

## **Delegated decision to be taken by the Chief Executive re: the new Car Lease ('Carplus') Scheme, under Delegation 24 of the Scheme of Delegations**

### **Introduction**

This paper details the decision that needs to be taken with regard to the business travel rate that NCC should pay Carplus users. It provides options that have been considered, and consultation that has taken place, along with key officer observations.

### **Summary**

This request for a delegated decision follows the meeting on the 16 December 2014, where Executive Board considered a report relating to the Car Leasing Scheme (Salary Sacrifice) and the following decisions were reached:-

- Approve a Salary Sacrifice Car Scheme with a proposed implementation and launch in early 2015
- Approve the appointment of Tusker Direct Limited as the Council's car lease supplier under the salary sacrifice scheme for a 4 year period, noting that they have been selected from a compliant framework
- Note the continued take up of 3% required in each of the years in order to generate potential savings of £137,000 in the first year, possibly increasing to £821,000 (cumulative) over a 3 year period.
- Agree that £45,000 of the employer savings achieved following the introduction of the car lease scheme will be ring-fenced to fund the creation of additional resources to ensure delivery of the scheme

### **Background**

Employees who submit claims for business travel are reimbursed 45p per mile, which covers mileage costs and vehicle wear and tear, in line with the HMRC advisory rates as detailed below-

Engine size	Petrol	LPGas
1400cc or less	14p	9p
1401cc to 2000cc	16p	11p
Over 2000cc	24p	16p

  

Engine size	Diesel
1600cc or less	11p
1601cc to 2000cc	13p
Over 2000cc	17p

Colleagues who received the ECU allowance were transferred to this rate when the lump sum was removed in September 2014. When colleagues lease a car, and submit a claim for business mileage, NCC has been advised by NCC Tax Advisors that this should be reimbursed at the lower rate, as it is not necessary to cover the wear and tear element.

### **Decision to be taken**

A decision needs to be taken on which rate NCC should pay colleagues who lease cars through Carplus and then submit a claim for mileage in line with the Business Travel Scheme.

### **Options considered**

Four options were considered. If NCC continues to pay the higher 45p rate, which is more than the HMRC advisory rates, the employee and NCC will have to pay employers NIC through Benefit-in-kind tax (BIK). NCC will also need to ensure that data is captured for P11D purposes and the correct earnings periods are recorded (for NIC purposes) in this scenario. The options which were considered and have been discounted are:-

- Option 1 - where NCC would continue to pay the higher 45p rate but both parties will be liable to pay BIK and this will also be more complicated in terms of processing;
- Option 2 - where NCC pay a flat rate of 11p for diesel users and 14p for petrol in line with the HMRC rates above.
- Option 3 - where NCC would pay the various rates depending on engine size as detailed in the table above (this benefits colleagues who lease larger cars)
- Option 4 - where NCC would pay the lowest figure of 11p as a flat rate (easier for EMSS processing).

The preferred option is Option 2, taking the following factors into account-

- cost effectiveness
- simple administration
- rate to satisfy former EC users used to receiving higher rate
- potential number of colleagues who will lease a car and submit a claim (Leicester CC currently have 150 employees in their Scheme. Approximately fifty claim business travel.)
- the most common approach across other public sector employers (Tusker - our car lease partner, advise that the HMRC rates are the most common rate used).The final outcome will represent a change to employee's Terms and Conditions and will be reflected in the Scheme policy and EMSS processes.

### **Consultation has been undertaken with**

1. Councillor Graham Chapman and Angela Probert in the form of a briefing paper
2. The Trade Unions' attended a consultation meeting with Tusker on 12 January, and the scheme was taken to Central Panel on 15 January 2015.
3. The Equalities Team have been assured that as, at this stage, we are unsure of take-up, the intention is to undertake an EIA a year after the launch of Carplus. This will form part of a CLT report detailing take-up, savings generated, impact on emissions etc. Tusker has been asked to monitor and provide equality data, which will then be contained within this report.
4. The Finance Team have been involved in the implementation of the Scheme and Geoff Walker is the key signatory for the agreements in place with NCC and Tusker.

### **Legal observations (John Bernard-Carlin, Team Leader, Legal Services)**

The following comments relate to the proposed Portfolio Holder decision that was referred to Legal Services, as part of the Delegated Decisions System process.

