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**Staffing Matters and Urgency Committee**

21 March 2022

Report of the Chief Operating Officer and  
Head of Human Resources and Organisational Development

**Amendment to the Council's LGPS Discretionary Policy to Implement  
a Shared Cost Additional Voluntary Contribution Scheme**

1. This report requests approval of the Committee of an amendment to the Council's LGPS Discretionary Policy Statement in order to comply with The Local Government Pension Scheme Regulations 2013 (the "LGPS Regulations"), to implement a Shared Cost Additional Voluntary Contribution Scheme (SCAVC) for employees.

**Background**

2. This paper contains further information, as requested at the meeting of 15 February 2022. The background information from previous reports is attached at **Annex 1** (from 17 January 2022) and **Annex 2** (from 15 February 2022) for the Committee's reference.

**Additional Information provided**

3. The revised Policy Statement is attached at **Annex 3**.
4. **Annex 4** shows the new text in red on page 6 of the discretionary policy statement. This was included in the papers for the meeting of 17 January, 2022. The amendment is to Regulation R17(1) and definition of SCAVC in RSch 1.
5. The current version of the Policy Statement is attached at **Annex 5**.
6. The following table shows the numbers of staff on each grade, together with the numbers of staff within those grades who currently contribute to AVCs from their monthly pay. (These figures are as at 31 January 2022, and will fluctuate with time).

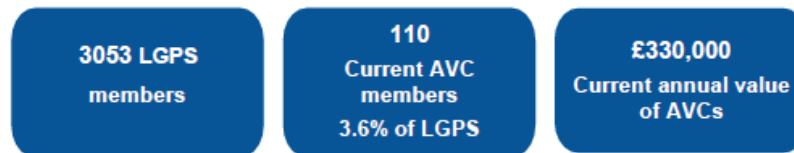
<b>Grade</b>	<b>No staff eligible to be in the LGPS pension plan</b>	<b>No staff paying into AVCs</b>
GRADE02	185	1
GRADE03	61	0
GRADE04	461	2
GRADE05	380	4
GRADE06	346	11
GRADE07	459	10
GRADE08	342	18
GRADE09	483	22
GRADE10	182	15
GRADE11	153	15
GRADE12	40	6
GRADE13	16	1
AsstDir	6	1
Dir	7	0
CorpDir	1	0
CH-EXC	1	0
<b>Grand Total</b>	<b>3123</b>	<b>106</b>

7. Based on their experience with other local authorities, AVC Wise expect that 90% of those staff already paying into AVCs would transfer to the new salary sacrifice Shared Cost AVC scheme.
8. They also expect that our current overall numbers of staff paying into AVCs would increase from 3.4% to 10% over a 12 month period, this is based on experience of other Councils implementation and communication plans to promote the scheme.
9. A communications strategy and action plan would be agreed between AVC Wise and CYC and would include communications and promotion via a range of different medias to promote the service. Employees will have the choice to access group webinars and one to one sessions hosted by AVC Wise. This is in addition to downloads of information / education and webinars available at any time on the AVC Wise portal. Those staff who are eligible to join the scheme and express interest in the scheme will be able to view the portal content. This support should encourage staff from all grades to benefit from the savings of these AVCs.
10. The projections of savings can be seen below, these have been provided by AVC Wise. These are based on the snapshot figures from summer 2021, and are based on standard NI charges. The temporary

increase from April would give a higher saving to both employees and the council, for as long as it may last.

### Employer Savings Estimate

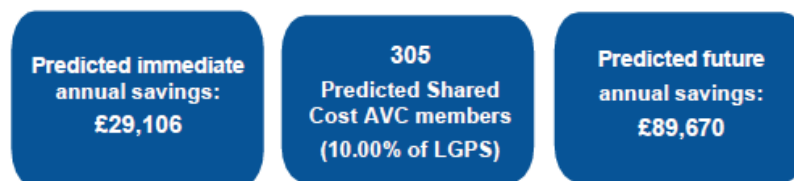
Based on the information you have provided we have estimated the following Employer savings as a result of introducing the Shared Cost AVC scheme with the help of AVC Wise's fully managed solution.



If we assume 90% of the current AVC members (99) transfer to the salary sacrifice Shared Cost AVC arrangement, **City of York Council** can expect to achieve immediate annual savings of around **£29,106**.

In addition to these savings, with the support of the AVC Wise fully managed service, our easy to use platform and our concerted marketing and staff communication plans, we confidently expect the take-up to increase to a minimum of **10.00%** (305 members). If we apply **£250** per month as the average Shared Cost AVC value (based on our experience) and use **10.00%** of take up, **City of York Council** could achieve annual savings of around **£89,670**.

