

**GENERAL ASSEMBLY OF THE COUNCIL**  
**Monday 25 July 2022**

**PAY POLICY STATEMENT 2022 -23 AMENDMENT - SHARED COST AVC**

1. Summary

1.1 The Council will be introducing a Shared Cost Additional Voluntary Contributions arrangement for employees in August 2022, which will allow them to build up extra savings for retirement. The Pay Policy Statement approved at the February Budget 2022 meeting must be amended to ensure the transparency requirements under the Localism Act 2011 are met.

2. RECOMMENDATION

2.1 That the Pay Policy Statement amendments, as highlighted in red script at Appendix A to the report, be approved.

3. Background and Discussion

3.1 From August 2022, the Council will introduce a new Shared Cost Additional Voluntary Contributions (Shared Cost AVCs) scheme to provide employees, who are members of the Local Government Pension Scheme (LGPS), with an opportunity to gain National Insurance contribution savings on additional voluntary contributions made into the Local Government AVC Scheme.

3.2 The Council offers the LGPS and the LGPS rules allow employees to build up their pension benefits for retirement by paying Additional Voluntary Contributions (AVCs) by way of a tax-free deduction through payroll. If an employee chooses to pay AVCs, they are invested separately from the main LGPS pension benefits and provide additional income upon retirement.

3.3 The LGPS regulations provide for the employer to also contribute to an employee's AVC fund. This is known as a 'Shared Cost AVC', which can be provided through a salary sacrifice arrangement.

3.4 A salary sacrifice arrangement is a popular and legitimate method used by employers to provide employees with a benefit (in this case the benefit is AVCs, paid by the Council into an employee's AVC fund).

3.5 Under the 'Shared Cost AVC', the Council will agree to pay an employee's chosen contribution amount to their AVC fund and, in return, the employee agrees to enter a salary sacrifice arrangement under which he/she accepts a reduction in their gross salary, which is equal to the contribution amount. In addition, as the 'Shared Cost AVC' must operate on a shared cost basis, the employee is required to pay a fixed £1 a month as their individual contribution to the 'Shared Cost AVC'. This contribution is deducted from

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the employee's gross salary and paid into the employee's AVC fund, in addition to the contribution from the employer, under the salary sacrifice arrangement.

3.6 For employees, the advantage is that they will not pay tax or NICs on the amount of salary sacrificed. As a result, operating a 'Shared Cost AVC' through a salary sacrifice arrangement provides an opportunity for employees to save NICs in addition to the usual tax savings, thus increasing take-home pay when compared to paying AVCs in the standard way. In addition, the Council will benefit from a reduction in Secondary (employer's) Class 1 NICs that it is required to pay.

3.7 A salary sacrifice arrangement cannot reduce an employee's cash earnings below the National Minimum/Living Wage rates.

3.8 As the UK has left the EU, the obligation that the UK return MEPs to the European Parliament has ceased and the UK will not take part in future European Parliamentary elections. The reference to the payment of fees for *European* elections (section 5.3) has been removed.

4. Relationship to the Corporate Plan

Not Applicable

5. Financial, legal, staffing and other implications and risk assessments

Financial Implications	<p>None - AVCWise fees are based on a percentage of the amount of salary sacrificed in the respective invoicing period. The percentage applicable for the Council is 4.5% (plus VAT).</p> <p>As the Council can expect to benefit from savings of 14.3% of the salary sacrificed, the cost of introducing, implementing and administering the scheme can be met comfortably from these savings, leaving the Council with a net saving.</p>
Legal Implications	<p>The 'Shared Cost AVC' scheme meets the criteria for salary sacrifice and the tax exemption at Section 308 of Income Tax (Earnings and Pensions) Act 2003.</p> <p>Section 39(4) Localism Act 2011 – any amendments to its Pay Policy Statement must be agreed by resolution of the GAC. (including after the beginning of the financial year to which it relates).</p>
Climate Impact Assessment	N/A
Staffing Implications	None

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Administrative Implications	None - The 'Shared Cost AVC' scheme will be provided by AVCWise as a fully-managed solution which entails the provision of a dedicated website, incorporating an administration facility to fully-manage employee applications and salary sacrifice data, removing the need for manual application processing. The platform also integrates the AVC provider application processes and creates the monthly salary sacrifice reports for payroll and payment schedule for the AVC providers, Prudential and Standard Life.
Risk Assessment	No uncertainties and/or constraints

6. Details of Exempt Information Category

Not applicable

7. Appendices

Appendix A - [Revised] Pay Policy Statement

BACKGROUND PAPERS

<u>Documents consulted</u>	<u>Date / File Ref</u>	<u>Report Author</u>	<u>Section and Directorate</u>	<u>Exempt Information Category</u>
		Philippa Curtis (01322) 343054	Human Resources Corporate Services	N/A