

Human Resources



SALARY SACRIFICE POLICY AND PROCEDURE

Policy and Procedure for Salary Sacrifice

1 Introduction

Surrey Heath Borough Council is committed to ensuring that employees are able to achieve a balance between the demands of work and their domestic, personal, public duties and circumstances in order to maintain work performance.

2 Scope

This procedure applies to all employees at the Council. This policy and procedure should be read in conjunction with the employee's Terms and Conditions of Employment.

3 Policy Statement

The purpose of this policy and procedure is to provide guidance when dealing with requests for salary sacrifice. Information on the benefits available to all employees are detailed within this policy.

4 Equality Assessment Policy

The Council's Equality Scheme demonstrates its commitment to equality internally and externally and ensures that all sections of the community are given an opportunity to contribute to the wellbeing of the community. An equality impact assessment will be carried out on this Policy and Procedure.

The Council ensures that consultation is representative of the community and that consideration is given on how to consult hard to reach groups and will positively learn from responses.

5 Principle and Aims

The purpose of this policy and procedure is to provide the opportunity for employees who have agreed to forgo part of their salary in return for non-cash benefits such as childcare vouchers, pension contributions, Electric Car scheme and Cycle to Work scheme which can enable tax and national insurance savings to be made.

6 Cycle to Work Scheme

6.1 The Cycle to Work Scheme is administered for Surrey Heath Borough Council through Green Commute Initiative (GCI), [the details of which can be found on Warbler here-](#)

6.2 If any employee wishes to take advantage of this benefit, [they will need to please see the details on Warbler and](#) email human.resources@surreyheath.gov.uk. This is the main email address to be used for all applications and emails regarding this benefit process.

6.3 The current limit for our scheme is £3,000 over a period of 12 months. Safety equipment is included in this amount such as lights, lock, helmet, reflective clothing, extra tyre, etc. Items that are not included are GPS, camera or car rack.

6.4 When an application has been submitted by the employee, both they and the HR team are sent an email acknowledging the application.

6.5 The employee is required to click on the link in the email and then log into GCI. HR will then see the pending order with 'Authorised' or 'Not Authorised' and choose accordingly.

6.6 Once the application has been authorised, 2 documents are automatically raised by GCI – a Hire Agreement and a Salary Sacrifice document, both of which are sent to the employee for them to electronically sign. Once signed, the Salary Sacrifice document is sent to HR and GCI also receive confirmation.

6.7 GCI then raise an invoice and send it to Surrey Heath Borough Council to process.

6.8 The Payroll Team will process the salary sacrifice to be deducted from the employee's gross salary.

6.9 GCI send a voucher to the employee which they take to the bike shop and make arrangements for the order and collection of their bike.

6.10 If an application is rejected, HR will notify the employee that their application has not been authorised.

6.11 This benefit is not available to employees during their probationary period or who are employed on a Fixed Term Contracts.

7 Electric Car Scheme

Surrey Heath Borough Council offer an Electric Car scheme through [Octopus Electric Dreams](#) a preferred supplier as yet to be confirmed.

7.1 The scheme is similar to the current cycle to work scheme, the Council would lease electric vehicles to the employee and the additional vehicle services from [Octopus EVA](#) preferred supplier as yet to be confirmed. In turn, the Council would provide the use of the car to the employee in return for them sacrificing an agreed amount from their gross salary. As this is before income tax and national insurance, employees would save on that monthly cost.

7.2 Every vehicle taken on the Electric Dreams scheme is 100% electric which significantly reduces overall carbon emissions from the vehicle.

7.3 Agile working has had a significant reduction on the amount of commuting journeys and associated carbon emissions. On average prior to the pandemic, employees spent 97% of their time in the office and 3% at home. At the time of the survey, employees spent 54% of their time in office and 46% at home). Surrey Heath Borough Council understands that further action is needed to support sustainable commuting. By supporting the shift to electric vehicles Surrey Heath could help employees reduce their impact of a yearly commute by up to two thirds compared to a diesel or petrol car.

7.4 Surrey Heath House has two electric vehicle charging points that are available to staff (process of access is to be reviewed).

How The Scheme Works

7.5 The Octopus, Electric Dreams Car scheme is an employee benefit scheme. The scheme is paid through sacrificing part of employees' gross salary; making savings on national insurance and income tax contributions (similar to the cycle to work scheme). The precise savings will depend upon personal tax circumstances and the make and model of the car chosen. Income tax and National Insurance Contributions won't be paid on the salary sacrificed.

