

Buying Annual Leave Scheme Guidance

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1. Introduction

The City of Wolverhampton Council offer a number of employee benefits which can help employees make their salary stretch further and achieve a better work life balance.

This latest version of the Buying Annual Leave scheme replaces the original version launched in July 2016. The scheme is administered via a 'salary sacrifice' arrangement which allows employees to purchase additional leave which is not subject to tax, national insurance deductions or, (if employee is a member of the Local Government Pension Scheme), pension contributions. The scheme also reduces the Council's employer contributions for National Insurance. Employees who wish to buy back the lost pension contributions are able to do so – please see Frequently Asked Questions – Pension Implications on pages 14 – 17.

For some employees, entering into a salary sacrifice scheme may have an impact on some state benefits. This will depend on individual circumstances and may not be significant. The Council would advise any employee who is in receipt of any state benefit, such as working tax credits, child tax credits, Statutory Maternity, Paternity and Adoption pay calculations etc., to contact the Department for Work and Pensions for advice on how this scheme may affect you.

2. Principles

The scheme operates by allowing employees to buy up to 10 additional days per leave year, (pro-rata for part-time employees), directly from their salary.

As this is offered through a salary sacrifice arrangement and involves altering an employee's employment contract, when additional annual leave has been agreed, employees cannot change their mind. The changes to the employment contract and salary cannot be reverted before the end of the agreement/deduction period, which in some cases may be different to the employee's leave year (see below for further details).

An employee's leave entitlement will revert to their normal contractual entitlement after the end of their leave year.

The additional annual leave will be added to the employee's contractual annual leave balance. In line with the Council's Annual Leave Policy, a maximum of 5 days' annual leave may be carried over at the end of the employee's leave year with line managers' approval.

As additional leave could impact on service delivery, any applications will need to be discussed with line managers before submission.

Separate requests must be made for each leave year and applications should be submitted **no later than the end of the sixth month of the leave year** e.g. if your

leave year commences 1 January 2019, you have until 30 June 2019 to submit your application. Late applications will be considered, but only at managers' discretion.

In most cases the agreement/deduction period will be 12 months' duration.

When applications are submitted with sufficient notice **prior** to the start of an employee's leave year, the 12-month agreement/deduction period will be concurrent with the leave year.

When applications are submitted **after** the start of the employee's leave year, the 12-month agreement/deduction period will extend beyond the end of the leave year. Whilst payments may extend into the following leave year, all additional leave must be taken within the current leave year, with a maximum of 5 days' being allowed to be carried over with managers' approval, as per normal policy.

Employees on fixed term contracts who apply part way through their leave year will have a reduced agreement/deduction period if their contract has less than 12 months remaining at the point of application.

It is the employee's responsibility to ensure the application form is submitted by the stipulated deadline.

This scheme does not override the provisions in any other Council policy.

Eligibility

As with other salary sacrifice schemes, employees must meet the eligibility criteria.

The scheme will not apply to:

- Employees who are not directly employed by City of Wolverhampton Council i.e. agency workers, interims or consultants
- Employees on fixed term contracts with less than 6 months remaining on their contract at the point of application
- Employees contracted to work term-time
- Employees appointed by schools where the Governing Board exercises delegated employer responsibilities
- Employees on zero hours contracts
- Employees whose salary will be BELOW the National Minimum Wage/National Living Wage once the salary sacrifice has been applied
- Those employed on teachers' terms and conditions.

Application Process

All requests should be made using the Buying Annual Leave Application form available on the [HR intranet](#). If an employee has more than one position and would like to apply for additional leave on all positions, they will need to complete a separate application form for each position.

If each position has the same leave year, you are advised to submit all the application forms together to ensure they are processed at the same time.

The steps in the application process are shown in Appendix 1 – Buying Annual Leave Employee Process Map.

Pension Implications

If you are a member of the Local Government Pension Scheme (LGPS), any additional annual leave purchased will be classed as a period of 'authorised unpaid leave of absence'. Therefore, pension contributions by both the employee and Council will NOT automatically be paid.

