
Subject: DELIVERING EFFECTIVE SERVICES – CAR MILEAGE ALLOWANCES

Meeting and Date: General Purposes Committee – 10 January 2012

Report of: Nadeem Aziz, Head of Paid Service

Classification: Unrestricted

Purpose of the report: This report seeks approval for changes to the car mileage allowances scheme from 1 April 2012, which delivers the budget saving identified in the Delivering Effective Services Review approved by Council in November 2010.

- Recommendation:**
1. The current officer Casual and Essential Car Mileage Scheme is withdrawn from 31 March 2012 for all users.
 2. A new officer Car Mileage Scheme including a basic rate and a threshold to trigger a higher rate mileage allowance is introduced from 1 April 2012.
 3. The new car mileage rate is set at the HMRC rate – currently 45p payable for the first 1200 miles in a tax year.
 4. A rate at 1.5 x the HMRC rate – currently 67.5p is payable for mileage over 1200 miles in a tax year.
 5. The Director of Governance is authorised to adjust both the Car Mileage Rates and the Cash Alternative and leased Car Mileage Rates in line with each HMRC rate change.
 6. A zero mileage rate is payable for lease car/cash for car recipients for the first 1000 miles claimed in a tax year.
 7. The existing HMRC lease car/cash for car mileage rates continue to be payable for mileage from 1001 miles upwards.
 8. The highest HMRC lease car/cash for car mileage rate payable is at the 1401cc level (petrol) and 1601cc (diesel).
 9. A 20p per mile rate for a bicycle is introduced.
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1. Summary

- 1.1 The current car mileage scheme is inequitable, based in some cases on historic mileage patterns and does not contribute to the Council's green agenda.
- 1.2 Formal 90 day consultation with all staff and a successful negotiation process between representatives of Corporate Management Team and the Unison Branch Executive, supported by East Kent HR Partnership has resulted in a proposed revised car mileage scheme to be introduced from 1 April 2011.

- 1.3 The proposed new scheme, which also achieves the savings required from the Delivering Effective Services Report adopted by Council in November 2010, includes the following:
- (a) A number of changes that support a green agenda for the Council
 - (b) The current casual and essential car mileage user scheme is withdrawn from 31 March 2012 for all users. A new car mileage scheme including a basic rate and a threshold to trigger a higher rate mileage allowance is to be introduced from 1 April 2012.
 - (c) The mileage rates paid to cash alternative and lease car recipients is adjusted by the introduction of a zero rate for the first 1000 miles claimed and the removal of the 2000cc rate.
 - (d) Corporate Management Team will no longer be able to claim mileage for journeys beyond the Kent border.
 - (e) A 20p per mile rate for a bicycle is to be introduced.

2. Introduction and Background

- 2.1 Mileage expenditure is a considerable cost to the Council. Officer and Member reimbursement amounted to £267,000 in 2010/11. The Council's current officer car mileage allowance scheme does little to actively encourage officers to consider the environmental impact on their business trips.
- 2.2 The Council currently has 3 categories of car mileage rates paid to officers depending on whether they have a leased car or cash for car alternative, whether they are considered to be an essential user, or a casual user. The Council currently uses the National Joint Council (NJC) rates as the basis for payments to staff for essential & casual users. The rates are banded according to vehicle engine size, up to 999cc, 1000-1199cc and 1200-1450cc. The cash alternative and lease car mileage rates currently paid are significantly lower than those paid under the casual and essential user car mileage rates, reflecting fuel cost only.
- 2.3 Those officers who are estimated to undertake over 3,500 miles on official duties are classed as essential users and currently receive a lump sum, paid by monthly instalments, regardless of the number of miles travelled, plus a mileage rate lower than the casual user mileage rate. The assessment of those eligible to be treated as essential users is historic based on past mileage usage, it does not always reflect current work practices. Although eligibility is reviewed annually in 2010/11, there were a number of staff receiving an essential user allowance that did not qualify based on actual mileage undertaken.

3. New Scheme

- 3.1 Following a successful negotiation process, undertaken in accordance with the Council's Collective Bargaining Agreement, representatives of Corporate Management Team and Unison's Branch Executive, supported by East Kent HR Partnership have reached agreement on proposed changes to the car mileage scheme. Both parties were committed to a car mileage scheme that fairly compensates staff for official mileage undertaken and which started to move towards a green agenda.

