

# Buying additional leave scheme

March 2022

**HR Strategy Team**

## Document history

<b>Version</b>	<b>Date</b>	<b>Notes</b>	<b>Prepared by</b>
1.0	June 2018	Buying additional leave scheme introduced.	H Ginty
2.0	February 2020	Eligibility criteria widened to include employees on fixed term contracts and employees on probation. Reimbursement of leave not taken restricted for exceptional circumstances only.	H Ginty
2.1	July 2020	Scheme opened to applicants all year. Maximum number of days that can be purchased increased from 10 to 20 days for f/t employee or pro rata equivalent for p/t.	H Ginty
2.2	Sept 2021	Error corrected in appendix 1 Q&A	H Ginty
2.3	March 2022	Updated to show online application process available throughout holiday year.	H Ginty

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## 1. Background

- 1.1 This scheme sets out the current corporate process for employees to request and “buy” additional holiday.
- 1.2 The scheme allows you to take more time off work than your normal annual leave entitlement and this supports the council’s approach to develop employee benefits which attract, support and retain its workforce.
- 1.3 Additional holiday can be requested for reasons such as caring responsibilities, moving house, getting married, travel, to undertake training or simply time away from work.
- 1.4 The scheme will be operated on a similar basis to ‘salary sacrifice’. The cost of taking additional holiday will be deducted from gross annual salary thereby varying your contract of employment. As your overall salary is reduced your liability for tax, National Insurance and pension contributions (if appropriate) is also reduced.

## 2. Eligibility

- 2.1 The scheme is available to all council employees including those on the terms applying to Joint Negotiating Committee for Chief Officers of Local Authorities eg Service Directors, Corporate Directors and the Chief Executive.
- 2.2 The scheme **does not apply to:**
  - employees in schools under the scheme of financial delegation.
  - employees who are not in receipt of salary at the time deductions are due to commence.
  - employees on term time only contracts. This is because of the fixed nature of their hours and leave.
  - employees whose participation in the scheme would take their hourly rate below the National Living Wage.
- 2.3 Manager approval must be given, taking into account service needs. However, approval should not be unreasonably refused. Managers within ‘front line’ services should ensure that employees within their areas can access the scheme.

## 3. How the scheme works

- 3.1 Applications to the scheme can be made at any time of the year, however repayments will be made over the remaining leave year. The later in the year leave is purchased, the shorter the repayment period.
- 3.2 The council will actively promote the scheme during February to March for the forthcoming leave year (April – March) with signposting throughout the leave year.
- 3.3 You may request to buy additional holiday via an online application and authorisation process. A manual application process is available for employees who do not have online access.
- 3.4 You can request a minimum of one fifth of your normal contracted weekly hours up to a maximum of 20 days (148 hours for full time employees) or four weeks of your normal contracted hours whichever is the lower. As additional holiday will be calculated in hours, it will be deducted in hours when it is taken.

- 3.4 Managers are encouraged to approve requests where possible but approval is subject to operational requirements and is not guaranteed. If a request cannot be approved in full, managers should give consideration to accommodating the request in part. Where a request is refused on the grounds of service needs, the relevant service manager must sanction the decision.
- 3.5 Additional holiday purchased must be taken within the leave year.
- 3.6 The cost of buying each additional hour of holiday will normally be calculated based on the hourly rate for the spinal column point (SCP) at which an employee is paid when their application is approved.
- 3.7 If you have a contractual arrangement to work annualised hours or compressed hours you should seek specific information from the HR and payroll transactions team about how the cost of your request will be calculated.
- 3.8 For applications agreed in advance of the leave year, repayment will be spread equally throughout the annual leave year, with the first deduction in April, occurring monthly until the final deduction the following March. Where additional holiday is agreed at a point within the leave year, deductions will start once the request is agreed and will be spread into equal monthly payments until the final payment in March. If you are on a fixed term contract which expires during the repayment period you will be required to reimburse any outstanding balance from your final salary.
- 3.9 If your request is approved you will be required to agree to specific conditions. You must agree to the reduction in salary for the relevant holiday year or part thereof and also to repay the council for holiday taken in excess of your entitlement at the point of leaving, in line with your contract of employment.
- 3.10 This is a discretionary scheme and the council may withdraw it at any time.

