

Salary Sacrifice Scheme

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1	October 2018	New document bringing together an overview of the Council's existing salary sacrifice schemes.	

Related Documents

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1. Purpose

- 1.1. The Council offers a range of benefits to employees via salary sacrifice arrangements as part of its commitment to help them reduce their everyday costs. These schemes and which employees can benefit from them are set out in section two.
- 1.2. This document sets out the Council's approach to its salary sacrifice schemes and provides an overview of each scheme. It should be read in conjunction with other scheme specific information referred to in this document and information available on the individual scheme administrators' websites.

2. Schemes available and applicability

- 2.1. The Council offers a **cycle to work scheme** that enables employees to hire a new bike and safety equipment (up to the value of £2,000) in a tax efficient way through a salary sacrifice scheme with an option to purchase the bike at the end of the hire period. The scheme applies to West Berkshire Council employees (including school employees who are paid by WBC) who are employed on a contract longer than the hire period (12 months) from the time the bike is purchased and who will make at least 50% of journeys on their new bike either to or for work. Employees under 18 years old will need a separate guarantor.
- 2.2. The Council offers a **childcare voucher scheme**. The childcare voucher salary sacrifice scheme applies to all employees who are parents using registered childcare for children from 0 – 16 years old. The childcare voucher scheme is available to West Berkshire Council employees (including schools employees who are paid by WBC). The scheme closed to new members from 4th October 2018.
- 2.3. From 1st March 2018 the Council has operated a salary sacrifice Additional Voluntary Contribution (AVC) scheme called '**AVC Wise**'. This is open to employees with existing standard (non-salary sacrifice) AVC schemes, and to new AVC members. Employees must be members of the Local Government Pension Scheme (LGPS)
- 2.4. Employees are eligible to join one or more salary sacrifice scheme as long as the total salary sacrifice does not take their salary below the Government's national living wage or the lower earnings limit (LEL).

3. Roles and Responsibilities

- 3.1. The Head of Human Resources has overall responsibility for ensuring that the Council's salary sacrifice schemes are managed appropriately in accordance with this policy.
- 3.2. The cycle to work scheme is administered on behalf of the Council by [Cyclescheme](#).
- 3.3. The childcare voucher scheme is administered on behalf of the Council by [Fideliti](#).
- 3.4. AVCs are provided by the Prudential and administered by West Berkshire Council.
- 3.5. Payroll and the organisations administering the salary sacrifice schemes are responsible for the day-to-day management of the salary sacrifice schemes.

3.6. All staff taking up one or more salary sacrifice schemes are responsible for familiarising themselves with, and ensuring that they comply with this policy and guidance and information available from the individual scheme providers.

4. What is a salary sacrifice scheme?

4.1. Salary is normally subject to tax and National Insurance (NI) deductions. Under a salary sacrifice scheme eligible employees are able to give up part of their salary in exchange for specified benefits that are not subject to tax and NI. This enables employees to make tax and NI savings. The employer also makes an NI saving. Such schemes are known as 'salary sacrifice schemes'.

4.2. The employee signs a salary sacrifice agreement to vary the salary they are entitled to under their terms and conditions of employment in exchange for the specified benefits.

4.3. The Council tracks the employee's original salary which is referred to as the employee's 'notional salary'.

4.4. If an employee leaves a salary sacrifice scheme their pay reverts to the notional pay amount (unless they belong to other salary sacrifice schemes).

5. Why can't employee join a salary sacrifice scheme if it reduces their gross salary below the lower earnings limit?

If entering a salary sacrifice scheme would reduce an employee's gross pay to below the annual Lower Earnings Limit (LEL), it may affect their eventual entitlement to the Basic State Retirement Pension, and they may lose entitlement to certain other benefits. Therefore the Council does not allow employees to enter salary sacrifice schemes where doing so would reduce their contractual weekly pay to below the LEL.

