
MODERNISING OUR REWARDS STRATEGY

Report by Chief Executive

SCOTTISH BORDERS COUNCIL

20 November 2014

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to seek approval to implement a range of benefits for employees and elected members including retail, supermarket and holiday operator discounts, health care cash plans, car lease salary sacrifice scheme and technology and software salary sacrifice scheme.**
- 1.2 The range of benefits would will be made available to all Council employees, subject to duration of contract of employment for certain benefits, and elected members.
- 1.3 With a pay freeze followed by minimal pay awards over recent years and the Councils negotiated pay containment measures, the Council recognises that employee finances have been constrained. Traditional monetary incentives as a means of encouraging productivity will continue to be limited in the current financial environment.
- 1.4 As a result of this, we have reviewed our current employee benefits package and would like to build on this to introduce a comprehensive, tailored benefits package that is both varied and cost effective in order to assist with the recruitment, retention and motivation of the Council's workforce.

2 RECOMMENDATIONS

- 2.1 It is recommended to Council that it approves the development and implementation of an Employee Rewards Programme which includes;**
 - **A Shopping Discount Scheme**
 - **A Healthcare Cash Plan**
 - **A Car lease Salary Sacrifice Scheme**
 - **A Technology Purchase Salary Sacrifice Scheme**

3 BACKGROUND

3.1 The Council has a number of existing benefits that employees can take advantage of;

- **Local Government Pension Scheme (LGPS)** – currently the Council offers a final salary pension scheme and following the pension reforms in April 2015 this will become a career average scheme, both of which are very favourable when compared to the much more commonly offered defined benefit schemes most organisations offer. Currently the Council contributes 18% of salary towards the pension scheme for every person that has opted to enrol in the LGPS. In addition, the Council provides access to Additional Voluntary Contributions (AVC) schemes.
- **Holiday entitlement** – the Council offers a generous holiday entitlement of between 34 and 39 days, including public holidays and dependant on service and hours worked per week/year. In addition there is an annual leave purchase scheme.
- **Flexible working** – Employees can take advantage of a wide range of work life balance policies which provide a variety of working options to suit most employees' lifestyles including flexible working, job share, compressed hours, home working and term time working.
- **Training and Development** - The Council is committed to the training and development of employees so that they have the necessary skills, knowledge and behaviours to do their job effectively.
- **Child Care Vouchers** - Employees with children can choose to buy child care vouchers through salary sacrifice. The vouchers are administered online and can be used to pay for most types of childcare including nurseries, child-minders', before and after school clubs and holiday clubs.
- **Discounted access to Borders Sport and Leisure Trust** - Employees have the opportunity to access discounted rates at the Trusts facilities.
- **Discounted course fees with Borders College-** Employees can access discounted evening classes.
- **Cycle to work scheme** - Employees can purchase a bike and cycle safety equipment through salary sacrifice that is paid for over a 12 month period. **Occupational Health Service** - Employees and elected members can access the occupational health advice including medical advice and physiotherapy.
- **Employee Assistance Programme** - Employees can access practical assistance and support on finance, legal advice, personal advice, work life, retirement, healthy lifestyle choices and both telephone and face to face counselling.
- **Long Service Awards** - Employees who have 25 years or more local government service are awarded with a Long Service Award of a £100 gift voucher.
- **Free advertising for local businesses** - Local businesses can advertise offers for employees and elected members for free on the SBC intranet.
- **Car Contract Hire Scheme** - this scheme is an alternative method of vehicle provision for Employees required to use a vehicle for business purposes. If an Employee is eligible for this then they are able to use the vehicle for private use as well. Under this scheme the Council's contribution is fixed for the three year term of the contract by reference to the anticipated business mileage to be run

by the individual. The total cost per month deducted from salary includes the cost of the vehicle, its maintenance, Road Tax and Insurance premiums. Currently the Council supports around 150 cars under the Scheme.

- 3.2 Employee benefit and salary sacrifice schemes are becoming increasingly important as a quick, simple and cost effective way to help recruit, retain and motivate employees by demonstrating that they are valued as well as recognising the importance of work-life balance.
- 3.3 A salary sacrifice scheme is an arrangement whereby an employee gives up the right to receive part of their salary to pay for specified goods/services where a tax exemption exists. This tax exemption means employees do not pay income tax or national insurance contributions on the value of the purchase. However in some situations it will impact on the value of pensionable salary that is used for calculating pension contributions and final pension levels.
- 3.4 At a time of financial austerity, having a range of employee benefits to choose from is a reward for employees which enables their finances to go further.
- 3.5 The proposal is positive and should increase employee morale and engagement.
- 3.6 The Council currently operates an employee benefits page on the intranet that local businesses can advertise on for free. This programme will continue to operate and we will promote this opportunity in SB Connect.

4 PROPOSITION

- 4.1 It is proposed that an enhanced rewards package is introduced that includes the following options.

Shopping Discount Scheme

- 4.2 The Shopping Discount Scheme offers employees reductions in everyday shopping from supermarkets and high street shops. It also offers discounted holiday operator rates.
- 4.3 The percentage discount operates via a pre-loadable card e.g. a card that offers 8% discount in a wide range of high street shops. In addition a pre-loadable supermarket card is also available that offers a 4% discount.
- 4.4 The proposed Shopping Discount Scheme has an estimated cost of introducing this for three years would be £3.50 per employee.
- 4.5 The benefit would be available to employees who have a contract of employment with the Council which is at least 2 years in duration and will be provided once an employee has completed a period of 6 months employment.
- 4.6 It is anticipated that this can be in place before Christmas.