#### **4. Declaring information**

- 4.1 Whilst taking additional holiday, you are still bound by your terms and conditions of employment with the council. The code of conduct for employees refers to conflicts of interest and paid and unpaid work. You are reminded of the need to comply with this code and all other relevant employee procedures, whilst taking additional holiday.

#### **5. Other types of leave**

- 5.1 You may wish to refer to the council's compassionate and special leave procedure before requesting additional holiday. There may be other ways that the council can support you to take time off from work.
- 5.2 Extended leave applies if you wish to take more than three working weeks away from the workplace on one occasion. If you want to do this, you can use bought annual leave instead of unpaid leave. The provisions and notice requirements for extended leave are set out in the compassionate and special leave procedure.

## Appendix 1 - Buying additional holiday scheme – FAQ's

**Q. How will I know when the scheme is open for requests to be considered?**

**A.** Applications to the scheme can be made at any time of the year. There is a form on the intranet that you will need to complete to request the leave. This will show the cost of the leave that you wish to purchase together with the monthly repayments. The completed form is automatically forwarded to your line manager for authorisation. If you do not have access to the intranet there is a manual form that can be completed and passed to your manager for authorisation (see appendix 2b and appendix 3).

**Q. Can I buy additional holiday at any time?**

**A.** Yes – see above. However, as repayments are spread over the remainder of the leave year, the later in the leave year that you apply, the less time there is to spread the repayments and the higher the monthly cost will be.

**Q. Will my additional holiday show on my iTrent record?**

**A.** Yes. Your iTrent record will show any carried forward leave, approved additional holiday and your normal entitlement, as your total leave entitlement. Any holiday you take will be deducted from your total entitlement.

**Q. If for example, I make a request for an additional 37 hours' holiday and it is agreed, will I lose 37 hours' pay when I take this leave?**

**A.** No, the cost of the 37 hours' additional holiday that you have "purchased" will be spread across up to 12 months.

**Q. Can I sell my annual leave?**

**A.** No.

**Q. How do I record my additional holiday on my Flexi recording sheet?**

**A.** As your approved additional holiday is combined with your normal entitlement, you should select the usual category of annual leave.

**Q. Who will cover my work when I'm taking my additional holiday?**

**A.** This will work in the same way as for your paid annual leave.

**Q. What happens if I am unable to take the leave that I have bought?**

**A.** When your additional holiday is agreed you must sign an agreement to pay for it. As with your normal annual leave, you must make arrangements to take your additional holiday within the holiday year. Reimbursement for untaken leave will only be considered in a very limited number of exceptional situations such as long term sick absence or where service demands have meant that you have been unable to utilise your holiday. In such cases approval will be required from your service manager.

**Q. Can I carry my leave forward if I don't use it?**

**A.** There will be no increase in the normal leave "carry forward" provisions and managers and employees must ensure proper planning and management of the taking of the additional annual leave. If, having purchased additional annual leave, you fail to take it before the end of the relevant leave year, and you are at your carry forward limit then the leave will be lost and no reimbursement made.

**Q. If I purchase additional leave will I be guaranteed the holiday dates that I need?**

**A.** As always, managers will do their best to accommodate leave requests. However, in line with the standard annual leave scheme, you should not make any arrangements, for

example booking travel or hotels before your requested leave dates have been approved.

**Q. Can my manager decline my request?**

**A.** Yes, but they must have the relevant service manager's approval. There may be reasons around service delivery that mean your request cannot be approved. Managers must facilitate requests wherever they can.

**Q. I am a manager and I can't agree to the full request - what should I do?**

**A.** Managers are encouraged to approve requests where practicable but can decline requests where additional cost or significant disruption to the service would be encountered. If you believe a full request is unworkable but a partial request could be accommodated, a conversation should take place with your employee about reaching a compromise over a different amount of leave or a different time period for it to be taken in. If agreement cannot be reached, you will need to decide if the original request can be approved.