Example:

Actual pensionable pay	Sacrifice amount	Pay used to calculate pension benefits
£15,000	£288	£14,712

- Without the sacrifice, the pension benefits would be £306.12 ($£15,000 \times 1/49^{\text{th}}$)
- With the sacrifice, the pension benefits would be £300.24 ($£14,712 \times 1/49^{\text{th}}$)

Employees in the LGPS can elect to buy the lost pension contributions back. If the employee chooses to cover the period of absence for pension purposes this will be by paying an age-related Additional Pension Contribution (APC) to cover the amount of pension lost during the period of authorised unpaid leave of absence.

If you do not elect to buy back lost pension there will be a lasting reduction for the year the additional leave is bought. If you are near retirement age and thinking of accessing your pension benefits, you may wish to consider taking financial advice before entering a salary sacrifice agreement.

If employees elect to pay APCs to cover the lost pension, the Council will be liable to pay two thirds of the costs if the election is made within 30 days of the end of the leave year, within which the additional leave was used – see example below:

Example:

Employee buys additional leave to take during their 2019/20 leave year, which runs from 1 June 2019 to 31 May 2020. They must, therefore, submit their application to buy back their lost pension between 1 June 2020 and 30 June 2020 if the Council is to be liable to pay two thirds of the costs. If the employee submits their request to buy back their lost pension before 1 June 2020, it will be rejected.

The above information only relates to members of the Local Government Pension Scheme. If an employee is a member of a different pension scheme, they should contact them directly for information.

Frequently Asked Questions – Buying Annual Leave

1. *Can I apply for the additional leave if I am part of other salary sacrifice schemes?*

Yes, provided that your pay does not fall below the National Minimum Wage/National Living Wage.

2. *Is everyone eligible to purchase additional leave?*

No, once you submit your application, your eligibility will be assessed. As with other salary sacrifice schemes, employees must meet certain eligibility criteria. The criteria for this scheme are listed on page 4.

3. *Does this scheme also mean that I can “sell” some of my annual leave, i.e. give up leave in return for extra pay?*

No. It is not possible to sell your annual leave.

4. *Can I change my mind and ‘re-sell’ the purchased leave?*

No. It is a binding agreement. The changes to your employment contract and salary cannot be reverted before the end of the agreement/deduction period, which in most cases will be a 12-month period.

5. *Do I have to apply for a specific number of days?*

You can apply to take any number of days, up to the permitted maximum of 10 days (pro-rata for part time employees). For payroll purposes, this leave must be specified in hours but can only be taken in half or whole working days i.e. in the same way as contractual leave is taken.

6. *Do I need to have a special reason to request extra days’ leave?*

No. It is entirely up to you how you use it, and why you want it. It will be treated in the same way as your contractual leave and subject to the usual approval arrangements.

7. *Do I have to take all the extra days at once?*

No, you can take days of additional annual leave any time you like, subject to the usual approval arrangements; just treat them as an extension to your existing leave entitlement.

8. *How is it different from unpaid leave?*

Both are ways of accessing additional time off from the Council, but unpaid leave is usually requested when other leave provisions are not available to cover employees' leave requests. The main difference with buying additional annual leave is that the payment for the leave is spread over 12 months and employees have a choice over when it is taken (subject to managerial agreement), as it is added to your annual leave entitlement and booked in the normal manner. Unpaid leave is deducted in full from the next month's pay.

Employees can apply to request unpaid leave to cover short notice and specific unexpected situations. Purchasing annual leave is designed to enable employees to plan ahead in order to take time off throughout the year, either for specific planned reasons, or just to increase their annual leave entitlement to use when required.

9. *What happens if I am sick during the leave year?*

The normal rules for accruing contractual annual leave during sickness will apply. If an employee is unable to take their leave due to prolonged sickness, leave purchased through the scheme will be treated in the same way as contractual annual leave entitlement.

10. *What happens if I leave the Council during the leave year?*

As with existing leave, you should use any outstanding leave entitlement prior to leaving the Council.

Prior to you leaving the Council, a deduction will be made for the outstanding balance of the purchased leave. The **total** amount of days bought will then be added to your balance. This will be used in the final calculation to determine if you have overtaken your leave entitlement and owe further payment or if you are owed payment for leave not taken.

11. *What happens if I take maternity/paternity leave during the leave year?*

An employee who is part of the scheme and takes maternity or paternity leave will be refunded the cost of any additional leave that has been purchased but not taken.

12. *Will purchasing annual leave through a salary sacrifice arrangement affect my redundancy payment, if the situation arises?*

No. In the event of redundancy, your payment would be calculated and based on your gross salary prior to any salary sacrifice arrangement.

13. What happens if my hours of work change during the leave year?

If there is an alteration to an employee's hours partway through the leave year, there will be no effect on payments or deduction. Only in exceptional circumstances, such as the reduction of hours from full-time to part-time, may entitlement and deductions be amended during the leave year if the leave is too great to maintain service delivery. These cases will be treated on an individual basis and employees and their line manager should contact the HR Support Desk via [The Customer Portal](#) or email HR.Supportdesk@wolverhampton.gov.uk

14. At what rate will my salary deduction be calculated?

As a rule, deductions from salary will be calculated at your rate of pay as at the date that your first deduction is taken.

If an employee applies to purchase additional annual leave in advance of their leave year, there may be occasions when the future rate of pay will not be known. This is the case when there is a delay in pay awards being agreed. In these scenarios, anticipated increments and current pay tables will be used.

15. What happens if my grade changes during the leave year?

If an employee receives a salary increase or decrease partway through the leave year, there will be no effect on payments or deductions. Any deductions from salary to pay for the additional leave will be calculated at the employee's rate of pay as at the date that their first deduction is taken.

16. What happens if I move to a school-based role and cannot take the extra leave?

If your purchased leave can no longer be honoured in your new role, you will be required to take any outstanding purchased leave prior to starting your new role. Under exceptional circumstances, if this cannot be achieved you may be entitled to payment in lieu of annual leave, subject to approval.

17. What happens to my salary and leave entitlement after the leave year?

Your employment contract and salary will revert to what it was originally at the end of the agreement/deduction period, which may or may not be the same as your leave year (as set out under 'Principles' on page 4).

Your leave entitlement will revert to your normal contractual leave entitlement after the end of the leave year.

18. When will my first salary deduction be taken?

For applications which are submitted well in advance of the start of your personal leave year, you should normally expect the first deduction to be taken in the same month as your personal leave year starts.

For applications which are submitted after the start of your personal leave year, consideration will be given to the published payroll cut off dates and processing/administration time in order to determine when the first deduction will be made. Ordinarily this should not be more than 2 months after your application was submitted.

The earliest a deduction will be taken is the first month of your leave year.

Deductions will not be taken in advance of the start of the leave year that the application refers to.

19. Do I need to submit a new application for each leave year?

Yes. You will need to submit an application for each leave year you wish to purchase additional leave.

If you make an application in two or more consecutive years, you may have two overlapping agreement/deduction periods, depending on the timing of your applications. See worked example below:

Example:

Employee's leave year is 1 January to 31 December.

First application is made in early May 2017 for the 2017 leave year i.e. 1 January – 31 December 2017. The 12-month agreement/deduction period for this application is likely* to be 1 June 2017 – 31 May 2018.

Second application is made in early December 2017 for the 2018 leave year i.e. 1 January to 31 December 2018. The agreement/deduction period for this application is likely to be 1 January to 31 December 2018.

In this worked example, the employee will have an overlapping period of 5 months (1 January 2018 – 31 May 2018) when two deductions will be made for the two different applications covering their 2017 and 2018 leave years.

**subject to payroll cut off dates and processing time.*

20. Can I make multiple applications for the same leave year if I did not buy the maximum allowed in my first application?

Yes. So long as the applications are made prior to the stipulated deadline, which is no later than the end of the sixth month of the leave year.

If you do choose to buy back your lost pension, you must submit the relevant form to HR.SupportDesk@wolverhampton.gov.uk as a separate request from your application to purchase additional leave. See Pension FAQ 4 for further details.

If you are a member of any other pension scheme, we recommend you contact them directly to discuss further.