The current proposed Portfolio Holder decision relates to the mileage rates for business use to employees who lease a car through the Car Purchase Scheme. I note that it has been stated in the reasons for the proposed decision that the outcome will represent a change to employee's Terms and Conditions and will be reflected in the Scheme policy and EMSS processes. In the circumstances, as discussed, my advice is that the proposed decision is a non-executive decision. Further, my view is that the introduction of the Car Leasing Scheme (Salary Sacrifice) itself involves an element of executive and non-executive matters (with the

contracting and financial arrangements falling within the scope of executive functions, but with the adoption for the purposes of employees and resulting changes to employment policies and terms and conditions falling within the scope of non-executive functions and ordinarily resting with ACOS).

I have spoken with Nancy Barnard (Constitutional Services) who agrees with my analysis of the situation. We have discussed a possible practical way forward taking into account the planned launch on 28 January. As stated, ordinarily, such non-executive matters should be taken to ACOS (decision to adopt the scheme for employees together with the proposed mileage rates for business use). I understand that the next ACOS meeting is scheduled to take place on 3 February. In the event it is deemed that a decision needs to be taken before 3 February (taking into account the proposed launch on 28 January), there is the possible option for the decision to be taken by the Chief Executive under Delegation 24 of the Scheme of Delegations which states that the Chief Executive can:

*Discharge any non-executive function of the Council which has not been specifically delegated to another colleague or committee or to discharge a function which is necessary before the next meeting of the appropriate committee after consultation with the Chair or Vice-Chair and with the main minority party spokesperson, provided:*

*(i) that every such decision is recorded in accordance with current corporate requirements and open to public inspection unless the decision falls within the rules relating to Exempt Information; and*

*(ii) that a report on the exercise of the delegation together with a summary of the consultations and the reasons for urgency shall be submitted to the next meeting of the committee concerned and that the power shall be exercised by the Corporate Director for Resources and Chief*

*Finance Officer: only when the Chief Executive is not available*

#### **Finance observations (Susan Tytherleigh, Finance Business Partner, Resources)**

This decision will result in a reduction in the amount per mile that colleagues can claim for business travel when they lease a car through this Scheme. Although the calculations used for the Scheme estimate 3% of the Council will take up the Carplus Lease Scheme - the number who may then claim business mileage and how much they would claim is not possible to predict. Therefore, quantifying the financial saving for the City Council of reduced mileage payments is not possible. Mileage is currently met from within existing service budgets and any savings from reduced mileage claims would therefore be absorbed by services. It is recommended that where possible information should be collated on how many of those who use Carplus claim business mileage so that the actual impact can be known.

#### **HR observations (Shaune Loughlin, Resources)**

The changes to policy attached and introduction of the Carplus Lease Scheme have been presented to the Council's Central Panel with Trade Union colleagues. The changes result in changes to the rates paid for travel, in line with HMRC guidance and the Lease Car Scheme offers an opportunity to generate income for the Council

#### **Agreement from the Chief Executive (Ian Curryer)**

I hereby agree that Nottingham City Council should adopt Option 2 in terms of the business travel rate to pay NCC employees who use the Carplus Scheme.

Signature 

Date 11 March 2015

## Addendum

Since the business travel rate was agreed as above, the HRMC Advisory rates have twice since the 2015 Budget. They are currently-

Engine size	Petrol	LPGas
1400cc or less	12p	8p
1401cc to 2000cc	14p	9p
Over 2000cc	21p	14p

  

Engine size	Diesel
1600cc or less	10p
1601cc to 2000cc	12p
Over 2000cc	14p

Following further discussions with EMSS, it has come to light that the preferred option would be Option 4, particularly as this is the approach currently adopted by LCC. This would mean that NCC will pay the lowest figure, as a flat rate, which is now 8p (as detailed in the table above). It should be noted that these rates fluctuate throughout the year (as they are based on the price of fuel). If this option is adopted then NCC would notify EMSS on a quarterly basis as to the rate to be applied, as per HMRC guidelines. The original option (2) is viewed as being more complex, would take longer to build and would need to be maintained.

In addition-

- There will be a £3 administration charge levied by NCC against each application for carplus and collected at the end of the financial year (March 2016.)
- It should be noted that EMSS administration costs (consisting of a 'one off' set up fee per colleague of £50, a charge for changes to details (actioned by payroll) of £50 and an annual fee for the production of the P11D of £50) will be offset against any savings achieved.

### **Agreement from the Chief Executive (Ian Curryer)**

I hereby agree that Nottingham City Council should adopt Option 4 in terms of the business travel rate to pay NCC employees who use the Carplus Scheme.

Signature



Date 17 June 2015