3.2 Outline agreement was reached on the following:

- (a) A formal Green Scheme linked to the DVLA car tax bands or other such criteria should not be introduced at this time, but should be factored into any future review of the mileage scheme. This will enable existing users to make an informed choice when they next purchase a new vehicle. However, changes should be introduced that start to move the Council towards green policies, including the removal of higher mileage rates for higher cc cars, the encouragement to use conference calls and other ICT solutions wherever feasible in preference to undertaking travel and that car sharing is actively promoted, whenever feasible.
- (b) The current officer casual and essential car mileage scheme should be withdrawn from 31 March 2012 for all users. A new scheme including a basic rate and a threshold to trigger a higher rate mileage allowance is introduced.
- (c) The new car mileage scheme will be set at the HMRC rate – currently 45p payable for the first 1200 miles. A rate at 1.5 x the HMRC rate – currently 67.5 will be payable for mileage over 1200 miles. This will then track the HMRC rate and both rates will be adjusted in line with each HMRC rate change (eg if the HMRC moves to 50p, our higher rate moves to 75p (1.5 x). This is to ensure that the new scheme once developed remains in line with running costs. The higher mileage rate recognises that high mileage users should be suitably compensated for the additional running costs and wear and tear that start to impact as more miles are undertaken. One clear advantage of an in-year trigger point for a higher mileage rate is that it directly benefits those who undertake the mileage and only to the level of the mileage undertaken.
- (d) The mileage rates paid to cash alternative and lease car recipients is adjusted by the introduction of a zero rate for the first 1000 miles claimed. The existing HMRC Lease car mileage rates are payable for mileage from 1001 upward. Currently, these rates include a rate for vehicles over 2000cc, which is inconsistent with the move towards a green agenda. Therefore this rate should be removed. Officers affected would be paid at the rate for 1401+cc (petrol) and 1601+ (diesel) vehicles. This is seen as part of the longer term incentive to encourage staff to use more fuel efficient vehicles.
- (e) Corporate Management Team will no longer be able to claim mileage for journeys beyond the Kent border. However the lump sum payment is retained.
- (f) All staff that work within a shared service hosted by DDC (East Kent Audit and HR) will be included in these proposed changes to the mileage and lease car scheme. East Kent Services and East Kent Housing employees working at Dover will not be affected by these proposals as they are employed by Thanet District Council and East Kent Housing respectively.
- (g) The issue of Cash Alternative and Lease Car allowances will be further considered as part of the wider review of the benefits in kind package offered to staff.
- (h) A 20p per mile rate for a bicycle is to be introduced.

- 3.3 There was a 90 day consultation period with all staff on the initial proposed changes, which resulted in over 30 responses. These responses gave real insight to how the current scheme is perceived by current users and helped shape the final proposals. The consultation period ended as planned on the 20 September 2011, but the negotiation period with Unison was extended to 30 November 2011.
- 3.4 Once both parties had successfully reaching a negotiated agreement on these matters, Unison informally sought agreement from their membership. The result reported back was agreement to the proposals in this report. On receipt of Unison's response, this report has been prepared for the General Purposes Committee to consider. The committee are asked to approve a new car mileage scheme for introduction from 1 April 2012.
- 3.5 At the end of each month officers will be required to submit mileage claims for authorisation. Claims will be required for all types of mileage rates, including the nil rate. This is to allow journeys and expenditure to be regularly monitored by budget managers. Officers submitting Cash Alternative and Leased Car Mileage claims below 1000 miles will be able to claim tax relief from HMRC, whilst officers submitting Car Mileage Rate claims over 1200 miles will have a tax liability with HMRC.