21. Will purchasing annual leave through a salary sacrifice scheme affect my state benefits?

A salary sacrifice arrangement may affect your entitlement to state benefits and tax credits and you should carefully consider the possible effects before you decide to go ahead. Please seek advice from HMRC's Tax Credit Helpline on 0345 300 3900 or visit www.gov.uk/benefits-credits/tax-credits

22. Will purchasing annual leave through a salary sacrifice arrangement affect my student loan repayments?

Yes, student loan repayments are calculated on your earnings. As your gross salary is being reduced, so will your student loan payments, and this may increase your repayment period. For more information please visit Gov.uk website www.gov.uk/repaying-your-student-loan and the Student Loans Company website, www.slc.co.uk

23. How can I work out roughly how much it will cost?

The Buying Annual Leave Application Form will calculate the gross total cost to buy leave based on your hourly rate of pay and the amount of leave requested. If you decide to proceed with your application, you will receive a written statement detailing the exact cost of the additional leave, the monthly instalments and the impact it will have on your pension contributions (if applicable).

Deductions are made in equal monthly instalments. Where the total cost of leave is not equally divisible by the number of deductions, the amount of the monthly deduction will be rounded down as shown in the example below:

Total cost of requested leave = £752.58 (based on an hourly rate of pay of £20.34 and a request to buy 37 hours)

Monthly deduction = £62.715 (based on £752.58 divided by 12 monthly

instalments)

Actual monthly deduction = £62.71 (rounded down)

24. How do I apply?

You will need to complete the Buying Annual Leave Application Form on the intranet and discuss this with your line manager. Once you have signed the form, the application form should then be submitted by raising a request on [The Customer Portal](#) or emailed to HR.Supportdesk@wolverhampton.gov.uk. This should be submitted no later than the end of the sixth month of your leave year.

If you submit your application from your Council email address you do not need to physically sign the application as recognition of your Council email address is deemed just as secure as a signature. If you do not have a Council email address and use a proxy, you will need to print and sign the application and then scan the signed form. You should then submit the application via your proxy. Guidance on how to raise a call on [The Customer Portal](#) can be accessed at [here](#).

25. What happens if I have missed my application deadline?

Late applications will be considered but at managers' discretion. If your application is declined but additional leave is required, you may want to refer to the unpaid leave policy.

26. Can my line manager refuse my request to purchase extra leave?

No. Your manager cannot refuse your application if you have applied within your deadline. However, you and your line manager need to discuss your request for additional leave as you will still need your manager's agreement as to when you can take it, as per the normal process when submitting leave requests. Your signature on the application form is to confirm that this discussion has taken place. If you experience any problems with this, you should contact the HR Support Desk [The Customer Portal](#) or email HR.Supportdesk@wolverhampton.gov.uk.

27. What happens if I have more than one position?

You can apply for leave on all positions and you will need to complete an application form for each position. If your different positions share the same personal leave year, you are advised to submit all your applications at the same time on the same request.

28. How will I know if my application is unsuccessful?

You will be sent a notification email, usually within ten working days of your submitted application, advising that you have not met the eligibility criteria.

29. How will I know if my application is successful?

If you have successfully met the criteria, you will receive a written statement within 4 weeks of your submission. You are also able to track the progress of your application via the [The Customer Portal](#) using the reference number assigned to you when you first submitted your form.

30. What are the stages in the Buying Annual Leave process?

Once you have submitted your application and have successfully met the eligibility criteria, you will receive a written statement detailing the exact cost of the leave, the monthly instalments and the impact on your pension (if applicable).

Once you have reviewed this written statement and decided to go ahead/not go ahead with the scheme, you will need to sign the statement, tick the two boxes and re-attach it to your request reference.

Manual signatures are preferred on this document, therefore you will be required to print and manually sign the statement before returning it.*

*If you are unable to scan your document due to working from home due to COVID-19, completed electronic written statements will be accepted if they comply with the following conditions:

1. You have typed "Yes" in the two boxes, along with your name and date in the signature section of Section 2 of the written statement.
2. It is accompanied with an email that states: "I am unable to scan my written statement. Please accept this email as confirmation that I wish to proceed with my purchase of additional annual leave and accept the deductions detailed on the attached form".
3. The email should come from your Wolverhampton.gov.uk email address or, if you do not have one, your personal email address that is registered in the council's Agresso system.

Once processed, you will receive notification from the HR Support Desk that your annual leave entitlement for the year has been credited with your purchased leave. You should then submit your holiday requests to your line manager in the normal way.

The steps in the application process are shown in Appendix 1 'Buying Annual

Leave Employee Process Map’.

