



People, Performance and Development Committee
Thursday 22 March 2017

My Benefits Salary Sacrifice Schemes

Purpose of the Report:

The purpose of this paper is to provide Members with an update on changes required to comply with measures being introduced under the Finance Bill, 2017. The result will be to reduce to the range of Salary Sacrifice options offered to staff under the My Benefits Scheme, with effect from 6 April 2017. However there will be no retrospective changes to Salary Sacrifice Arrangements that are already in place before 5 April 2017.

In autumn 2016 the Council had made representations to HMRC arguing that staff already participating in such schemes should not suffer any detriment and that proposals to remove salary sacrifice status from schemes designed to promote wellbeing; upgrade skills; and to off-set the high cost of commuting, should be reconsidered. As the latter was unsuccessful Officers will be seeking alternative ways to achieve the same objectives and will provide the Committee with options to consider for implementation before April 2018.

Recommendation

It is recommended that the People, Performance and Development Committee Members note changes to the My Benefits Salary Sacrifice Schemes arising from the Finance Bill 2017 and the steps being taken by Surrey County Council to avoid detriment to staff members already taking part in a salary sacrifice scheme.

Context

1. On 10 August 2016 HMRC published a Consultation Paper that anticipated a change in the treatment of Tax and National Insurance (NI) for Salary Sacrifice Schemes which would effectively limit salary sacrifice to the provision of Childcare Vouchers and Cycle to Work Schemes. Consultation was completed just ahead of the 2016 Autumn Statement.
2. Following Consultation the Government agreed to modify its proposals so that:
 - a) the current Tax and NI advantages will continue for Arrangements in place before the 5 April 2017 until April 2018 and until April 2021 in the case of lease cars. As a

consequence no staff with Arrangements already in place should be disadvantaged; and

- b) salary sacrifice schemes for lease cars attracting current Tax and NI advantages will be allowed to continue for leases entered into for Ultra Low Emissions Vehicles (ULEVs). ULEVs are defined as vehicles that have CO₂ emissions below 75 grams per kilometre.

Current Position

3. At present, some 1,900 staff participate in one of the seven Salary Sacrifice Schemes provided under the Council's My Benefits Scheme.
4. The advantage of Salary Sacrifice is that the amount which staff pay from their gross salary for a particular item / service is exempt from Tax and NI. At the same time the Council as Employer also makes savings depending upon the specifics of the scheme.
5. The Arrangements currently in place can be split into three categories:
 - 1,600 staff have arrangements in place for Childcare Vouchers; Cycle to Work; or Mobile Phones. These Schemes are currently provided by P & MM, a company specialising in employee benefits, under a contract that is about to be retendered.
 - 70 staff have arrangements in place covering Health Assessments; Training and Qualification Loans; or Workplace Parking. These schemes are managed in-house.
 - 220 staff have mycar lease car contracts in place. The provider contract is with a leading lease car company, Zenith; this can run until January 2019, assuming that the Council triggers a one year extension clause in July 2017.
6. As noted above the changes from the 6 April will not affect any current arrangements so that the cost effectiveness of the My Benefits Scheme should not be compromised.

My Benefits Salary Sacrifice Options for 2017 – 2018

7. In order to comply with the Finance Bill 2017 the range of options that will continue to be made available will be as follows:

- Childcare Vouchers and Cycle to Work Schemes

No changes will be required to the existing Childcare and Cycle to Work Schemes both remain eligible for Salary Sacrifice and will continue to enjoy the same Tax and NI advantages as before.

- mycar Leasecar Scheme

The terms of the Scheme will be modified to restrict the range of vehicles available to Ultra Low Emissions Vehicles (ULEVs). These are cars with CO₂ emissions at or below 75 grams/kilometre and will continue to enjoy the same Tax and NI advantages as before. Please also see Fact Sheet attached to this report as Annex 1.

Limiting access to ULEVs will accord with the objectives set out in the Council's policy statement on "Smarter Working for the Environment" and a key indicator as to the success of the policy will be the number of hybrid and electric engine cars leased.

8. However at the same time the following Salary Sacrifice options will be withdrawn:

- Health Care Assessments
- Mobile Phones
- Training & Qualification Loans
- Workplace Parking Loans

Future Developments

9. Last autumn the Council made representations to HMRC arguing the case for retaining existing Tax and NI benefits in respect of the four options listed at 3.2 above. That was because provision of those Schemes complemented the Council's Total Reward Policy and objectives to promote wellbeing, upgrade skills and off-set the high cost of commuting within the Surrey catchment area.

10. Consequently, it is proposed that the Reward Team should explore new ways in which these objectives can be achieved in the future. In particular:

- (a) whether it is feasible to link the funding of Training and Qualifications to the management of the new Apprenticeships' Levy; and
- (b) whether alternative ways can be found to assist staff with meeting the cost of parking as part of the review that is being conducted into Workplace Parking under the on-going Pay and Reward Strategy Review.

Once alternative options have been developed a further report will be provided with recommendations for PPDC to consider for implementation before April 2018.

11. Meanwhile, it is anticipated that demand for lease cars will fall, at least in the short-term, once choice is limited to ULEVs – at present ULEVs only make up some 3% of the mycar fleet. However, a growing number of manufacturers are producing a wider choice of ULEVs in response to the changing tax regime and a new marketing strategy is being developed with Zenith to promote the range available through the mycar scheme. A review will be undertaken to assess the impact of the change to ULEVs once take-up figures for the six months to end-September 2017 become available.

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Annexes:	Annex 1- Fact Sheet: Ultra Low Emissioners Vehicles (ULEVs)
Backgrounds Papers:	None

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