



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

PROVIDED CAR SCHEME

Report of the Chief Fire Officer

Agenda Item No:

Date: 16 September 2011

Purpose of Report:

To inform Members of the current position with regard to the introduction of a provided car scheme for officers and essential car users.

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1. BACKGROUND

- 1.1 Members may recall that the Fire Authority at its meeting on 18 December 2009 received a report and approved the implementation of a provided car scheme, subject to management negotiating the implementation of such a scheme with the Trade Unions. Members will also recall that due to commercial sensitivity regarding information contained within the report from vehicle manufacturers, the report was exempted in accordance with Section 100A of the Local Government Act 1972. Therefore this previous report is not appended as per normal protocols.
- 1.2 The purpose of this report is to update Members as to the current position and also recommends that the original project is not taken forward until emerging uncertainties regarding tax liabilities for both the individual and the Service are clarified.

2. REPORT

2.1 Currently Nottinghamshire Fire and Rescue Service (NFRS) operate car schemes based upon the provisions of either a lease or essential users criteria. Allowances paid are set nationally by the National Joint Council and mileage rates are applied locally as directed.

2.2 In 2009, following two specific elements of work on:

- Cost effectiveness of the current arrangements; and
- Management of occupational road risk (MORR)

a proposal was put forward to move the Service towards a provided car scheme for those employees whose roles required them to operate a vehicle for work purposes. At that time the number of staff affected was 50.

2.3 The regime that was in place at the time in respect of personal taxation, VAT rules and supplier discounts made the provision of cars to employees beneficial both to Fire Authority and the employees concerned. The principle to be adopted was that the employee would make a contribution towards their private use of the vehicle and reclaim the fuel element of any business mileage. The Authority would then bear the remainder of the costs.

2.4 One of the key aspects from a Fire Authority perspective was cost savings with purchase and re-sale values. However, the first setback in this process was that the chosen manufacturer significantly reduced the discounts that were available to Fire and Rescue Services which reduced the amount of saving for the Authority to quite a small amount. This meant that the scheme would have attracted more risk on resale than had originally been anticipated.

2.5 Rules from Her Majesty's Revenue and Customs (HMRC) in respect of VAT then caused further difficulties in that it had been assumed that VAT recovery

would have allowed on the business element of the vehicles in the same way that personal tax is discounted due to the “blue light” element of this activity. In the event this concession could not be achieved and HMRC ruled that no input VAT could be recovered on these vehicles. This coupled with a rise in VAT to 20% further eroded any savings that might result and more importantly perhaps, in terms of implementation, raised the level of employee contribution beyond that which employees were prepared to pay.

- 2.6 More recent enquiries by HMRC at a national level have begun to cast doubt on previous rulings in respect of “blue light” concessions in respect of personal taxation and it is considered unwise until these have been satisfactorily resolved to try to implement a provided car scheme. This is because new rulings may well affect current arrangements with regard to individual flexibility and further negotiations would then be required, and a further potential change to any scheme implemented.
- 2.7 With such changes to the concessions by vehicle manufacturers, and changes to both VAT and personal tax implications at present taking place, it is therefore recommended that the Fire Authority agree to discontinue the original proposals at this time.
- 2.8 Existing provisions will continue to be maintained, thus enabling the Service to maintain its current operational arrangements, and when greater clarity is received from HMRC regarding VAT and personal tax implications, management will bring to the Authority further proposals to meet the criteria of the original report as set out in Paragraph 2.2.

3. FINANCIAL IMPLICATIONS

The savings anticipated by the introduction of the scheme had not been included in any budget plans as it had been decided to wait to see how implementation progressed. There are therefore no financial implications arising from this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report save those which may emerge from any future proposals. Any changes to the schemes currently in place will require negotiation with representative bodies.

5. EQUALITY IMPACT ASSESSMENT

An initial equality impact assessment has not been prepared in relation to this matter.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

It had been hoped that the introduction of a provided car scheme would minimise the organisations' exposure to road risk. It is clear that management will need to look to different ways of managing this going forward.

9. RECOMMENDATIONS

Members are requested to discontinue the process of implementing the provided car scheme which had previously been approved at the December 2009 meeting for the reasons set out in the report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER