hire period, the employee has options to keep the bike for an additional payment or give it back. We would work with Cyclescheme to implement these options.

Next Steps

- 1.17 The holiday purchase and cycle to work schemes have implications for payroll, pension, National Insurance and tax so a small working group of relevant staff has been set up (similar to when the childcare vouchers were introduced) to look at developing policies and procedures.
- 1.18 The first benefit to be introduced would be the holiday purchase scheme which will generate income to pay employer pension contributions and any additional administrative support needed. A draft policy for the holiday

purchase scheme has been developed (see Annex1). If approved, this will be introduced at Management Briefing and then go out for consultation with staff. It will also go to the Consultative Joint Committee for consultation with the unions.

- 1.19 It is difficult to estimate how much income will be generated by the holiday purchase scheme as it is dependent on the number of staff who choose to purchase additional holiday and the grade they are on. For the pilot programme, we recommend that the income is initially used to fund employer pension contributions and any additional administrative support needed, with any extra income under £20,000 being used for other employee health and wellbeing initiatives. Any income over £20,000 could be used as a saving.

2. CONSULTATION TO DATE

Senior Management Team
Employment Panel (4/4/11)

The 2011 Employee Opinion Survey included a question about whether employees would be interested in additional benefits

3. CONSULTATION PLANNED

Consultative Joint Committee
Carlisle City Council staff

4. RECOMMENDATIONS

The Employment Panel agree to:

- i. Consider the Additional Annual Leave and Cycle to Work schemes and approve the Additional Annual Leave Scheme for consultation
- ii. Approve further development work on the Cycle to Work scheme

5. REASONS FOR RECOMMENDATIONS

Effective pay and reward strategies, which these benefits would contribute to, aid successful recruitment and retention and can lead to increased morale and staff wellbeing.

6. IMPLICATIONS

- Staffing/Resources – Some additional administrative support may be needed to administer the benefits but this would be paid for from the income raised from the holiday purchase scheme. It will be made clear in the scheme that any agreement to additional holiday purchase must not be at the expense of service delivery. Both benefits will add to the ‘offer’ that Carlisle City Council is able to make as an employer.
- Financial – There will be no direct costs to the City Council by introducing the scheme as the holiday purchase scheme will generate income to cover the employer pension contributions and any additional administrative support needed. It may generate additional income, part of which could be taken as a saving.
- Legal – The proposed schemes will form part of staffs’ terms and conditions of employment. The cycle to work scheme will need to be underpinned by an agreement between the Council and the employee to cover, for example, repayment of funding should the Council leave the employment of the Council during the relevant period.
- Corporate – These benefits will contribute to successful recruitment and retention and could lead to increased morale and staff wellbeing.
- Environmental – The Cycle to Work scheme would increase the number of staff cycling to work and taking exercise.
- Crime and Disorder – None
- Impact on Customers – Managers will consider the impact on service delivery when assessing requests for purchase of additional annual leave.
- Equality and Diversity – These benefits will not have any negative impact and will have positive benefits for individual members of staff.

Impact assessments

Does the change have an impact on the following?

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	
Disability	No	
Race	No	
Gender/ Transgender	No	
Sexual Orientation	No	
Religion or belief	No	
Human Rights	No	
Social exclusion	No	
Health inequalities	No	
Rurality	No	

CARLISLE CITY COUNCIL

PURCHASE ADDITIONAL ANNUAL LEAVE SCHEME

1. Introduction

- 1.1 Carlisle City Council operates a policy of granting all employees paid annual leave entitlement each year, however it is recognised that some employees may wish to take more than the normal contractual entitlement of leave.
- 1.2 For this reason the City Council has introduced a policy which enables an employee to request to purchase additional annual leave, subject to certain conditions and exceptions (see section 7), with the cost of any approved additional leave being deducted from their salary on a monthly basis over the course of the leave year.
- 1.3 Benefits of adopting this Policy may be an improvement in levels of morale and motivation, a reduction in absence levels, and after the initial pilot, the contribution of achieving cost savings, whilst enabling employees to better meet their personal commitments.

2. Scope Of The Policy

- 2.1 This policy applies to all employees of Carlisle City Council, with the exception of staff listed in section 7.

3. Principles

- 3.1 The City Council's annual leave year runs from April to March. The maximum amount of additional annual leave that any employee may purchase in any one leave year is ten working days (pro rata for part-time staff).
- 3.2 Applications to purchase additional annual leave can only be made in March for the following leave year or in September for the remainder of that leave year.
- 3.3 An employee who wishes to purchase additional annual leave must make a request in writing to their service manager, who may delegate authority to another appropriate person. Separate requests must be made for each leave year and can only be made for the current or next leave year periods.
- 3.4 The City Council reserves the right to refuse an employee's application to purchase additional annual leave. It may be necessary to refuse an employee's request for operational or technical reasons related to the service. If approval is not given, managers must give reasons.

- 3.5 Additional annual leave should be taken in the normal way and taken prior to an employee's contractual annual leave entitlement.
- 3.6 The cost of the purchased leave will be spread out over the remaining months within the leave year. Amounts deducted from salary will be recalculated if the employee's salary increases or decreases.
- 3.7 Employees leaving the City Council will be reimbursed if the salary deductions on leaving amount to more than the leave taken. Payments will be recovered prior to leaving if the value of the salary deductions are less than the value of the leave taken.