6. Do salary sacrifice schemes affect employees' pensions?

6.1. The Council is permitted to treat the salary sacrificed pay as part of pensionable pay so the contributions that employees and the Council make into the pension scheme will be calculated on notional pay. An employee's pension is, therefore, unaffected by being part of a salary sacrifice scheme.

7. Do salary sacrifice schemes affect pay awards, promotions or other increments?

7.1. Any future pay awards, increments or promotions will be based on an employee's 'notional salary'.

8. Do salary sacrifice schemes affect overtime payments?

8.1. Participation in salary sacrifice schemes will not affect payments such as overtime, additional hour's payments or shift allowances. These will continue to be based on 'notional pay'.

9. Does participating in a salary sacrifice scheme impact salary related payments?

9.1. Participating in salary sacrifice schemes may have an impact upon the following earnings related statutory benefits:

- 9.1.1. Statutory maternity pay
- 9.1.2. Statutory paternity pay
- 9.1.3. Statutory adoption pay
- 9.1.4. Statutory sick pay
- 9.1.5. Statutory redundancy pay

9.2. If an employee is eligible for any of these payments, the statutory amount due to them is based on their earnings during a certain specified period. Therefore, by taking part in a salary sacrifice scheme the statutory benefits will be calculated by reference to the reduced salary and the amount of benefit received is likely to be lower. Employees should consider whether joining a salary sacrifice scheme will be beneficial to them if they are likely to be eligible for these payments. For further information on the impact of salary sacrifice schemes contact Payroll.

10. Do salary sacrifice schemes affect occupational related benefits?

- 10.1. Occupational related benefits such as occupational maternity pay and occupational adoption pay are not affected by salary sacrifice schemes and will be calculated on notional salary. Salary will continue to be reduced whilst the employee is receiving sufficient occupational pay.

11. Do salary sacrifice schemes affect redundancy pay?

- 11.1. The level of redundancy payments under the Council's [Discretionary Compensation Statement](#) are not affected by salary sacrifice schemes and are calculated on notional salary.
- 11.2. Where an employee is made redundant before the end of a cycle scheme hire agreement they will be required to pay a termination payment under the agreement. The termination fee is equal to the total outstanding hire payments due under the agreement and will be taken from their net pay (where there is insufficient net pay the employee will be required to reimburse outstanding the amount to the Council). The employee will not benefit from tax or NI savings on the termination payment or reimbursement.

12. What happens during periods of absence from work?

- 12.1. There may be times when an employee is on a period of extended absence, for example due to maternity, adoption, shared parental leave or long term sickness.
- 12.2. Salary sacrifice and benefit arrangements will continue during any period of absence as long as
 - 12.2.1. the employee's employment income is sufficient to support the salary sacrifice arrangement and

12.2.2. the pay is of a kind against which salary sacrifice reductions can legally be made, and

12.2.3. continuation of salary sacrifice arrangements is not in breach of the National Minimum Wage Regulations

12.3. Statutory payments must be made in full and cannot be reduced by the terms of a salary sacrifice arrangement. However, since any reduction in gross pay will adversely affect employees' statutory entitlement to benefits such as SMP, it may be in their interests to terminate their AVC and/or childcare voucher arrangement before the qualifying period for SMP and return to their original gross salary. Employees can seek further advice from Payroll.

12.4. The Cycle scheme the hire period may be extended for a limited time in certain circumstances where the employee is temporarily not in receipt of sufficient pay to allow the salary sacrifice to continue. Full details are set out in the Cycle Scheme agreement.

12.5. Where an employee on maternity leave has insufficient salary to pay for the childcare vouchers under their salary sacrifice scheme the cost will be met by their Service.

13. Do salary sacrifice schemes affect entitlement to tax credits?

Tax credit calculation is based on taxable (P60) income. By joining a salary sacrifice scheme taxable income is reduced and therefore entitlement to tax credit entitlement may change. Employees with queries about this should contact the HM Revenues and Customs helpline on 0345 300 3900.

14. Do salary sacrifice schemes affect student loan repayments?

Student loan repayments are calculated on the salary liable to NIC contributions. As salary sacrifice schemes reduce the gross salary on which NICs is paid, loan repayments will decrease. Employees should bear in mind that decreasing loan repayments will result in repaying for an additional period of time.

