



London Borough of Hammersmith & Fulham

CABINET

22 JULY 2013

SALARY SACRIFICE SCHEMES

Report of the Leader of the Council, Councillor Nicholas Botterill

Open Report

Classification - For Decision

Key Decision: Yes

Wards Affected: All

Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance

Report Author: George Lepine, Project Manager, Human Resources

Contact Details:

Tel: 0208 753 4975

E-mail:

george.lepine@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. H&F and RBKC are seeking to renew existing Salary sacrifice schemes and extend the range of salary sacrifice schemes in line with other Private sector employers.
- 1.2. Salary sacrifice schemes allow employees to access benefits at what is effectively a reduced cost for which they sacrifice a part of their cash remuneration.
- 1.3. H&F and RBKC intend that the salary sacrifice schemes being proposed will increase employee satisfaction and engagement and enhance the position of both Councils in the recruitment market place.
- 1.4. Schemes to offer childcare vouchers, a cycle to work scheme, the purchase of computers, laptops and mobile devices and health and wellbeing benefits are proposed as salary sacrifice arrangements. Retail and leisure discounts will be offered to employees as a voluntary benefit scheme.

- 1.5. H&F and RBKC have the option of joining an existing framework agreement procured by the Eastern Shires Purchasing Organisation (ESPO) or embarking on their own procurement process. Joining the framework agreement is the recommended option.

2. RECOMMENDATIONS

- 2.1. That the Council enters into an Access Agreement with ESPO to enable it to call off services from ESPO's Framework Agreement for Employee Benefits (Agreement 319, Issue No. 4).

3. REASON FOR DECISION

- 3.1. Under the Council's Contract Standing Orders a Cabinet Key Decision is required for all contracts which have a value of £100,000 or greater. The anticipated minimum annual value of the proposed salary sacrifice arrangements (counting only childcare vouchers and cycle to work) for H&F is £420k and for RBKC is £420k, giving a combined value of £840k. Contract value is counted as the amount of money flowing through the contract rather than the cost of the service to the Councils.

4. OBJECTIVES AND KEY CONSIDERATIONS

Objectives of the proposed salary sacrifice arrangements

- 4.1. The specific objectives of the proposed salary sacrifice and voluntary benefit schemes are:
 - To offer employees a carefully chosen range of additional benefits, which support the Councils' reward strategies and allow employees to make choices to maximise their net income and benefit from the purchasing power of the two Councils;
 - To increase employee satisfaction and engagement and enhance the position of both councils in the recruitment market place; and

5. OPTIONS

Childcare vouchers

- 5.1. Childcare vouchers are an employee benefit aimed at helping working parents pay for their childcare costs. In effect, vouchers are paid for out of pre-tax and national insurance income and paid for by the employee entering into a salary sacrifice arrangement.

Cycle to work

- 5.2 Cycle to work was introduced as a government initiative to promote healthier journeys to work and to reduce environmental pollution. The intention is that employers reduce the carbon footprint of their organisation as well as pollution and congestion and employees benefit from improved health and fitness.

Purchase of computers, laptops and mobile devices

- 5.3 Salary sacrifice schemes are an important means of giving employees access to what is often expensive technology or the opportunity to renew existing outdated hardware and software. Computer literacy and access to the internet and social media confer important personal benefits as well as supporting the council through improved skills and acceptance of new technology.

Health and wellbeing benefits

- 5.4. A variety of health and wellbeing benefits may be offered to employees as salary sacrifice schemes:

- Health screening
- Dental screening
- Gym and health club membership
- Medical insurance
- Critical illness cover
- Private healthcare
- Dental care

- 5.5 Health screening allows employees to benefit from access to services such as full medicals, MRI scans, cancer screening and well man or well woman assessments. Screening may reassure those employees who take up the opportunity that everything is in good working order or enable them to take preventative steps if it is not. In this way it may also benefit the employer by reducing absenteeism.

- 5.6 Health club and gym membership is another frequent health and wellbeing benefit. Typical schemes offer access to a variety of organisations (Fitness First, LA Fitness, Nuffield Health, etc.) and a variety of levels of membership

- 5.7 Critical illness cover, medical insurance and private healthcare can also be offered as salary sacrifice schemes.

Retail and leisure discount schemes and leisure choices

- 5.8 These offer no savings potential for the employer and their attraction lies in the appeal which they have for employees and their motivational benefits. They are more usually set up as voluntary benefit schemes rather than as salary sacrifice schemes. This means that the employee pays out of his or her own taxed income, but benefits from the buying power of the scheme provider which provides discounts on products and services.