**Q. Are there any other reasons why my request may be declined?**

**A.** Yes. We have a legal obligation to ensure that we pay all of our employees at least the National Living Wage (NLW). Payroll will check all requests. Any request where the salary deduction means the employees pay falls below the NLW will be declined.

**Q. I am on a fixed term contract, can I still apply to the scheme?**

**A.** Yes, however, deductions are scheduled from the date the application was approved to the end of the leave year irrespective of the remaining length of your contract. This means that you could end up with an outstanding balance which you would repay at the end of your contract (deducted from your final salary). Your manager, when approving your request, will need to balance the amount of leave that you have requested with the remaining term of your contract as well as the needs of the service and the team.

**Q. Will I get less pension if I use this scheme?**

**A.** If you take, for example 20 hours' additional holiday, in effect your overall annual pay is reduced by 20 hours and you will not pay employee contributions or benefit from employer's contributions with regard to your pension, for these 20 hours. However, the overall effect on your pension, particularly if you have been a member of the pension scheme for some years, may be very slight. Your continuity of service for pension purposes and for all other aspects of your employment will not be affected. If you are concerned you should seek advice from Bedfordshire Pension Fund (LGPS), Teachers Pension Scheme (TPS) or the NHS Pension Scheme (NHSPS) before accessing the buying additional holiday scheme. There may be the facility within each of these schemes to voluntarily purchase additional pension and if this is an option you are interested in you should speak to the relevant pension scheme.

**Q. How much will it cost me to take some extra holiday?**

**A. Example 1**

Full time employee applying for two weeks (10 days/74 hours) additional leave when scheme opens for applications in February/March. The employee's contracted hours are 37 per week and their hourly rate is £12.93 gross (annual salary £24,964 gross).

74 hours x £12.93 = £ 956.82 gross

Payment to be deducted over 12 months. Deductions commence in April with the final payment being in March the following year.

Monthly deduction = £956.82 divided by 12 = £79.73 gross per month (see above for impact on pension and pensionable pay).

### **Example 2**

Part time employee applying for 5 hours additional annual leave when scheme opens for applications in August/September. The employee's contracted hours are 21 per week and their hourly rate is £18.37 gross (annual salary £35,444 gross)

5 hours x £18.37 = £91.85 gross

Payment to be deducted over 6 months. Deductions commence in October with the final payment being in March of the following year.

Monthly deduction = £91.85 divided by 6 = £15.30 gross per month (see above for impact on pension and pensionable pay).

Please note: The net effect of the two examples given above will differ from employee to employee and will be dependant upon individual tax codes, whether an individual is above the National Insurance earnings threshold and whether they are a member of the pension scheme.

**Q. Why does it cost me less to buy holiday in this way?**

**A.** If you opt to buy additional annual leave, the cost of that leave is deducted in equal monthly instalments from your gross annual salary from the date at which your application is purchased through to the end of the holiday year. As this reduces overall pay, there is a corresponding reduction in tax, NI contribution and employee and employer pension contributions. Using this salary sacrifice method reduces the cost of purchasing leave to an employee who is a basic rate tax payer by approximately 30%

**Q. Apart from my pension, will buying additional holidays through this scheme impact on anything else?**

**A.** Agreeing to lower earnings means that you will pay lower national insurance (NI) contributions. Entitlement to some benefits and statutory payments is dependant upon levels of NI contributions and you should consider any impact this may have on statutory maternity/adoption/paternity pay, statutory sick pay, state pension and any means tested benefits or tax credits before purchasing leave under this scheme.

**Q. Will deductions start in the month in which I apply?**

**A.** Not necessarily. It depends on whether the payroll team are able to process your approved request before the payroll cut off date, which is usually around the end of the first week in any month. They will make every effort to do so, but in the event that it misses the cut off, then your repayments will start in the following month and you will be advised of the repayment figures which will differ slightly from those shown on the form you completed as the repayment period will have reduced by one month.

