

Salary Sacrifice for Additional Annual Leave Frequently Asked Questions

1. What is the holidayplus scheme?

The holidayplus scheme is an opportunity for you to 'buy' additional annual leave on top of your normal leave entitlement through a salary sacrifice scheme, subject to your manager's approval.

For example, if you:

- Need more time off than normal next year (e.g. for moving house, getting married, visiting relatives overseas, having 'the holiday of a lifetime');
- need to have more time off for caring responsibilities;
- would simply like more annual leave.

2. What is a salary sacrifice arrangement and how are the savings made?

Salary sacrifice means you have agreed with the council to exchange part of your gross salary in return for some form of non-cash benefit, in this case additional annual leave. Because the amount of salary you sacrifice is before Income Tax and National Insurance deductions are made, you will save between 32% and 52%, depending on your tax rate.

3. Who can join the holidayplus scheme?

This scheme is open to all employees unless you:

- Work on a term-time only basis, where the periods of annual leave are fixed to coincide with school closure periods;
- are already covered by a pre-existing arrangement for annual leave, such as people under a TUPE transfer;
- sacrifice an amount of salary which would result in your remaining salary falling below the National Minimum Wage/National Living Wage (NMW/NLW). This includes any other deductions from gross salary you may currently have, e.g. childcare vouchers;
- are on a fixed term/temporary contract for less than 12 months from the commencement of the salary sacrifice agreement;
- have started working for the council part way through the annual leave year and are outside the application period;
- are absent through family leave or on a career break;
- have been appointed directly by a school with delegated powers.

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4. How much additional leave can I purchase?

Full-time employees can buy up to 148 hours' annual leave which will be added to your current entitlement. This will be pro rata for part-time employees.

5. Can I sell part of my annual leave entitlement that I don't wish to take?

No, this scheme only enables you to purchase additional leave.

6. How is the purchase value calculated?

The standard calculation is based on the hourly rate of your basic pay at the point you submit your application, multiplied by the number of hours' annual leave you wish to purchase:

Hourly rate x number of additional hours = Total annual cost of additional hours

$$\frac{\text{Total annual cost of additional hours}}{12} = \text{Monthly cost of additional hours}^*$$

**gross cost prior to Income Tax and National Insurance*

Hourly rates can be found in appendices 1 and 2 of the Pay policy. Visit the Knowledge Base on TOPdesk for more information.

7. Can my manager decline my application?

All applications are subject to manager approval. When your manager receives your application, they will need to give fair consideration to the needs of the service. Requests will not be unreasonably refused, but if your application is declined this will be discussed with you and you can ask for the decision to be confirmed in writing. We recommend that you discuss your intention to purchase additional annual leave with your manager prior to making the application through the holidayplus portal. It may be helpful if you can give your manager an indication of how many additional hours you wish to purchase. Your manager may also want to discuss with you if you have any particular dates in mind when you might want to use this additional leave.

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If your manager declines your initial request but you then reach a mutually acceptable compromise, you will need to submit a new application and generate a new contract for the revised hours through the holidayplus portal.

8. Am I still able to apply for additional unpaid annual leave under the council's Annual Leave policy (B.3)?

The maximum amount of additional unpaid leave you may take in any leave year is four weeks' worth (148 hours), pro rata for part-time employees. This includes any additional leave you purchase through the salary sacrifice scheme. You may still make a request for unpaid leave under the Annual Leave policy, paras. 4.1 and 4.2, but any unpaid leave granted under this policy will be deducted from your salary in one lump sum and must not exceed the overall maximum stated above.

9. What happens if I reduce my hours or have a pay increase?

The calculation is based on your pay at the time you make your choice to buy the additional leave. However, the council reserves the right to re-calculate the value of your monthly deductions.

As part of the assessment of your eligibility for the scheme, the payroll section will check that the amount of salary you wish to sacrifice does not take you below the National Minimum Wage/National Living Wage (NMW/NLW). This assessment will be based on your salary at the point your application is received. If your salary subsequently reduces to fall below the NMW/NLW, the council will cancel the salary sacrifice agreement and an adjustment will be made to your annual leave.

10. I have just started working for the council, can I apply?

You can only choose to buy additional annual leave when the application period opens. This is normally in February in preparation for the commencement of the new annual leave year in April. If you join us part way through the leave year, you will only be able to buy additional leave at the next enrolment period.

11. What happens if I leave the council's employment?

If you leave part way through a leave year you will need to use your holidayplus days before you leave as you will not be reimbursed for any holidayplus days purchased and any remaining deductions due for days purchased will be collected from your final salary.

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12. Will this be a permanent adjustment to my annual leave entitlement?

No. The salary sacrifice agreement is for a period of 12 months and you will need to make a separate application for each annual leave year that you wish to purchase additional leave. Approval to purchase additional hours' leave in one leave year does not automatically mean that approval will be given in any subsequent years, as service/staffing needs in your department may vary from year to year.

13. How will this affect my benefits, State Pension or tax credits?

Provided you pay the minimum requirement for NI payments this scheme should not affect your basic State Pension.

A salary sacrifice may affect your entitlement to other benefits and tax credits and you should carefully consider the possible effects before you decide to go ahead. Please seek advice from the HMRC Tax Credits helpline on 0845 300 3900.

14. I'm in the Local Government Pension Scheme (LGPS). What affect does this salary sacrifice have on my future pension?

For the period during which your taxable pay is reduced as a result of this salary sacrifice arrangement, your pensionable pay will also be reduced. This will mean that all benefits calculated on reduced pensionable earnings would be reduced including pension, lump sum retirement grant, spouse's or partner's pension plus any lump sum death grant.

