

AGENDA ITEM**10**

COMMITTEE: ADMINISTRATION AND REGULATION

DATE: 15TH JULY 2020

SUBJECT: BUYING ADDITIONAL ANNUAL LEAVE SCHEME

REPORT BY: SERVICE DIRECTOR,
HUMAN RESOURCES AND MONITORING
OFFICER

CONTACT OFFICER: HELEN GINTY 01582 548294

IMPLICATIONS:

LEGAL	✓	COMMUNITY SAFETY	
EQUALITIES	✓	ENVIRONMENT	
FINANCIAL	✓	CONSULTATIONS	✓
STAFFING	✓	OTHER	

WARDS AFFECTED: NONE

PURPOSE

1. The Buying Annual Leave Scheme was launched in September 2018. A review of the scheme was undertaken after it had been operational for 12 months, and some proposals to change aspects of the scheme were agreed in February 2020. The scheme has proved to be extremely popular. In light of the financial pressures that the council faces, it is considered that there is further scope to both enhance this employee benefit and maximise the cost savings to the council by making some changes to the scheme.

RECOMMENDATIONS

2. **Administration and Regulation Committee is recommended**
 - (i) To note the take up and savings figures for the scheme to date.

- (ii) To agree the proposed changes to the scheme – specifically to increase the maximum leave that an employee can purchase from 10 to 20 days (or pro rata equivalent) and to enable the purchase of additional leave at any point during the holiday year.

BACKGROUND

3. The buying annual leave scheme enables employees to take more time off work than their normal annual leave entitlement and this supports the council's approach to develop flexible employee benefits that attract, support and retain its workforce.
4. The scheme operates on a salary sacrifice basis with the cost of the additional leave that employees buy deducted from gross annual salary. This has the effect of reducing the employee's overall liability for tax, NI and pension contributions (if appropriate), whilst also reducing the council's liability for employers NI, apprenticeship levy and employer's pension contributions.
5. Full time employees can currently purchase up to 10 additional days leave, subject to the approval of their line manager. This is pro rata for part time employees.

REPORT

6. Since the scheme launched, 329 applications to purchase leave have been approved. The number of hours purchased and the savings generated for the council are set out below.

	No of employees who bought additional leave	No of hours additional leave purchased	(A) Amount of salary sacrificed	(B) Employer's NI & apprenticeship levy savings (9%)	(C)* Estimated employer's pension contribution savings (17.3%)	Total savings A+B+C*
Oct 2018	62	2,553	£ 37,649	£ 3,388	£ 6,513	£ 47,550
Apr 2019	116	5,678	£ 88,748	£ 7,987	£15,353	£112,088
Oct 2019	83	3,406	£ 51,687	£ 4,652	£ 8,942	£ 65,281
April 2020	68	3,762	£ 62,893	£5,660	£10,880	£79,433
	329	15,399	£240,977	£21,687	£41,688	£304,352

*The pension contribution figure assumes that all employees who have bought annual leave are also full contributing members of the LGPS and therefore the saving is likely to be overstated slightly.

7. The latest window for purchase of annual leave closed at the end of March 2020, following the Covid-19 lockdown. It is likely that the take up figures for April 2020 reflect the uncertainty of this period with the number of applications down by just over 40% from the previous year. Despite this decrease in applications, the average number of hours bought increased from 48 hours per applicant in April 2019 to 55 hours per applicant in April 2020, and the average saving (to the council) per applicant rose from £966 in April 2019 to £1,168 in April 2020.
8. It is anticipated that buying annual leave requests will remain depressed for the remainder of the current leave year as the majority of employees will have accrued but not taken leave during the lockdown, and will therefore have a 'cushion' of annual leave that is likely to reduce the need to purchase additional leave for the remainder of the holiday year. The expectation is that requests to buy annual leave will return to some sort of equilibrium in the 2021/22 holiday year.
9. An analysis of the reach and scope of this employee benefit was undertaken earlier this year and reported to Administration and Regulation Committee. In summary, this showed that employees from all directorates were accessing the scheme, and that there was a good spread of applications from across age ranges and across job grades.
10. A review of the amount of leave taken shows that approximately 40% of employees who purchased leave under this scheme opted to purchase the maximum entitlement. This suggests that there is likely to be an appetite from some employees to purchase more if the upper threshold were to be increased.
11. It is proposed to increase the maximum number of days that an employee can purchase under this scheme from 10 days to 20 days (or pro rata equivalent) in any leave year. Managers are encouraged to approve requests where possible but ultimately approval is subject to operational requirements and is not guaranteed. If a request cannot be approved in full, managers are asked to liaise with their employee and give consideration to accommodating the request in part. Where a request is refused outright on the grounds of service needs, the relevant service manager must sanction the decision.
12. Irrespective of how much annual leave is purchased, the expectation is that employees will take this leave within the leave year and that there will be no reimbursement for any leave purchased but not taken by the end of the leave year. Reimbursement of bought leave will only be made in very exceptional circumstances and with service manager approval (e.g. long-term absence or where service needs have stopped the employee from taking their leave).