**Q. I have applied – what happens next?**

**A.** Your line manager will receive your application. If it is not approved, or if it is changed, your line manager will notify you. If your request is approved you may not receive confirmation from the HR and Payroll Transactions team, or see your leave balance change for a few weeks. This is because your application is processed during the month that your first payment is due and it's not possible to update the system earlier than this. You will however be able to book your leave in the normal way during this period. If payment details have not been confirmed or your balance has not increased by the end

of the month in which your payments have commenced, then do contact HR and Payroll Transactions on x6629 as occasionally errors can occur.

**Q. What happens if I reduce my hours / or have a pay increase?**

**A.** The cost of buying additional holiday is calculated at the time your request is approved. You buy additional holiday in hours. For instance if you are full time and opt to buy 37 hours holiday, you still have 37 hours holiday to take even if you reduce your hours to 20 hours per week. Pay increases / decreases (such as for grade changes or the annual pay award) will not affect the repayment agreement you signed.

**Q. My personal circumstances have changed and I can no longer afford the monthly deduction from my salary – what should I do?**

**A.** In discussion with your manager and HR, you may be able to cancel any leave purchased under this scheme if not already taken. This will only be considered in exceptional circumstances.

**Q. What happens if I am ill during my leave?**

**A.** Normal arrangements for sickness during annual leave will apply to the buying annual leave scheme

**Q. What happens if I leave?**

**A.** Your manager will calculate your holiday entitlement up to your date of leaving. This will include both your contractual holidays and any holidays you may have bought. The number of days that you have already taken within the leave year will be deducted from this balance. If there is a shortfall and you have taken more holiday than you have accrued, then you will be required to repay the value of any leave shortfall from your final salary payment. Your manager will notify the HR and Payroll Transactions team of this via a leavers form. If there is a surplus then unless there are exceptional circumstances, you would be expected to utilise the surplus during your notice period so that there is a nil balance at your date of leaving. If there is an outstanding balance on your repayment plan then this will be deducted from your final salary.