For pensionable service prior to 1 April 2014 LGPS, benefits are based on 'final pensionable pay'. This is normally based on your final year of service or, if your pay has reduced shortly before leaving, you can pick one of the two preceding years to be your final pay period for pension calculations. These are the only two options for calculating 'final pensionable pay' where pay is reduced because of a salary sacrifice scheme.

The benefits in the LGPS which have been built up in the scheme up to 31 March 2014 under final salary arrangements will be banked until eventual retirement and will be linked to the final pay in the year up to leaving or retiring, whenever this occurs. This is likely to be of significant benefit to LGPS members. If you have a 'clear year' of unreduced pay without a salary sacrifice agreement for additional leave immediately before leaving at whatever later date, pension benefits will be based on the higher pay

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figure (before salary sacrifice). This will relate to all pension benefits accrued up to April 2014.

Under the new LGPS 2014 regulations, for pensionable service from 1 April 2014 onwards benefits will be based on 'Career Average Revalued Earnings' rather than final salary.

Instead of waiting for the final year of employment to work out what your pension benefits will be in retirement, members will earn a 'pension pot' for each year of membership based on pay for that year. If pay is reduced because of salary sacrifice for one or more years, the amount of pension earned for that year will be based on that lesser amount. At

retirement, all the individual annual 'pension pots' are revalued based on the Consumer Price Index (CPI), totalled to reflect the number of years of membership and retirement benefits based on the cumulative figure. There won't therefore be the opportunity to 'make up' the reduction in pensionable pay due to salary sacrifice by referring to a 'clear year' immediately before leaving.

To ease any reduction, you can choose to pay extra into the pension scheme. Should you wish to maintain your current level of pension contribution, the following options to increase benefits are available:

- Pay additional contributions (known as Additional Pension Contributions, APCs) to buy extra LGPS pension;
- make payments to the scheme's Additional Voluntary Contributions (AVC) arrangements;
- pay contributions into a personal pension, stakeholder pension or free-standing AVC scheme of your own choice.

More information on all of the above options can be found on the LGPS website under 'How to increase your pension benefits?' at www.lgpsmember.org/arm/already-member-extra.php.

If you require specific information as to how a salary sacrifice arrangement might affect your personal LGPS benefits, contact the East Riding Pension Fund at erpf@eastriding.gov.uk or on 01482 394158.

North Lincolnshire Council and the East Riding Pension Fund are not allowed by law to provide financial advice and you should contact an independent financial adviser if this is required.

The advice given above is based on the best available information. Whilst every care has been taken to ensure its accuracy, the council cannot guarantee that inaccuracies will not occur nor future changes made to the LGPS regulations. No responsibility will be assumed by the council or the ERPF for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation

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or liability incurred by an employee of the council. The council reserves the right to make changes to this information without notice and every effort will be made to keep the content of this question up to date.

15. Will I pay LGPS pension contributions on the additional hours' annual leave I purchase?

The additional hours leave you are purchasing are classed as authorised unpaid leave for the purposes of the LGPS. During a period of authorised unpaid leave employees in the LGPS do not pay pension contributions, and the unpaid leave will not count towards your scheme membership. The council is required to provide the ERPF with the dates on which unpaid leave occurs. Therefore, for administrative purposes, you will be deemed to take the additional hours you purchase before your normal, contractual leave entitlement. The dates on which you take the additional hours' leave are the dates which will be passed to the ERPF.

Once you have used the number of hours leave purchased, the payroll section will write to you to give you the option of paying pension contributions on the additional unpaid leave, which will then maintain your pension benefits, through a Shared Cost Additional Pension Contribution (SCAPC) contract. If you choose to pay pension contributions on the additional unpaid leave, these will be deducted from your salary in one lump sum.

16. What happens if I go on family (e.g. maternity) leave or sick leave?

If you enter a period of unpaid leave, you will be allowed to suspend salary sacrifice payments until you return to work. Your benefits will be calculated on your reduced gross salary which may result in a lower value of these benefits. If you then decide not to return to work any outstanding monies will be collected from your final salary. If you wish to opt to pay the remaining months off in full from your final salary before going on a period of family leave you can arrange this through your manager and your HR Advisory Officer.

17. Will salary sacrifice affect my entitlement to a redundancy payment?

If your employment with the council terminates on the grounds of redundancy, any redundancy payment you are entitled to will be based on your gross pay after the salary sacrifice deductions have been made.

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18. How do I apply?

To apply for the scheme, phone the holidayplus hotline on 01908 303 432.

Or, apply online by visiting www.salary-plus.co.uk/northlincs.

Please ensure you have a copy of your latest payslip handy or you know the following information:

- Your contact details;
- your National Insurance number;
- your payroll number;
- your annual gross basic pay (excluding overtime, allowances or supplements);
- how often you are paid (e.g. monthly/weekly);
- the number of hours that you are contracted to work each week;
- your manager's name;
- the number of hours' annual leave that you wish to purchase.

Provided you are not requesting additional leave in excess of the maximum hours permitted, a contract document will be generated which means you are agreeing to give up the right to receive part of your gross salary in exchange for additional annual leave.

19. Once I have signed my holidayplus contract, does this mean my application can go ahead?

You will still need to give the contract to your manager who will also need to sign the contract as authorisation for you to have the additional annual leave. The contract will then be passed in turn to payroll and HR who will need to check you are eligible for the scheme (see number 3 for information on eligible employees).