7.6 The employee will have to pay Benefit in Kind ("BiK") tax on the car as a company car, but because it is a zero-emission car the BiK tax is currently much less than the income tax and NIC savings on the sacrifice. This should provide a saving to an employee compared to the cost of leasing a brand new Electric Vehicle.

7.7 In the last few years the high company car tax rates for petrol and diesel cars (typically 25-35%) have made company cars generally unattractive. However, in the case of electric cars the government set these Benefit in Kind (BiK) rates, at 1% for this tax year (2021/22) and increasing to 2% over the next three years -making EV salary sacrifice a viable option for the employee. Beyond year 3, the BiK rate is not currently guaranteed.

7.8 To be eligible to participate in the scheme, an employee must:-

- Be a permanent employee paid via PAYE.
- Be employed on a permanent contract and have completed their probation period.
- Be able to afford the salary sacrifice, meaning that revised salary, after taking into account salary sacrifice, exceeds the National Living/Minimum Wage and the Lower Earnings Limit for NIC purposes.
- Not be planning on retiring or resigning during the term of the agreement and the minimum agreement term is two years.

7.9 The monthly sacrifice includes the electric vehicle of choice, comprehensive motor insurance, roadside assistance, servicing, maintenance & repairs.

7.10 There is an estimated manufacturer lead in time of 6-8 months, depending on which model of Electric vehicle. The car will be leased for a fixed 2, 3 or 4 year period with a pre agreed mileage limit.

7.11 Octopus - A preferred supplier as yet to be confirmed will provide support with launching the scheme, with email communications, a webinar and pre-bookable 1-2-1 consultations and ongoing engagement. Staff must be completely aware of the agreement and arrangement they are signing up to and therefore will need to engage fully with the vehicle supplier prior to committing to the scheme as each person will have their own personal situations to consider.

8 Childcare Vouchers

8.1 The childcare voucher scheme closed to new joiners on 4th October 2018. Employees who receive vouchers for this scheme will be continued to be administered by Surrey Heath Borough Council.

8.2 After 4th October 2018 the government introduced tax free childcare.

Staff can potentially receive up to £500 every 3 months (up to £2000 a year) for each of their children, to help towards the costs of childcare. An online

childcare account will need to be set up by the employee. For every £8 paid into their account the government will contribute £2 to pay the childcare provider.

8.3 Staff will need to check with their childcare provider that they have signed up to the scheme before they can pay them and benefit from Tax-Free Childcare.

8.4 Tax-Free Childcare can be used for -

- Childminders, nurseries and nannies
- After school clubs and play schemes.

8.5 The employee's eligibility depends on:

- their income (and their partner's income, if they have one)
- their child's age and circumstances
- their immigration status.

8.6 The employee's child must be 11 or under and usually live with them. Eligibility for the scheme will cease on 1 September after their 11th birthday. Adopted children are eligible, but foster children are unfortunately not.

8.7 Staff cannot get Tax-Free Childcare at the same time as claiming Working Tax Credit, Child Tax Credit, Universal Credit or childcare vouchers. Which scheme they are better off with depends on their situation. Staff should use the enclosed [childcare calculator](#) from the UK GOV website to work out which type of support is best for them.

8.8 Staff must inform the Payroll Team within 90 days of applying for Tax Free Childcare for the Team to cease their childcare vouchers or directly contracted childcare.

9 Pension Additional Voluntary Contributions (AVC)

Whilst this is not classed as salary sacrifice scheme it is a scheme available to staff which will be a deduction from their monthly salary and therefore helpful to include some information.

9.1 An AVC allows an employee to build their funds alongside their workplace pension scheme. This can be a tax efficient method to increase their retirement savings as any additional voluntary contributions the employee makes to their pension are deducted from their monthly salary before tax.

9.2 AVCs are invested in funds so they have the potential to grow over time. All staff should be aware that the value of their fund can also decrease.

9.3 Any staff member wishing to set up an AVC will need to email Payroll@Surreyheath.gov.uk notifying them of the amount and the month they are requesting the start of the contribution to be made.

9.4 The AVC will be administered by Prudential and they will email the employee directly to register the administration of their additional contribution.