4. Procedure

- 4.1 Employees who wish to submit a request to purchase additional annual leave must do so by submitting the appropriate form (Appendix A) to the appropriate manager. Requests for the leave year starting in April must be received by the manager by 1st March. Requests for the second part of the year must be received by 1st September.
- 4.2 Once the request has been received, the appropriate manager will consider the request and confirm to the employee their decision, in writing, within 5 working days of the request being received. A copy of the decision letter and copy of the request to purchase additional leave form should be sent to the Service Support Team. If the manager is not able to give a decision within 5 working days they should notify the employee in writing of when they will be able to make a decision. This should be no more than an additional 10 working days.
- 4.3 If approval has been given the request must be received by the Service Support Team by 1st April or the 1st October. The Service Support Team will calculate the likely deductions in salary and confirm these in writing to the employee.
- 4.4 Should a request be declined the reasons for this will be outlined in the response from the appropriate manager. Employees who have had their request declined can ask to have their request referred to an Assistant Director.
- 4.5 **Manager's Responsibilities**
 - Managers must consider the resource implications of granting requests to purchase additional annual leave.
 - Managers must treat all applications fairly.
 - Managers refusing applications to purchase annual leave should give reasons for refusal in writing at the time of the decision and advise the employee of their right to seek a review of the decision.
- 4.6 If a request is declined managers must send a copy of the letter sent to the employee to Jean Cross, Personnel Manager.

4.7 If the employee asks for the application to be referred to an Assistant Director then the appropriate Assistant Director will review the application and advise the employee of their decision within 5 working days.

5. Adjustments To Pay

5.1 Where an employee requests to purchase additional annual leave, this will result in a reduction to their monthly salary either for the whole leave year (when the request was processed before the end of the previous leave year) or for part of the leave year.

5.2 The new monthly salary will be calculated and notified to the employee, by the Service Support Team, as soon as possible following their receipt of the approved request from the appropriate manager.

5.3 Employees should note that by completing and submitting the request for additional leave form that, if approved, this form also constitutes their consent to any applicable salary adjustment.

5.4 The calculation will be arrived at by:

- Dividing the employee's basic annual salary (excluding non contractual overtime) by 52.14 to determine their notional weekly pay;
- Divide this figure by the number of working days in the week;
- Multiplying this figure by the number of annual leave days the employee wishes to buy;
- Dividing this figure by the remaining number of months in the leave year to arrive at the amount that will be deducted from the employee's monthly salary;
- Subtracting that figure from the employee's normal monthly salary; and
- Applying the new level of monthly pay from the agreed date through to the end of that leave year.

5.5 For example, if an employee's basic monthly pay, excluding non contractual overtime, is £1,500 and they apply before the start of the leave year to purchase 10 working days additional annual leave, the calculation will be arrived at by:

- Calculating the employee's basic annual salary, which in this case is £18,000;
- Divide this figure by 52.14, resulting in a notional weekly payment of £345.22;
- Divide this figure by the number of working days in the week: i.e. in this case 5 giving a sum of £69.04;
- Multiply £69.04 by 10, since the employee wishes to buy 10 working days additional annual leave, giving a sum of £690.40;
- Divide this figure by 12 to arrive at the amount that will be deducted from the employee's monthly salary, producing a figure of £ 57.53; and

- Subtract £57.53 from the employee's 'normal' monthly salary, i.e. £1,500 - £57.53, which gives a new gross monthly salary for the year of £1,442.47.

5.6 If, using the above example, the employee had applied to purchase the 10 working days additional annual leave in September, then the cost would be spread over six months. In this case, the calculation would be arrived at by:

- Divide the employee's annual salary of £18,000 by 52.14, resulting in a notional weekly payment of £345.22
- Divide the figure by the number of working days in the week: i.e. in this case 5 giving a sum of £69.04
- Multiply £69.04 by 10, since the employee wishes to buy 10 working days additional annual leave, giving a sum of £690.40;
- Divide this figure by 6 to arrive at the amount that will be deducted from the employee's monthly salary, producing a figure of £115.07
- Subtract £115.07 from the employee's 'normal' monthly salary, i.e. £1,500 - £115.07, which gives a new gross monthly salary for the remaining nine months of the year of £1,384.93

6. Effect On Pension

6.1 By purchasing additional annual leave, in accordance with Regulation 17 of the Local Government Pension Scheme Regulations 1997 the employee and the employer are required to pay contributions on the notional full pay for the annual leave days purchased.

7. Exceptions

7.1 The following groups of staff are not able to purchase additional annual leave:

- Apprentices
- Anyone whose pay after purchasing additional leave would be reduced to less than the National Minimum Wage. Any employee who is unsure whether their pay would be reduced to less than the National Minimum Wage should contact Payroll before submitting their application to the manager.

8. Review

7.1 The policy will be a pilot for two years from April 2011 to March 2013 and at the end of this time will be reviewed in the light of operating experience and/or changes in legislation.

9. Appendices to this Document

- a. Annex A Request to Purchase Additional Annual Leave Form

Annex A

Request To Purchase Additional Annual Leave Form

Should an employee wish to request to purchase additional annual leave they must complete this form and forward it to their service manager, or their delegated representative for consideration.

The maximum amount of additional annual leave that an employee may purchase in any one leave year is ten working days (pro rata for part-time staff).

If the request to purchase additional annual leave is approved, the employee will be notified by the Service Support Team of the resulting change to their monthly salary.

Employees should note that by completing and submitting this form to request to purchase additional annual leave that, if approved, this form also constitutes their consent to any applicable salary adjustment.

Please complete the following:

Name	
Job Title	
Team	
Directorate	

I would like to apply to purchase days of additional leave (please state the number of days you would like to purchase as working days and not calendar days).

I understand that if I am successful in applying to purchase additional annual leave that this will result in a reduction in my salary for the relevant leave year.

I understand that this leave should be taken prior to my contractual leave entitlement.

Employee's Signature		Date	
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Appropriate Manager's Signature		Date	
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If leave refused reasons why:

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If leave is refused, a copy of this form must be sent to Jean Cross, Personnel Manager.

Received by Service Support Team	Name		Date	
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