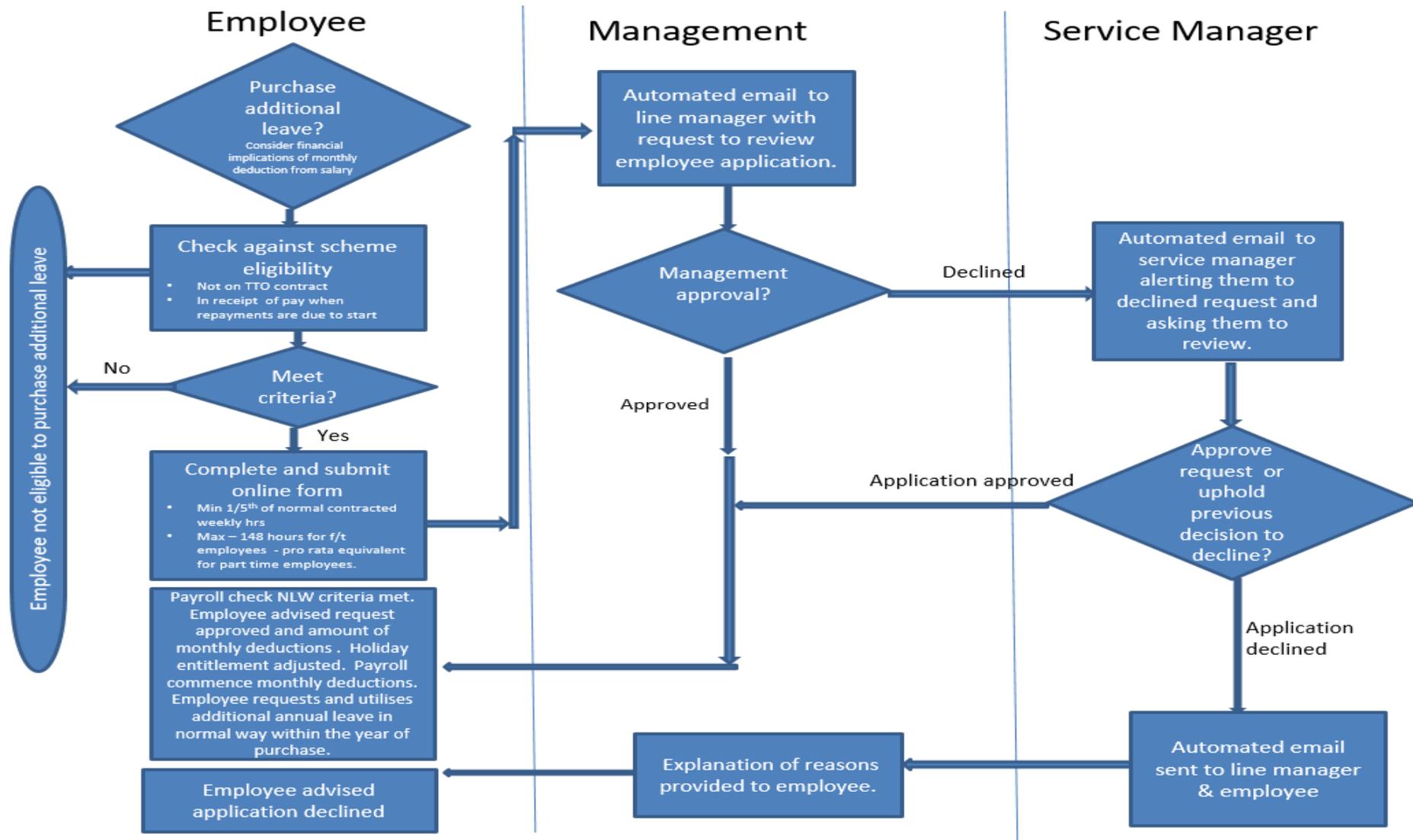
**Q. What happens if I leave due to compulsory redundancy?**