Guidance on the schemes

The cycle to work scheme

It is important that employees read the information on the Council's intranet about the cycle to work scheme and on the cycle scheme website www.cyclescheme.co.uk.

15. How to apply for the cycle to work scheme

15.1. Firstly the employee needs to choose a bike. The [Cyclescheme website](http://www.cyclescheme.co.uk) has a list of shops partnered with the scheme that employees can visit to choose their bike and safety equipment.

15.2. The bike shop will provide the employee with a written quote to enter onto the Cyclescheme website using the employer code 51a4b. The employee will be asked to complete a hire agreement electronically via the Cyclescheme website. It is important that employees carefully read agreements in full before signing them.

- 15.3. The employee's application will be checked to make sure they meet the eligibility criteria (including checking that the employee will be likely to use the bike for work). The agreement will then be counter signed by the Council and the payment authorised.
- 15.4. Once Cyclescheme have received the payment from the Council they will issue a voucher, which will be sent directly to the employee. It takes approximately one month for employees to receive their voucher.
- 15.5. Once the employee receives the voucher they can take it to the bike shop to collect their bike (and any safety equipment they ordered). The employee should ring ahead to make sure that the shop has everything in stock and is ready to be collected.
- 15.6. Hire payments are deducted from the employee's gross monthly salary over 12 months and are not subject to tax or NI deductions.

16. What happens at the end of the 12 month hire period

- 16.1. After 12 months Cycle scheme will contact the employee directly regarding what return or ownership options are available to them, see 'What happens after 12 months' on the Cycle scheme website.

17. Leaving the Council before the end of the hire period

- 17.1. If the employee leaves the Council (including schools becoming academies) during the 12 month hire period the remaining money owed will be taken from their final salary payment. (The employee may then be offered an ownership option see 'What happens after 12 months' on the Cycle scheme website).

18. Mileage payments

- 18.1. Cycle miles cannot be claimed by employees during the 12 month hire period.

19. Further information on the cycle to work scheme

- 19.1. Further information on the cycle to work scheme can be found on the [Cyclescheme website](#) or by emailing travelplanofficer@westberks.gov.uk or by phoning 01635 519505.

The childcare voucher scheme

It is important that employees fully read the information provided on the [Fideliti website](#) in addition to the overview below.

20. How to apply for the childcare voucher scheme

- 20.1. From 4th October 2018 the childcare voucher scheme closed to employees not already in the scheme. Existing participants may continue to participate.

21. How many vouchers can be claimed?

- 21.1. The employee decides the amount of vouchers that they need up to a maximum amount based on the employee's tax rate. Details of current amounts can be found on the Fideliti website. The employee can vary the amount taken or

leave the scheme by providing Fideliti with the amount of notice specified on the Fideliti website.

22. Where can childcare vouchers be used?

- 22.1. Vouchers can be used in a variety of registered and approved childcare settings such as nannies, nurseries, holiday clubs, child carers and before and after school care – more information is available on the Fideliti website.
- 22.2. Childcare providers are not obliged to accept vouchers. The employee will provide Fideliti with the contact details for their childcare provider and an information pack will be sent to them. If they choose to register with Fideliti then they can accept vouchers.
- 22.3. If an employee uses multiple providers the vouchers can be split however the employee chooses.

23. How are vouchers received?

- 23.1. Full details of the types of vouchers available and how they are issued is available on the Fideliti website.

24. Leaving the scheme or amending the number of vouchers claimed

- 24.1. Employees can leave the scheme or change the number of vouchers claimed by giving Fideliti the length of notice specified on their website.

The Local Government Pension Scheme AVC Wise

It is important that employees fully read the full AVC wise information provided on the [Intranet](#) and the Prudential website in addition to the overview below.