4. Identification of Options

- 4.1 The options for the General Purposes Committee are:
- (a) To support the proposed revised scheme that has been negotiated between representatives of Corporate Management Team and Unison's Branch Executive, supported by the East Kent HR Partnership. This is the preferred option as it delivers the level of savings identified in the Delivering Effective Services review, approved by Council in November 2010, whilst fairly and equitably compensating officers and members for official journeys undertaken, whilst also starting the journey towards a green scheme.
 - (b) Request that Corporate Management Team looks at other options that deliver the desired level of savings whilst still fairly compensating staff. This approach would lead to the continuation of an inequitable scheme and further delay the potential to deliver savings from the car mileage scheme to this Council

5. Evaluation of Options

- 5.1 The successful negotiation of car mileage allowance has taken a number of months of analysis, discussion and debate for all parties. Throughout, transparent claims information for past and current years has been used to allow a full understanding of the impact of various costing options. The 2010/11 claims information included officers who are now employed by either East Kent Services or East Kent Housing. Therefore to have the most up to date knowledge, the 2011/12 claims information was used on a rolling basis, allowing the parties to look at the impact of a new scheme not only at a strategic level, but also on an individual basis.
- 5.2 High mileage essential users with large engine cars will be more adversely affected by these changes, however throughout we have ensured that all users are fairly and adequately reimbursed. Using the HMRC rates, which are calculated to offer a reasonable reimbursement with no tax liability, (other than those claims that trigger the higher car mileage rate) was considered to be a fair approach for all users, with those incurring a high level of mileage on official business being compensated at 1.5

times that rate. Using the HMRC rates as the base, builds in a fair and transparent review process to reflect changes in fuel and other associated motoring costs.

6. Resource Implications

<i>Revenue Implications of proposed option</i>	<i>2011/12 £000</i>	<i>2012/13 £000</i>	<i>2013/14 £000</i>	<i>On-Going £000</i>
Expenditure increase/(decrease)	(0)	(30)	(30)	(30)
Income (increase)/decrease	0	0	0	0
Net Revenue Implications	(0)	(30)	(30)	(30)
Increase/(decrease) in budget requirement	(0)	(30)	(30)	(30)

7. Corporate Implications

7.1 Comment from the Director of Finance (linked to the MTFP): Finance have been consulted and have no further comments to add.

7.2 Comment from the Solicitor to the Council: I have been consulted in the development of this report and have no further comments to add.

7.3 Comment from the Equalities Officer: There are no Equality implications in this report.

8. Appendices

Appendix 1: Current Car Mileage Scheme

Appendix 2: New Car Mileage Scheme from 1 April 2012

9. Background Papers

Delivering Effective Services Report to Council on 3 November 2010

Contact Officer: David Randall, extension 2141.

Casual and Essential Car Mileage Rates

Mileage rates for Officers undertaking less than 3500 official miles per annum and not in possession of a contract vehicle:

All rates are effective from Jan 2011.

	451 - 999cc	1000 -1199cc	1200 and above
0 - 8500 miles	46.9p	52.2p	65.0p
8501 and above miles	13.7p	14.4p	16.4p

Mileage rates for Officers undertaking in excess of 3500 official miles per annum and not in possession of a contract vehicle:

	451 – 999cc	1000 -1199cc	1200 and above
Lump sum per annum	£846	£963	£1,239
0 - 8500 miles	36.9p	40.9p	50.5p
8501 and above miles	13.7p	14.4p	16.4p

Cash Alternative and Leased Car Mileage Rates

Effective from December 2011.

Engine Size	Petrol	LPG	Engine Size	Diesel
1400cc or less	15p	10p	1600cc or less	12p
1401cc to 2000cc	18p	12p	1601cc to 2000cc	15p
over 2000cc	26p	18p	over 2000cc	18p

Car Mileage Rates

Mileage rates for Officers not in possession of a cash for car allowance or in possession of a lease vehicle:

All rates are effective from 1 April 2012.

	All engine sizes
0 - 1200 miles	45p
1201 and above miles	67.5p

Cash Alternative and Leased Car Mileage Rates

Mileage rates for Officers in receipt of a cash for car allowance or in possession of a lease vehicle:

Effective from 1 April 2012.

	All engine sizes
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0 -1000 miles Nil

1001 and above miles

Engine Size	Petrol	LPG	Engine Size	Diesel
1400cc or less	15p	10p	1600cc or less	12p
1401cc and over	18p	12p	1601cc and over	15p

Bicycle Rates

Mileage rates for Officers

0 and above miles 20p