**A.** Special consideration may be given in situations of compulsory redundancy and ill health retirement.

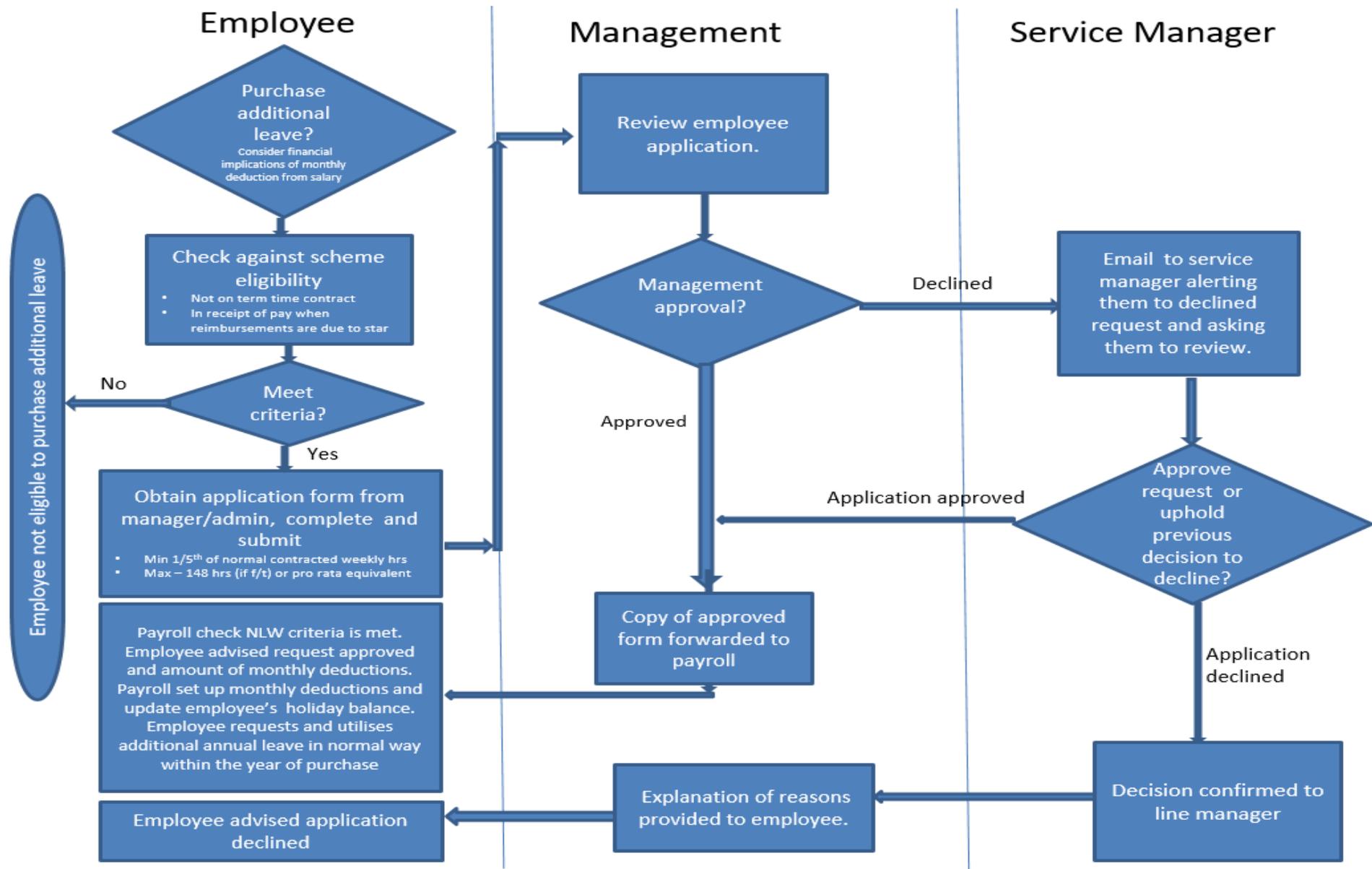
**Q. Who do I contact for further information?**

**A.** You can talk to your manager, or the HR and Payroll Transactions Team on 01582 546629

## Appendix 2a – Flowchart - buying additional holiday via iTrent process



## Appendix 2b – Flowchart – buying additional holiday – manual process



## Appendix 3 – Manual application form

If you do not have access to iTrent self service and you wish to buy additional holiday you should complete this form and forward it to your line manager.

If you are a full time employee, the maximum amount of additional holiday that you may "buy" in any one holiday year is 148 hours or 4 weeks of your normal contracted hours, whichever is the lower. If you work part time, the maximum will be pro rata to the number of hours you work.

If your request to buy holiday is approved, you will be notified of the resulting change to your monthly salary. You will be asked to sign to indicate your consent to this salary adjustment. The request to buy holiday will not be effective unless you sign and return the consent form.

Please note the booking of additional leave will be subject to the usual rules of your service area.

<b>Section 1 – Your details</b>		To be completed by the employee
Name:		
Start date with Luton Council:		
Job Title & Department		
Hours worked per week:		
Manager's name		
How much additional holiday would you like to purchase?		hours

### **Declaration**

*I understand that if I opt to buy additional holiday entitlement, this will result in a reduction in my salary for the relevant holiday year.*

*I understand that the decision to allow me to buy holiday is entirely at the organisation's discretion.*

### **Employee's signature:**

<b>Section 2 – Approval</b>		To be completed by the manager
Request approved		Yes/No
If request refused - please provide details <sup>1</sup>		
Line managers signature:		
Date:		

***Please give a copy of this form to your employee, and send the signed application form to HR & Payroll Transactions Team, 3<sup>rd</sup> Floor, Town Hall***

<b>Section 3</b>		To be completed by payroll
Date application received:		Date Processed:
Date confirmation letter sent:		Payroll signature:

<sup>1</sup> If a request is refused the relevant Service Director must approve this decision and the line manager advise the employee of the reasons.