

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

**DATE: 21<sup>st</sup> September 2017**

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## **MATTERS REQUIRING FINANCIAL APPROVAL**

### **PURPOSE OF REPORT**

This regular report outlines matters requiring consideration by the Executive under the Council's Financial and Contract Procedure Rules.

### **RECOMMENDATIONS**

The Executive is recommended to:

- (a) approve a grant contribution of £5,000 to SELRAP in support of the development of the business case for the Colne to Skipton line subject to confirmation of funding contributions from other stakeholders;
- (b) approve the implementation of the car salary sacrifice scheme for all staff as designed by Tusker utilising the framework agreement developed by North Yorkshire County Council;
- (c) note that the Peter Birtwistle Trust intends to enter in to a mortgage to help fund the cost of housing development at Carry Lane, Colne and the implications for the Council as the Custodian Trustee to the charity.

### **REASON FOR RECOMMENDATIONS**

To seek approval from the Executive on specific matters that have financial implications for the Council.

### **ISSUE**

#### **SELRAP<sup>1</sup>**

1. In May 2013 the Executive resolved the following in support of SELRAP:

*That a pledge of £5,000 be made to help fund the GRIP 3 process, subject to a positive outcome to Phase 1(b); evidence that all funding has been acquired to allow the process to go ahead and the agreement of Lancashire County Council.*

<sup>1</sup> Skipton and East Lancs Rail Partnership

2. No payment has been made to-date but the work of the campaign to re-open the line between Colne and Skipton has advanced to the stage where this could be released. The Executive is asked to authorise the payment of £5,000 in the current financial year to SELRAP, funded from the Revenue Expenditure Reserve. Payment to be subject to confirmation from SELRAP that all other required funding is in place and agreed.

### ***Car Salary Sacrifice Scheme***

3. The provision of benefits through salary sacrifice is not new. The council currently operates a salary sacrifice scheme for child care vouchers and cycle to work, whereby the employee 'sacrifices' an agreed amount of salary to access these benefits, with the effect that both the employee and council benefits through reduced tax and national insurance contributions.
4. The Government has recently endorsed the continued availability of a salary sacrifice scheme for the purchase of cars, with the greatest savings being achieved on low emission cars, in an effort to encourage people to drive these cars.
5. An important part of the council's Workforce Strategy is how we reward and recognise employee's efforts and how we can make them feel valued, and a specific Reward & Recognition Strategy is currently in development. The introduction of a car salary sacrifice scheme would greatly support such a strategy as employees can lease a car at a significantly reduced cost. The scheme that is recommended is supplied by Tusker for the reasons noted below.
6. Tuskers were awarded an OJEU<sup>2</sup> framework in January 2010 and work in partnership with North Yorkshire County Council to deliver cars through salary sacrifice. The County Council underwent a full OJEU retender in 2013 and Tusker were reappointed for a further 3 years, with a further 1 year extension to December 2017
7. It is proposed to utilise this Framework Agreement and award Tusker a contract for the delivery of a car salary sacrifice scheme for the council for a period of 3 years, as this will remove the requirement to complete a timely and costly procurement exercise and/or a mini-competition. The scheme is easy to implement and administer, and Tusker removes any risks for the council and its employees.
8. Salary Sacrifice car schemes are essentially business contract hire, and as such the council is responsible for any costs associated with the vehicle under its agreement with Tusker. However, these costs and responsibilities are passed on to the employee through the Salary Sacrifice agreement and Scheme Policy between the council and the employee.
9. The employee agrees to a reduction in their gross salary in return for a non-cash benefit, in this case a Company car and the associated services within the scheme. This mechanism in turn can result in savings on Income Tax, National Insurance and pension contributions on the gross salary being sacrificed (if employee is in the Local Government Pension Scheme)
10. The scheme enables employees to access a new, fully maintained and insured car through flexible benefits at a lower cost than they could normally achieve in the retail market.
11. Tusker removes the risks associated with the scheme for both the employee and the employer. The main risks of the scheme sit with the employee to the Council and the Council to Tusker. However, a number of provisions are available for the Council to select as being mandatory for the employee to protect them in the event of terminating the arrangement early in the circumstances of resignation and redundancy for example.