13. Whilst the Trades Unions have been positive about this scheme and have agreed the proposals in this report, they wanted to ensure that employee expectations are managed and for the scheme documentation to clearly show that employees are not guaranteed to have their requests fully approved, particularly where they were seeking to purchase a lot of additional leave.
14. There are currently two six-week purchase windows in each holiday year. The first window is from mid-February to the end of March and the second window is open from mid-August to the end of September. Employees can currently only access the scheme outside of these windows in 'exceptional circumstances'. In the last 12 months, only two employees have applied outside of the main purchase windows.
15. The majority of applications to the scheme are made within the first window of the holiday year, enabling the repayments to be spread over a 12-month period, with the second window generating fewer applications and repayments compressed across 6 months. This biannual cycle means that the scheme is effectively 'promoted' to the workforce twice a year with reminders, countdowns and intranet articles.
16. It is recommended that these purchase windows are retained, and with them the benefit of twice yearly promotion of the scheme, however, it is proposed that more flexibility should be built into the scheme for employees who want to purchase leave outside of these windows and that the 'exceptional circumstances' caveat referred to in (14) be removed. This would mean for example that an employee who joins in November would not have to wait nearly 6 months before being able to purchase leave under this scheme, they could purchase immediately and repay during the 5-month period November – March.
17. There are a number of checks already built into the system to mitigate the risk of such an approach. All applicants whenever they apply are subject to a check to ensure that their salary after deductions remains above the national minimum wage – if not the request is refused. All applicants to the scheme make a declaration that they will pay back any monies owing to the council should they leave and have an outstanding balance in relation to the holiday they purchased. Normally this would be recovered from the employee's final salary payment but in the event that the amount owing was more than could be recovered then normal recovery arrangements would apply.

LEGAL IMPLICATIONS

18. This report has been agreed with Jasbir Josen Senior Solicitor on 25th June 2020.

FINANCIAL IMPLICATIONS

19. The proposed changes widen the scope of the scheme and thereby increase the potential for the council to make savings. The amount of savings will be determined by take up. However, in assessing the possible level of savings, consideration will need to be given to the likely impact on the working patterns of Council employees post-Covid, when it is likely that office based staff may work from home more frequently. In order to implement the changes there would be a one off cost, anticipated to be between £500 - £1,200 to amend iTrent to recognise the new upper purchase limit. Managers will also need to ensure that the scheme is operated to ensure that approval for additional annual leave requests does not adversely affect service delivery to such an extent that additional costs are incurred.
20. Dev Gopal, Service Director, Finance and Audit agreed this report on 30th June 2020.

STAFFING IMPLICATIONS

21. This is a voluntary scheme. There is no impact on employees apart from as advised within the report.
22. Angela Claridge, Service Director, Human Resources and Monitoring Officer agreed this report on 25th June 2020.

EQUALITIES IMPLICATIONS

23. There are no equalities implications attached to this report. Maureen Drummond, Interim Equalities Manager, signed off on this report 24 June 2020.

CONSULTATION ARRANGEMENTS

24. The Trades Unions are fully informed on the take up of the scheme and have been consulted on the proposed changes, which they have agreed. Their comments are captured in para 13 and have been incorporated into the scheme revisions at Appendix 1.

APPENDIX

Appendix – Buying Additional Leave Scheme – July 2020

LIST OF BACKGROUND PAPERS

None

LOCAL GOVERNMENT ACT 1972, SECTION 100D

None