25. The scheme

- 25.1. Since 1st March 2018 the Council has offered a Shared Cost AVC facility (SCAVC) called AVC Wise. This is part of the Local Government Pension Scheme (LGPS). AVC Wise is implemented using a salary sacrifice arrangement.
- 25.2. The Council offers two AVC schemes, AVC Wise which is a salary sacrifice scheme, and another AVC scheme that is not salary sacrifice scheme. **The scheme referred to in this document is the salary sacrifice AVC scheme.** Employees can find information on the non-salary sacrifice AVC scheme on the [Prudential website](#).
- 25.3. The scheme is open to all employees of the Council, including those in schools, who are members of the LGPS, so long as being part of the scheme, and any other salary sacrifice schemes does not take the employee's earnings below the National Minimum/Living wage or lower earnings limit.
- 25.4. The AVC Wise scheme is provided through use of a salary sacrifice scheme and offers tax relief and national insurance savings.

25.5. Under the scheme the employee formally agrees to accept a contractual reduction in gross salary which is equal to the contribution from the Council. The agreement is normally for a minimum period of 12 months.

25.6. AVC Wise must be operated on a 'shared cost' basis. This means the employee will be required to pay a £1 a month from their net pay, this is subject to tax relief. The employer contributes the salary sacrificed, and this amount is subject to tax and NI relief. This forms the shared cost arrangement.

26. How to apply for the AVC Wise scheme

26.1. Employees should read the information leaflet and the terms and conditions provided in the AVC Wise salary sacrifice application form (both available from the intranet by searching 'AVC Wise'). School staff in LGPS can obtain these documents from Payroll.

26.2. The employee decides upon their preferred investment fund(s) and a total contribution amount. The total contribution amount is the total deduction per payroll period of the employer salary sacrificed contribution and the employee £1 shared cost contribution.

26.3. The employee must complete a Prudential Application Form to confirm the **total** contribution amount. The application form can be obtained online via www.pru.co.uk/localgov quoting Berkshire Pension Fund and West Berkshire Council or by calling 0800 731 0466. The Council's employer scheme reference is WES4507.

26.4. The employee must complete the Council's salary sacrifice application form available on the intranet/from payroll. This constitutes a formal agreement between the employee and the Council to receive the benefit of AVCs in return for a reduction of salary.

26.5. Following receipt of the Prudential application form and the Council's salary sacrifice application form participation in the AVC Wise scheme will commence from the following month's payroll.

26.6. Employees can change the amount of salary sacrifice paid into the scheme by contacting Prudential.

27. Can an employee withdraw from AVC Wise?

27.1. Normally cancellation will not be permitted for a period of 12 months. However the Council may permit cancellation within the 12 months where there has been a 'lifestyle change' (a change of circumstances as a result of which the arrangement is no longer suitable). This may include the following (the list is not exhaustive):

27.1.1. Parental or adoption leave

27.1.2. Long term sickness

27.1.3. Change of work location

27.1.4. Bereavement

If the Council agrees to an early termination, employees will not normally be able to re-join AVC Wise for a minimum period of three months. To withdraw from the scheme employees must send a completed cancellation form to pensions@westberks.gov.uk stating the effective date and the reason for early termination.

27.2. A variation of the AVC Wise contribution is permitted at any time, subject to completion of the appropriate Prudential Form available by contacting the Prudential or [from the Prudential website](#).

28. What happens to AVC Wise if an employee leaves the Council?

28.1. If an employee's employment with West Berkshire Council terminates for whatever reason their entitlement to participate in AVC Wise will cease immediately. If the employee has been a member of LGPS for two or more years, the AVC plan will remain invested until retirement. Prudential may continue to deduct charges to cover the cost of managing the employee's plan in the intervening period. Alternatively employees can transfer all local government AVC benefits, including any local government AVCs held with other employers, to a pension scheme of their choice that will accept the transfer.

28.2. Employees with less than two years LGPS membership on leaving employment with the Council can choose to receive a refund equal to the realisable value of their AVC plan. Note: the value of the AVC fund will reduce to take into account the tax relief the employee has benefitted from during the period that contributions were made.