

Report to: Governance Committee
Date of meeting: 29 September 2022
By: Chief Operating Officer
Title: Employee loans and bike salary sacrifice scheme
Purpose: To ask the Governance Committee to consider various changes to the Council's employee loan scheme and its bicycle salary sacrifice scheme

RECOMMENDATIONS

The Governance Committee is recommended to:

1. agree that the requirement that employees must have completed their first probationary review be removed for rental deposit loans;
 2. agree to the loan scheme being expanded to allow loans to be issued for employee visa application fees;
 3. agree to the loan scheme being expanded to allow senior managers to approve loans for purposes other than those specified in the policy, provided there is a robust business case to support this; and.
 4. agree to the employee loan limit for bicycles, and for the separate bicycle salary sacrifice scheme, be increased to £5000
-

1 Background

- 1.1 ESCC offers an employee loan scheme, which can be used for a variety of specified purposes: buying a vehicle or bicycle; driving lessons; rental deposits; and public transport season tickets.
- 1.2 Like all staff benefits, the scheme is intended to support recruitment and retention. Most loans are available on an interest-free basis, therefore helping employees to spread the cost of commuting to work, traveling while on the job, or moving to the county from elsewhere.
- 1.3 The recruitment market is particularly challenging at the moment, and HR is receiving more queries about the scope of the loan policy as it is currently worded. The Policy has therefore been reviewed and proposed changes to the policy are set out below.

2 Rental deposit loans

- 2.1 In 2019, the Committee agreed to the employee loan scheme being amended to allow employees to take out an interest free loan to cover the cost of the deposit on a rented property. (Appendix 1).
- 2.2 At present all employee loans are subject to a general requirement that the applicant must already have completed their first probationary review, which takes place after three months in post.
- 2.3 While not exclusively for this purpose, one of the reasons the loan was introduced was to facilitate recruitment of Newly Qualified Social Workers, by reducing the financial burden of moving into the County from outside the area. HR has recently received some feedback from the Children's Services Department, suggesting that the loan policy would be more effective if new employees could apply for a rental deposit loan shortly after commencing in post.
- 2.4 In practice, due to the time pressures involved in securing a rented property, employees will normally have already incurred the initial cost of their deposit up front,

and will then apply for a loan as a means of reducing the financial burden of paying out such a large lump sum in one go. However, the current probation requirement means that they face a significant wait before being able to benefit from the loan scheme. This means employees may face financial hardship in the meantime, and so reduces the effectiveness of the loan as a recruitment and retention tool.

- 2.5 The probation requirement is intended to provide the organisation with some assurance that the applicant will remain in employment for the foreseeable future, and therefore reduce the risk that they will leave or be dismissed before repaying the loan. However, the financial risk to the organisation is relatively low, at a maximum of £2000 per loan, and the organisation already has robust processes in place to ensure any outstanding debts are recovered when employees leave. Balanced against the benefit of maximising their effectiveness as a recruitment and retention tool, it's proposed that the probation requirement be waived for rental deposit loans.

3 Visa fees

- 3.1 Due to the generally challenging recruitment market and following the UK's withdrawal from the European Union, the Council is sponsoring an increasing number of Visas for overseas workers. In addition to the sponsorship fee that employers pay, individual workers are required to pay a personal application fee including a health surcharge. For example, the application fee for a two year visa in a non-shortage occupation is over £1800. This may represent a significant cost to a new employee, particularly when considered alongside the other costs of moving to a new country.
- 3.2 Expanding the loan scheme to include visa fees as a specified purpose could therefore help support new employees to enter the workforce, which directly supports recruitment and retention.
- 3.3 As with the suggested changes to the rental deposit scheme, the employee will need to bear the initial cost of their visa – there is no expectation that the loan would be paid in advance of the employee commencing in post. However, it would help to lessen the financial burden on the employee. As above, it is also proposed that visa loans are not subject to a requirement for the employee to have completed their first probationary review.

4 Loans for non-prescribed purposes

- 4.1 While the loan scheme is intended to meet a range of needs, it is not exhaustive, and there may be exceptional circumstances where there is a business need to provide employee loans for purposes other than those specified.
- 4.2 For the specified purposes listed in the policy, loans are ultimately approved by the appropriate Assistant Director. However if providing a loan for another reason, it's proposed that the Assistant Director would need to submit a written business case to the Section 151 officer. This would help ensure that loans were only paid following a robust, objective decision making process. Subject to approval, HR will update the employee loan policy and scheme of delegations to reflect this.
- 4.3 Under HMRC rules, employers can provide employee loans for any purpose without attracting any tax liability, provided that the total amount owed by the employee is no more than £10k in any given tax year, or that the loan is subject to a level of interest higher than the HMRC official rate. The existing loan scheme is written on this basis, with a general loan limit of £10k in place with the exception of vehicle loans where the appropriate interest rate is charged instead.
- 4.4 As described above, the organisation already has processes in place to recover any outstanding amounts in the event an employee leaves, so making loans for additional purposes should not represent a significant additional risk.

5 Bicycle loans and salary sacrifice

- 5.1 The employee loan scheme also allows employees to take out a loan for a bicycle, to be used for commuting and business travel. In addition, the Council offers a 'cycle to work' bicycle salary sacrifice scheme, which provides additional savings compared to a conventional purchase.
- 5.2 Both schemes currently have a spending limit of £3000. The limit was last revised in 2021, in order to facilitate employee access to electric bicycles which make longer business journeys more feasible. However, the current limit still only allows access to a fairly narrow range of electric bikes – this has been exacerbated by rising inflation and ongoing shortages caused by the pandemic.
- 5.3 While the average employee spend is still around £1500, HR has received several requests to consider a higher bike scheme limit. Facilitating these requests would help enhance an already popular staff benefit and support the Council's work to promote greener staff travel. However it is not anticipated that it would generate a significant additional financial burden for the Council. The Head of Finance has been consulted on this change, and is supportive of it.

Ros Parker
Chief Operating Officer

Contact Officers:
Sarah Mainwaring
Head of HR&OD Services
Tel. No: 01273 482060
Sarah.mainwaring@eastsussex.gov.uk