This savings figure could be our ultimate three-year target to achieve working together with **City of York Council**.



11. AVC Wise created the scheme working with Public Sector Tax to ensure compliance, following HMRC's guidance. The scheme for CYC would be in line with the 125 schemes that have all been approved to date through AVC Wise. NYCC have now implemented the AVC Wise scheme and NYCC Pensions team are aware and happy with the scheme.
12. Clearance with HMRC is not compulsory, but to follow best practice AVC Wise recommend we seek clearance. Each scheme per employer is registered uniquely and, as per all salary sacrifice schemes. HMRC will not pre-approve a scheme: the scheme must be in operation before seeking clearance that the scheme is compliant. The following is an extract from the HMRC website <https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-payee>

#### **Ask HMRC to confirm the tax and National Insurance contributions**

If there is a point of legal uncertainty you can contact the [HMRC clearance team](#). HMRC will not comment on a proposed salary sacrifice arrangement before it has been put in place.

To be satisfied that the change has been effective at the right time and not applied retrospectively, HMRC would need to see:

- evidence of the variation of terms and conditions (if there is a written contract)
- payslips before and after the variation

13. As part of their fully managed services, AVC Wise will submit a clearance request to HMRC on behalf of the Council following the first payroll deductions with the evidence above. They have completed this process for their current partners and all have been approved by HMRC.
14. If the changes to the Discretionary Policy Statement were agreed in March, there is a minimum of two months before changes can take effect for existing employees with an AVC (this is also dependant on the AVC Wise Team having the capacity to implement CYC's scheme as other employers schemes are also pending). The first action is to write to all existing AVC members and ask whether they wish to change their current AVC 'pot' to the new scheme (this is a choice and employees can choose to maintain their existing arrangements or run two 'pot / accounts'). Employees will be given one month to decide how they wish to proceed. New staff without any current AVC's should be able to be set up within one month of the scheme implementation.
15. Following the launch and communications with staff therefore, the earliest that deductions would take place would be June's payroll. If the change to the Discretionary policy statement were to be agreed later, the first deductions could be delayed to at least September due to poor take-up with launches that occur over the summer period and the availability of AVC Wise staff.

#### **Recommendation**

16. The Staffing Matters and Urgency Committee is asked to approve the revised Discretionary Policy Statement amendments with the proposed wording as red lined in **Annex 4**.

Reason: To invite Members to consider changes to the Council's Discretionary Policy Statement to comply with the LGPS

Regulations and Discretionary Compensation Regulations  
and approve the new Statement

17. If approved the Pension Discretionary Policy Statement will be signed, dated and forwarded to the NY Pension Scheme by the Chief Finance Officer (Section 151 Officer).
18. It is proposed that following one year of implementation, SMUC can be provided with a summary of the savings made.

**Contact Details**

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**Chief Officer Responsible for  
the report:** Ian Floyd, Chief  
Operating Officer

**Date:** 11 March 2022

**Approved**



**Specialist Implications Officers:**

Accounting Technician  
Payroll Manager  
Chief Finance Officer/Section 151  
Director of Governance and Monitoring Officer

**Wards Affected:** None

For further information please contact the author of the report – Helen Whiting.

**Background Papers:**

Report submitted to Staffing Matters and Urgency Committee on 17 January, 2022 but deferred for an in person meeting.

[https://democracy.york.gov.uk/documents/s155503/Report%20Shared%20Cost%20AVCs%20amendment%20to%20Discretions\\_Policy.html?CT=2](https://democracy.york.gov.uk/documents/s155503/Report%20Shared%20Cost%20AVCs%20amendment%20to%20Discretions_Policy.html?CT=2)

Report submitted to Staffing Matters and Urgency Committee on 15 February, 2022.

[https://democracy.york.gov.uk/documents/s156529/SMU%20Report%20S\\_CAVCs.html?CT=2](https://democracy.york.gov.uk/documents/s156529/SMU%20Report%20S_CAVCs.html?CT=2)

**Annexes:**

- 1 Report submitted 17 January
- 2 Report submitted 15 February
- 3 Revised Discretionary Policy Statement
- 4 Discretionary Policy Statement showing changes
- 5 Current Discretionary Policy Statement

**Abbreviations:**

AVC – Additional Voluntary Contribution

CYC – City of York Council

HMRC – Her Majesty's Revenue and Customs

LGPS – Local Government Pension Scheme

NYCC – North Yorkshire County Council

SCAVC - Shared Cost Additional Voluntary Contribution Scheme

SMUC – Staffing Matters and Urgency Committee