Frequently Asked Questions – Pension Implications

1. *Will purchasing annual leave through a salary sacrifice scheme affect my pension?*

Yes. As per the 'Pension Implications' section of this guidance on page 5, this scheme affects your pension contributions as your pensionable pay is reduced, which may impact on your future pension entitlement. You can elect to buy back this lost pension through age-related Additional Pension Contributions (APCs).

If you are in the Local Government Pension Scheme and would like to know more about APCs and how a salary sacrifice scheme could impact on your pension, we recommend you contact West Midlands Pension Fund to discuss your individual circumstances on 0300 111 1665 or <https://www.lgpsmember.org/more/apc/index.php>

If you do choose to buy back your lost pension, you must submit the relevant form to HR.SupportDesk@wolverhampton.gov.uk as a separate request from your application to purchase additional leave. See FAQ 4 below for further details of how to do this.

If you are a member of any other pension scheme, we recommend you contact them directly to discuss further.

2. *How will the scheme affect me if I am in the NHS pension?*

Currently there is no provision within the NHS Pension Scheme to allow employees to purchase Additional Contributions to offset the reduction in pensionable pay. For members of the 2015 Scheme, a reduction in gross pensionable pay will have a negative effect on the amount of pension built up in that year. The overall effect from participating in any salary sacrifice scheme would reduce the amount of final benefits earned.

For members of the 2008 Section, if salary sacrifice is carried out within the last 10 years of pensionable membership before retirement, this could affect the calculation of your pension.

For members of the 1995 Section, if salary sacrifice is carried out within the last three years of pensionable membership before retirement, this could affect the calculation of your pension.

3. *When can I apply to buy back my lost pension?*

If you want the Council to be liable to pay two thirds of the cost of buying back your lost pension, you need to submit your application within 30 days of the end of the leave year within which the additional leave was taken e.g.

If an employee buys additional leave to take during their 2019/20 leave year, which runs from 1 June 2019 to 31 May 2020. They must submit their application to buy back their lost pension between 1 - 30 June 2020 if the Council is to be liable to pay two thirds of the costs.

Applications *will not* be accepted *prior* to this 30-day period.

Applications will be accepted after the 30-day period, but you will be liable to pay 100% of the cost.

4. ***How do I apply to buy back lost pension?***

If you are a member of the West Midlands Pension Fund, you can choose to buy back the pension lost during the period of additional leave.

To access the form, visit <https://www.lqpsmember.org/more/apc/index.php> and click 'Calculate lost pension contributions' on the 'Buy lost pension calculator' section (see below):

Tools and calculators

A useful way find out more about how your pension works, how much it costs, taking a lump sum, paying extra and pensions tax.

 In this section

- [Buy extra pension calculator](#)
- [Buy lost pension calculator](#)
- [Contributions calculator](#)
- [Pension account modeller](#)
- [Lump sum calculator](#)
- [Annual allowance quick check tool](#)

Buy extra pension calculator

You can pay additional pension contributions (APCs) to boost your pension at retirement.

[Calculate extra pension contributions](#)

Buy lost pension calculator

You can pay additional pension contributions to buy back lost pension if you are away from work with no pay.

[Calculate lost pension contributions](#)

This will take you to the following page. Click 'Continue'.

Buy lost pension calculator

20%

Overview

You can pay additional pension contributions to buy back lost pension if you are away from work with no pay. You can do this if you are in either the main or 50/50 section of the LGPS.

If you elect to buy back the lost pension within 30 days of returning to work your employer will meet two thirds of the cost (unless you were on strike). You can spread the cost of buying the lost pension by making regular payments from your salary or you can pay by lump sum. If you pay tax, you will get tax relief on the additional contributions you make.

Sometimes you will still be building up pension if you are away from work with no pay, such as sickness. If this applies there is no lost pension to buy. See the [terms and conditions](#) for other circumstances when this applies.

Continue

You will then be prompted to complete the form below:

Buy lost pension calculator

40%

Personal details

* Denotes a required field

Gender*

Select... ▼

Date of birth*

dd/mm/yyyy  ?

Lost Pensionable Pay (from employer) (£)*

?

Reason for absence*

Select... ▼ ?

Section of scheme*

Select... ▼ ?