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<sup>2</sup> Official Journal of the European Union

12. Further protections can provide safeguards in case of other ‘life’ events including maternity/paternity leave and long-term illness. Other than internal authorisation and payroll related matters the scheme administration is carried out by Tusker at no cost to the Council. They manage all employee engagement and provide a dedicated point of contact with all associated marketing and communications material included.
13. Subject to Executive approval, it is proposed to introduce 2 operational constraints on the choice of vehicles accessible under the scheme; these are a restriction on vehicle emissions with a maximum of 120g/km proposed and vehicles with a maximum list price of £40,000. The first parameter is to encourage take up of lower emission vehicles, the second aligns the scheme with the Vehicle Excise Duty regime. Within these limits, officers would be able to pick from a wide range of vehicles and in summary the benefits to the Council by appointing Tusker to provide the scheme are:
- Procurement available via a Framework; saves time, resource and money as no requirement to run a mini-competition
  - Can take advantage of Tusker’s considerable experience of managing 70+ Local Authority schemes
  - Cars are registered to, funded and managed by Tusker (not the Council)
  - Significant Employer Pension contribution savings can be achieved – on average £49 per month per employee
  - Considerable National Insurance savings are a real (tangible) cost reduction for Ultra Low Emission Vehicles chosen on the scheme
  - No initial up front or ongoing costs payable by the Council to Tusker
  - “Win/Win” situation for both the Council and employees
  - All employee interaction/engagement is fully outsourced to Tusker
  - Scheme complements and blends with the existing employee benefits offered
  - Minimal administration for both employee and the Council; uses standard processes
  - Cost neutral – cost of vehicle covered by gross salary sacrifice
  - No fixed term for the Council to commit to
  - Risk mitigation – minimised risk to both the Council and employees
  - Procurement, audit trail and comprehensive reporting
  - Tusker manages all in-life services with specialised Employee Engagement and Customer Service teams; no day to day involvement required by the Council
  - Fully interactive, online solution for employees to help with making informed choices
  - Proven HMRC and VAT compliant scheme
  - Bespoke and tailored scheme for the Council to achieve objectives
  - Dedicated implementation and marketing resource; ongoing provision of key communications to staff members
  - Carbon offsetting paid for by Tusker, which helps with company-wide emissions reporting and supports Sustainability Policy.
14. The Executive is recommended to approve the implementation of a salary sacrifice scheme for cars and agree to the engagement of Tusker utilising the North Yorkshire County Council framework agreement. Should the scheme be approved, the report author will work with the Council’s Human Resources Manager to implement the scheme and conclude the contractual arrangements with Tusker.

### ***Peter Birtwistle Trust***

15. Under a Trust Deed dated 4<sup>th</sup> December 1951, the Council is the appointed Custodian Trustee of the Peter Birtwistle Trust. The Trust has informed the Council of its intention to enter in to a mortgage with Triodos Bank NV to help fund the development of housing at Carry Lane, Colne. The mortgage is for £200,000 over a term of 25 years at a variable rate of 3% above the bank base rate.

16. The mortgage is secured by way of a first charge on Trust property located on Keighley Road, Colne. The Trust has obtained the necessary certificate under s124 of the Charities Act 2011 that it obtained written proper advice in considering whether to take the loan and the Council is entitled to rely on this.
17. As the Custodian Trustee, the Council has been asked to execute a mortgage deed in conjunction with the Managing Trustee(s) of the Trust and the Bank. Following receipt of the mortgage deed, enquiries have been made to establish whether the Council would have any liability in the event of default by the Trust. No liability should arise save for the potential risk to Trust property secured by way of a first charge in favour of the Bank. As a result the Executive is asked to note the position and that the mortgage deed was subsequently executed by the Council on the 18<sup>th</sup> September 2017.

## **IMPLICATIONS**

### **Policy**

18. There are no new policy implications arising from the contents of this report.

### **Financial**

19. The financial implications are generally as outlined above. There is a fee of £400 per annum plus VAT, to access the framework for the car salary sacrifice scheme and whilst Tusker has indicated that they would cover this fee, it is not intended take this offer up as it could be viewed as a form of inducement. The £400 cost would be met from other approved budgets each year.

### **Legal**

20. There are no additional legal implications arising directly from the contents of this report.

### **Risk Management**

21. There are no additional risk management implications arising directly from this report.

### **Health and Safety**

22. There are no health and safety implications arising from the contents of this report.

### **Climate Change**

23. There are no climate change implications arising directly from the contents of this report save for those implications outlined as part of the car benefit scheme.

### **Community Safety**

24. There are no community safety issues arising from the contents of this report.

### **Equality and Diversity**

25. There are no equality and diversity implications arising from the contents of this report.

## **APPENDICES**

None.

## **LIST OF BACKGROUND PAPERS**

None.