6. PROCUREMENT

- 6.1. We have identified a framework agreement procured by the Eastern Shires Purchasing Organisation, which would give immediate access to salary sacrifice schemes for childcare vouchers and cycle to work as well as a voluntary benefit scheme for retail and leisure discounts. The Legal Department have confirmed that H&F along with all other UK local authorities are able to call off from this framework agreement.
- 6.2. The ESPO framework agreement does not currently include computers, laptops and mobile devices or health and wellbeing benefits. ESPO, however, have already started the process of renewing it and have confirmed that they intend to include a wide range of other salary sacrifice schemes in any new agreement:
 - Holiday purchasing;
 - Green car schemes
 - Additional qualifications
 - Health benefits
- 6.3. ESPO anticipate that they will have completed the procurement of a new framework agreement by November 2013. This would mirror the timetable which H&F would be obliged to follow should it decide to procure its own contract with a provider of salary sacrifice schemes.
- 6.4. We seek approval to enter into an Access Agreement with ESPO to enable it to call off services from ESPO's Framework Agreement for Employee Benefits (Agreement 319, Issue No. 4).

7. EQUALITY IMPLICATIONS

- 7.1 The salary sacrifice schemes which are proposed in this paper have no negative implications for any of the protected characteristics specified in the Equality Act 2010. Nor is there any requirement to carry out equalities monitoring in this area.
- 7.2 We will, however, promote the schemes in away designed to encourage maximum uptake from all Council employees and in the longer term could review the extent of the take up across the different protected characteristics.

8. LEGAL IMPLICATIONS

- 8.1. Legal Services has been consulted with respect to the Eastern Shires Purchasing Organisation Framework Agreement for Employee Benefits (Agreement 319, Issue No. 4) and has reviewed both the Framework Agreement and the OJEU notice advertising it. H&F and RBKC may access the Framework Agreement. In using the Framework Agreement H&F will be compliant with the Council's Contract Standing Orders and the Public Contract Regulations 2006 (as amended). The direct award of any call-off contracts will need to be made in compliance with Regulation 19(7)(a) of the Public Contracts Regulations.
- 8.2. Legal Services will be available to assist the client department with preparing and completing the necessary contract documentation.

8.3. Implications verified by: Kar-Yee Chan, Solicitor (Contracts).

9. FINANCIAL AND RESOURCES IMPLICATIONS

9.1. The financial and resource implications of the proposed salary sacrifice schemes have been reviewed and confirmed by Corporate Finance. The assessment given in this paper is as accurate as it can be. Although the financial savings which can be achieved through salary sacrifice schemes are modest, it is hoped that, through effective marketing, their benefits in terms of recruitment, retention and engagement will be substantial.

9.2. Implications verified by: Elizabeth Nash, Principal Accountant, 2567.

10. RISK MANAGEMENT

10.1. Risks associated with the salary sacrifice schemes are captured and monitored through the People Portfolio Board. The register is reviewed at each meeting of the board.

11. PROCUREMENT AND IT STRATEGY IMPLICATIONS

11.1. H&F has identified a framework agreement let by Eastern Shires Purchasing Organisation (ESPO) which meets its immediate and likely future needs for salary sacrifice schemes. ESPO is one of the UK's largest public sector professional buying organisations. It operates on a not-for-profit cost recovery basis and serves, among others, local authorities. H&F already makes use of a number of ESPO framework agreements.

11.2. The ESPO Framework Agreement for Employee Benefits (Agreement 319, Issue No. 4) has been advertised and established in full compliance with public procurement legislation. The Legal Department has confirmed that H&F and RBKC along with all other UK authorities may access the agreement. Doing so represents a significant saving in time and effort over embarking on our own procurement process for what would be a Part A service subject to the full rigour of the Public Contract Regulations 2006.

11.3. Implications verified by: Mark Cottis, E-Procurement Consultant, 2757.

12. CONCLUSION

12.1 The People Portfolio Board has selected a range of salary sacrifice schemes and a voluntary benefit scheme to offer employees.

12.2 The Board seeks approval to enter into an Access Agreement with ESPO to enable it to call off services from ESPO's Framework Agreement for Employee Benefits (Agreement 319, Issue No. 4) to deliver these schemes.

- 12.3 Entering into such an agreement would save the time and effort that would have to be invested in what would be a Part A service subject to the full rigour of the Public Contract Regulations 2006. Another advantage of using this existing framework agreement is that as it expands so we will be able to expand the range of options that we make available to employees beyond those already specified in this paper.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	N/A		