Back

Continue

- ‘Lost Pensionable Pay (from employer) (£)’
This figure can be found in section 1 of the written statement you signed when purchasing your additional annual leave (see below):

For employees in the LGPS only

Section of the LGPS employee is in (to be used to buy back pension):

*Your pensionable pay, for the 12 month period, will be reduced by:

£0.00

*Your annual benefits, for the 12 month period, will reduce by:

£0.00

*Note: If you terminate your employment during any year where you have purchased additional holiday (i.e. reducing pensionable pay), this could affect the value of your benefits accrued pre 2014

If you made more than one application to purchase leave within the *same* leave year, you will need to check both of your signed written statements and add together the two lost pensionable pay figures. This total figure can then be submitted on one LGPS Additional Pension Contribution form.

- ‘Reason for absence’
Select ‘authorised unpaid leave’
- ‘Section of scheme’
If you are in the 50/50 scheme you should select ‘50/50’, otherwise you should select ‘main section’. If you are unsure which section applies to you, you can either check your payslip as it will show on there under ‘Pension Scheme’ (if it does not state 50/50, you are in the main section) or you can refer to Section 1 of your written statement (see below).

For employees in the LGPS only

Section of the LGPS employee is in (to be used to buy back pension):

*Your pensionable pay, for the 12 month period, will be reduced by:

£0.00

*Your annual benefits, for the 12 month period, will reduce by:

£0.00

*Note: If you terminate your employment during any year where you have purchased additional holiday (i.e. reducing pensionable pay), this could affect the value of your benefits accrued pre 2014

Click ‘Continue’

Buy lost pension calculator

60%

Payment details

* Denotes a required field

Last day of absence*

dd/mm/yyyy ?

☐ 30 day override (employer confirmation must be provided) ?

Method of payment*

Select... ▼ ?

Years*

?

Pay frequency*

Select... ▼ ?

Back **Calculate**

- 'Last date of absence'
This is the last day of the leave year within which you took the additional leave e.g. if your leave year is 1 June 2019 to 31 May 2020, the 'last date of absence' you need to enter is 31 May 2020.
Do **not** tick the box '30 day override (employer confirmation must be provided)'.
- 'Method of payment'
You can either choose to buy back your lost pension as a lump sum via payroll ('lump sum deduction') or as regular payments via payroll ('regular deduction').

If you select 'regular deduction' you will need to confirm over how many 'Years' and the 'Pay frequency' of deduction. The frequency should always be 'monthly'.

Click 'Calculate'.

Click 'Apply for lost pension'.

Once the quote has been generated, you will need to complete the 'Personal details' section of the form (see screenshot below).

Apply for lost pension

To apply for a lost pension APC based on the quote above complete the personal details below, check the box to confirm you have read the terms and conditions then print and send your application form

Full name

Employer

National Insurance Number

Job Title

Your email

☐ Please check the box to confirm that the information entered is correct and that you have [read and understood the terms and conditions](#) for additional pension applications.

To enter a digital signature and date click on 'sign and download application'. Alternatively, please print and complete the application and send to your pension fund.

BackSign and download Print

You can either create a digitally signed copy of the form or print and sign it. **Please note that the form must be dated after the last date of absence given on page two of the form (see above), otherwise your form will be rejected.**

Completed forms need to be sent to HR.Supportdesk@wolverhampton.gov.uk In the covering e-mail, please use the subject 'Buying Back Lost Pension'. In the body of the e-mail please state the leave year that the application relates to e.g. 2022/23.

5. What happens if I leave before the end of my leave year – can I still buy back the lost pension?

If you leave the Council's employment prior to the end of your leave year, you will only be able to buy back your lost pension if you have sufficient time and pay to do this prior to your last date of employment.

If you require further guidance you can contact
HR.SupportDesk@wolverhampton.gov.uk

Contact Details

If you have any further questions regarding the scheme please contact HR Support Desk via [The Customer Portal](#) or email HR.Supportdesk@wolverhampton.gov.uk or call 01902 552345 (option 1)

If you have any further questions regarding payroll deductions or pensions please contact Payroll Services via [The Customer Portal](#) or email Payroll.Services@wolverhampton.gov.uk or call 01902 552345 (option 2)

Appendix 1 – Buying Annual Leave Employee Process Map