Health Care Cash Plan

- 4.7 The Health Cash Plan helps employees budget for the cost of visiting the dentist, optician, physiotherapist and a number of other healthcare professionals. Whether it's a check-up, treatment or an emergency. This would be open to all employees.
- 4.8 There would be no cost to the Council to introduce this benefit; it is for each individual to decide on whether they wish to pay into the Plan to access the benefits.
- 4.9 The scheme would be available to all employees, regardless of employment status, with contributions being collected directly from the individual rather than through payroll deduction.

Technology Purchase Salary Sacrifice Scheme

- 4.10 The Technology Purchase Salary Sacrifice Scheme enables employees to enjoy the use of equipment such as iPad, computers, Smart TV's and Smartphones through salary sacrifice.
- 4.11 The sacrifice is made in equal instalments over 36 months in return for the employer's agreement to provide the employee with the home technology equipment of their choice.
- 4.12 To qualify employees would need to have been employed by the Council for 6 months and have a contract of employment that is expected to last for the duration of the salary sacrifice period, three years.
- 4.13 There would be no cost to the Council to introduce this benefit.
- 4.14 All the schemes are fully managed services and will be offered via an online web portal.

Car lease Salary Sacrifice Scheme

- 4.15 Work has been undertaken in relation to reviewing the Council's existing Car Contract Hire Scheme with the view to replacing it with a Car Salary Sacrifice Scheme.
- 4.16 The objectives underpinning this review are:
- to provide a scheme that provides wider employee access to car rather than just those who do business miles
 - to provide an affordable and flexible car financing scheme to employees
 - to reduce the cost to the Council of providing the current scheme
 - to support the Council's promotion of sustainability and carbon reduction.
- 4.17 As a result it has been identified that it would be beneficial to both employees and the Council to cease the provision of the current Car Contract Hire Scheme and introduce a Car Salary Sacrifice Scheme.
- 4.18 This Scheme would be a fully managed service thereby potentially releasing administrative capacity in the Finance Team.

- 4.19 The exact cost implications for the Council and individual employees will differ according to a variety of factors:
- the model of car chosen
 - the eco-friendliness of the model of the car
 - the insurance claims history and how many drivers to be covered
 - the tax position of the individual employee
 - whether an individual is in the LGPS
- 4.20 As well as being able to offer a scheme open to all employees irrespective of their business mileage, the use of a car salary sacrifice scheme provides the employees several benefits including:
- Financing at rates and risk premiums which take account of the Council as the employer
 - Access to a new car at volume purchasing discounts
 - The payments being subject to a tax exemption which means employees do not pay income tax or national insurance contributions.
- 4.21 There is a potential adverse impact on an employee's pensionable pay and the resulting pension receivable; however this impact is for the employee to assess against their own personal circumstances and financial priorities. In addition, it is possible for them to investigate off-setting this through the use of AVCs potentially using the savings they receive through paying for a new car via salary sacrifice.
- 4.22 It is anticipated that the Council could save between £400 and £1,000 per individual participating in the scheme due to National insurance and Pension savings without reducing the mileage rate from the current 45 pence per mile.
- 4.23 It is anticipated that the Council will be in a position to use already negotiated frameworks for this type of scheme, and if this is possible with a product that meets the Council's requirements then it is intended to work towards implementation by 1st April 2015.

Promotion of the Additional Benefits

- 4.24 To assist in marketing all the providers of these services will provide a managed launch campaign to ensure optimum employee engagement. Whilst the schemes are web based, marketing leaflets would be made available for those employees who do not have access to the internet.
- 4.25 All the existing benefits and proposed additional rewards will be available to elected members, dependant on meeting the relevant criteria with the exception of long service awards.
- 4.26 The introduction of a wider scheme will allow employees to maximise available discounts and access affordable arrangements for purchases. The introduction of the scheme will also reduce the risk of employees accessing expensive loans/ credit options.

5 IMPLICATIONS

5.1 Financial

- (a) The cost of implementing the discounted shopping scheme is estimated at £18,550 to provide all eligible staff with a card for a three year period. This cost will be met from existing resources within the HR budget.

- (b) The anticipated savings associated with the Car lease salary sacrifice scheme are £130,000p.a. by the end of the second full year of implementation. This is based on an annual uptake of up to 250 employees per annum. This saving will be included within the proposals brought forward for the 5 year Financial Plan to be agreed in February 2015.

- (c) The technology purchase salary sacrifice scheme will also provide savings in employee and employers national insurance which will be dependent on uptake.

5.2 Risk and Mitigations

Procurement will be engaged to support the securing of the most appropriate schemes to deliver these services and ensure value for money. Widening of salary sacrifice opportunities, means that the Council will need to investigate whether is a requirement to place a maximum value on deductions via salary sacrifice schemes.

5.3 Equalities

An Equalities Impact Assessment has been carried out on this proposal and it is anticipated that there are no adverse equality implications.

5.4 Acting Sustainably

None

5.5 Carbon Management

No impact.

5.6 Rural Proofing

Not required.

5.7 Changes to Scheme of Administration or Scheme of Delegation

None.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council, Corporate Transformation and Services Director, Procurement Manager and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

Approved by

**Tracey Logan
Chief Executive**

Signature

Author(s)

Name	Designation and Contact Number
Clair Hepburn	Chief Officer HR
Lynn Mirley	Corporate Finance Manager

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Clair Hepburn can also give information on other language translations as well as providing additional copies.

Contact us at Clair Hepburn, chepburn@scotborders.gov.uk, tel 01835826677