

Title of meeting:	Employment Committee
Date of meeting:	2 nd October 2012
Subject:	Buying Annual Leave Scheme for Employees
Report by:	Head of Human Resources (Acting)
Wards affected:	N/A
Key decision:	No
Full Council decision:	No

1. **Purpose of report**

The purpose of this report is to provide Employment Committee with information to decide whether to implement a policy to allow employees to buy additional annual leave.

2. **Recommendations**

It is recommended that Employment Committee:

- agree to implement this policy with effect from the annual leave year commencing 1 January 2013
- agree the draft policy document (attached as Appendix A)
- agree if buying of annual leave should be done so through salary sacrifice
- agree to actively support and promote the policy as an additional benefit to employees.

3. **Background**

Buying annual leave can be an advantage to both employees and the organisation, by offering greater flexibility to employees and for the organisation to make savings. (*if buying is implemented through salary sacrifice, the organisation can make additional savings through the Employers National Insurance Contributions).

Buying additional annual leave can appeal to a range of employees, for example, extended leave for special occasions such as a wedding, to do voluntary work, holiday of a life time, or for more practical reasons such as to cover school holidays to negate expensive child care.

Advantages of Buying Annual Leave

One of the great benefits to buying annual leave is the increased flexibility for employees and potentially, increased morale.

If an organisation sets up such a scheme, employees buying annual leave can save the organisation 13.8 per cent Employers National Insurance Contributions, if this is offered through salary sacrifice. This is in addition to the savings already generated through the reduction of the individual's basic pay.

Limiting Factors

A robust process will need to be in place to ensure that the implementation of the scheme runs smoothly, is not over complicated and does not cause operational issues for the service the employee works within. On this basis, it is recommended that there is an application window to buy annual leave prior to the new leave year commencing. The applications would be considered and agreed and any payroll deductions will then be made in twelve monthly instalments throughout the following leave year.

An additional advantage to having an application window is for the line manager and Head of Service to consider the operational needs of the service and how the requests could impact upon this. It would create fairness in that it would prevent a first come, first serve situation. All leave requests throughout the actual leave year would need to be agreed by the line manager, as with normal annual leave requests.

There are possible risks for refusing requests to buy annual leave. Therefore, it is clearly stated in the draft policy that the Head of Service, in conjunction with the line manager, has the authority to refuse any requests. It is recommended that all request refusals are made in writing with the reasons stated. Employees will have the option to raise a grievance through the Formal Action Policy should they feel unfairly treated.

How the scheme could work

The scheme would sit alongside the Flexible Working Scheme and would contribute to employee benefits and wellbeing.

It is recommended that a maximum of 10 days annual leave can be bought in any one annual leave year (pro rata for part time employees).

The buying of annual leave must be authorised by the Head of Service, in close liaison with the employee's line manager.

Additional leave, as a result of buying annual leave, must be taken within the leave year and should not be carried forward into the following leave year.

Payroll would make the relevant deductions over the entire leave year, in twelve equal instalments.

It must be made clear that the employee cannot change their mind mid year. Any agreement to buy annual leave will remain unchanged throughout that leave year.

Salary Sacrifice Options

A number of local authorities offer to sell employees additional annual leave via a salary sacrifice scheme. This gives the authority the opportunity to create additional savings through the Employers National Insurance Contributions.

From the 6 Local Authorities within this region who operate Buying Annual Leave schemes, 3 do this through salary sacrifice.

The benefits of operating the scheme through salary sacrifice are:

- The employee will get tax and NI relief (if they are tax payers and do not fall below the threshold).
- The employer will save NIC which is approximately 10.5% if the individual is in the LGPS and 13.8% if not in the LGPS.

Implementation

It is recommended that the Buying of Annual Leave scheme is implemented to be effective for the annual leave year commencing 1 January 2013.

It is recommended that the scheme is launched to employees in October 2012. This would give employees the opportunity to put in their request to buy annual leave during October and November 2012.

It is recommended that the Heads of Service, in conjunction with the relevant line manager, accepts or refuses the request, in writing, by December 2012.

4. Reasons for recommendations

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If an organisation sets up such a scheme, employees buying annual leave can save the organisation 13.8 per cent Employers National Insurance Contributions, if this is offered through salary sacrifice. This is in addition to the savings already generated through the reduction of the individual's salaries.

5. Equality impact assessment (EIA)

This report has not undergone an EIA Assessment

6. Head of legal, licensing & registrars' comments

Prior to any changes to annual leave, agreement must be sought with the relevant Trade Unions and changes would also need to be made to employment contracts.

The proposed policy ensures the council will have overall discretion to refuse and approve such requests depending upon the circumstances of each employee

7. Head of finance's comments

Net savings would be achieved if a policy for employees to buy leave is implemented.

The amount of savings made would depend on the number of requests made by staff that were approved.

A low percentage of staff taking up the option of the full 2 weeks additional leave could generate annual savings in the region of £100,000 under the salary sacrifice option which would be reduced by the amount of NI savings if the salary sacrifice option was not implemented.

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Signed by City Solicitor and Strategic Director

Appendices: Appendix A – Draft Buying Annual Leave Policy

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: