

Provided Car Scheme

Portfolio	Corporate
Ward(s) Affected: n/a	

Purpose

To consider the adoption of a revised Provided Car Scheme and compensation for staff no longer eligible for a Provided Car

Background

1. Following on from the consultation that took place on the provided car scheme, this report looks to resolve the future of the current provided car scheme and introduce a car user policy which will state how staff will be reimbursed for travel in the future.
2. This Policy and the proposed compensation method includes the recommendations from the Joint Staff Consultative Group (JSCG) meeting held on the 22nd November 2012. It also includes staff feedback on the proposed policy as detailed in Annex B and feedback from the proposed changes made at the Executive meeting held on 8th January 2013.

Key Issues

3. The provided car scheme has been closed since April 2010 and a review has been undertaken with a consultation conducted with all staff.
4. The Council's solution is based on the consultation feedback received by staff.
5. Based on the consultation feedback and what the Council can afford, the proposed Car Users Policy is:
 - The provided car scheme will close and will become a discontinued benefit.
 - Staff who currently have a car and are in eligible posts will keep the benefit (as long as they remain in a role that is eligible)
 - Staff who are in eligible posts but have not taken up the option of a car in the scheme will receive the car allowance from here on in.
 - Staff who do not have a car as part of their benefits package but are in posts that are eligible to receive travel reimbursement will receive a car allowance.
 - Staff who currently have a car but are not in eligible posts will have the benefit removed and be compensated for this benefit. The compensation option selected is the option most preferred in the consultation.
6. Taking the points above into consideration 2 documents have been prepared to explain:
 - The Council's new Car User Policy – Annex A
 - How staff who are no longer eligible for a provided car will be compensated. – Appendix 2
7. It should be noted that, as this change in policy will affect staff on an individual basis, job titles have not been identified at this stage as consultation will need to take place with these members of staff on an individual basis.

8. Staff have been given an opportunity to feedback on the policy and the feedback they would like considered can be found in Annex B.
9. At the Executive meeting on 8th January, 2 amendments were proposed to the policy:
 - (i). the introduction of one mileage rate fixed for the essential user allowance and at the HMRC approved rate, currently 45p;
 - (ii). the vehicle insurance cover be restricted to the employee and partner, or only with express permission of the Executive Head of Finance, to another family member living with the employee.
10. These proposed changes were sent to all staff for comment. There was one objection to the change to insurance and 5 comments just clarifying the mileage rates.

Consultation

11. The Policy went to JSCG on 22nd November 2012. Staff were given until the 7th December 2012 to provide feedback on the Policy. A list of comments that staff would like to be considered can be found in Annex B
12. The changes proposed by the Executive on 8th January were sent out for all staff to comment on.
13. The Policy was reviewed by the Equality Action Group on 20th December 2012.

Options

14. The Council can choose to adopt the Car User Policy and the method for compensating staff in non- eligible posts or suggest amendments.

Proposals

15. It is proposed to implement a new Car User Policy and to remove all staff in non-eligible roles from the scheme and to compensate them. The implementation of the Car User Policy will through natural attrition see the provision of cars removed and the introduction of a car allowance.

Resource Implications

16. The initial proposal when first looking at reviewing the provided car scheme was to remove all cars but this was going to cost the Council approximately £463,000.
17. The new scheme being introduced will through natural attrition see the Provided Cars removed and the Car Allowance introduced, which is more cost effective than providing cars.
18. As part of the transition, officers that are in non-eligible roles will be compensated and the benefit removed from their Terms and Conditions. The cost would be approximately £117,000.

Recommendation

19. The Council is asked to RESOLVE that the Council's new Car User Policy be adopted and agree the compensation methods, having considered the points raised in the report below and the staff comments at Annex B.

Annexes: Annex A – New Car User Policy
 Annex A, Appendix 1 – List of eligible roles
 Annex A, Appendix 2 - How non-eligible staff will be compensated
 Annex B - Staff Comments

Background Papers: None

Author: Louise Livingston 01276 707403
 Head of Human Resources
 e-mail: louise.livingston@surreyheath.gov.uk

Annex A - Car User Policy and Procedure

1 Introduction

This document sets out the Council's policy in relation to the use of motor vehicles by employees on Council business.

The aim of this policy is to ensure that:

- There are clear guidelines for officers remaining on the provided car scheme;
- there are clear, consistently applied criteria for entitlement to a car allowance;
- For those staff that use their cars on a casual basis for Council business there are clear guidelines as to the employee's responsibilities and reimbursement of mileage to ensure that the Council complies with its responsibilities under Health and Safety legislation.

2 Scope

This policy covers all employees who may be required to drive a motor vehicle on Council business.

3 Equality Assessment Policy

The Council's Equality Scheme demonstrates its commitment to equality internally and externally and ensures that all sections of the community are given an opportunity to contribute to the wellbeing of the community. An equality impact assessment has been carried out on this policy and procedure.

The Council ensures that consultation is representative of the community and that consideration is given on how to consult hard to reach groups and will positively learn from responses.

4 Categories of Car User

4.1 There are basically three categories of Car User. These are as follows:

1) Provided Car User

This relates to members of staff who were eligible for a Council provided car under the old scheme. The scheme closed on the 1st April 2010 to all new entrants.

2) Essential User

This relates to members of staff who are deemed to be "essential users" based on the roles they perform. They are paid an allowance to reflect the fact that they are required to have access to a vehicle as part of their job.

3) Casual Users

These are members of staff who whilst not requiring a car as part of their job do undertake occasional car journeys on Council business

5 Provided Car Scheme

5.1 Introduction

The Provided Car Scheme was closed to all new entrants on the 1st April 2010. Changes to eligibility for staff already in the scheme are being introduced to make the scheme more transparent. Those staff which no longer qualify for a provided car under the new criteria will be entitled to compensation details of which are in Appendix 2.

5.2 Eligibility

The new eligibility requirements for provided cars are as follows:

- 1) The employee must have been a member of original provided car scheme on the 31st March 2010 and
- 2) Have a job role that requires them to leave the building on a regular basis for the purpose of work. This includes meetings with residents, businesses and other organisations which have a direct effect on the individuals and businesses of the borough where the Council acts as the third party. It is expected that the employee will do a minimum of 3000 business miles a year; or
- 3) Are graded as an Executive Head and above.

(For the avoidance of doubt a list of eligible roles will be included in Appendix 1.)

5.3 What are the scheme members' Responsibilities and Obligations?

The scheme member must:

- 1) Be in possession of a valid full UK licence. A copy of this must be supplied to the facilities manager and HR;
- 2) Not be disqualified from driving. The Council reserves the right to remove an employee from the scheme without compensation if they are disqualified from driving for an offence. All points must be notified to the facilities manager as soon as they are incurred.
- 3) Be aware of no health reason as to why they should not drive. This includes being under the influence of alcohol or drugs;
- 4) Ensure that servicing and maintenance are carried out in accordance with the handbook provided and that routine checks are made to oil, water, tyre pressures, battery, antifreeze and brake fluid levels and to top up at their own expense as required
- 5) Must not smoke in the vehicle and keep it clean at their own cost
- 6) Report any defects to the Facilities and Maintenance Manager as soon as they become aware of them;
- 7) Pay in full any fines, such as for speeding or parking, that are incurred regardless of fault and incur any penalty points as prescribed by law for such offences.
- 8) Be liable in full for any income tax and national insurance incurred as a result of being a member of the scheme. This can be a substantial amount of money and scheme members are encouraged to take advice on this before commencing a contract term.
- 9) When driving a Council vehicle employees must ensure they comply with all motoring regulations such as speed limits etc.

5.4 What vehicle can I choose?

There will be a list of cars that can be selected for each of the following grade bands (this list will be subject to change without notice):

Grade	Vehicle Type
SH1-5	
SH6-9	
SH 21	
SH 22	

Members of the scheme will be able to select a vehicle based on their salary band. If an employee wishes to select one from a lower band, say in order to reduce their tax liabilities, this will be permitted but staff will not be able to move to a higher band.

The Council will not pay for any “extras” or modification to vehicles above the standard specification unless they are required for the performance of the employee’s duties or due to a reasonable adjustment under the Equalities Act 2010. Employees may at their own expense request “extras” of modifications but this will be at the discretion of the fleet manager and must be paid in full by the employee at the commencement of the vehicle term.

The Council may impose further restrictions on the provided vehicles, such as the level of CO2 emissions if it sees fit.

5.5 How long do I keep the vehicle?

Members of the scheme will be able to have their car replaced every 4 years. Any employee who exceeds 48,000 miles over the 4 year term will be required to pay an additional mileage charge based on recognised industry rates. This is irrespective of whether the miles are business or private.

5.6 Vehicle running costs

The Council’s motor fleet is managed by Hitachi Vehicle services on behalf of the Council. The council will bear all essential running costs in relation to the vehicle. These include insurance, road tax and maintenance

Maintenance

It will be driver’s responsibility to arrange servicing and MOTs under the manufacturer agreement and to ensure that the vehicle is always kept in a roadworthy condition. The following procedures will apply:

- a) Driver to contact Hitachi on **0845 080 1550** who will arrange the booking on their behalf.
- b) Hitachi will approve work to be carried, except where a vehicle is nearing the end of the contract period when authorisation will be sought from the Council.

Hitachi will negotiate warranty repairs with suppliers and manufacturers.
Damage to tyres other than wear and tear, must be paid for by the member of staff.
Hitachi's preferred supplier is ATS Euromaster who offer a mobile service including visits to the council car park (**Tel: 0845 080 1550**).

The driver will also be responsible for oil top-ups between services, antifreeze, bulb and lens replacement and fuel.

Road Tax

The Council will ensure that the vehicle is appropriately taxed. It will be the driver's responsibility to ensure the disc is correctly displayed in the vehicle

Insurance

The Council will provide fully comprehensive insurance cover for the vehicle.

The Policy will include cover for social, domestic and pleasure use for the driver.

Members of the driver's family residing with them are also permitted to drive provided:

- 1) they hold a full UK driving license. A copy must be supplied to the facilities manager if they wish to drive
- 2) have not been disqualified
- 3) there is no medical reason preventing them from driving.
- 4) They are not carrying passengers for hire or reward
- 5) The vehicle is not being used for business purposes by the family member

It is the employees' responsibility to ensure these conditions are complied with. Any breach of these could invalidate the insurance meaning the driver would not be insured and the employee would be liable for any uninsured losses the Council may incur in full.

Please note the Council's insurance policy only applies to Council owned vehicles and does NOT provide any cover for any other vehicles. In addition Learner drivers are NOT permitted to drive Council vehicles.

5.7 Reimbursement of petrol costs

The Council will reimburse staff for petrol costs incurred on qualifying business journeys. Please note that home to work travel is NOT a qualifying business journey under any circumstances. The rates paid are as follows:

Date effective from	Petrol			Diesel		
	up to 1400 cc	1401cc to 2000cc	2001cc & over	up to 1600 cc	1601cc to 2000cc	2001cc & over
01/03/2012	15p	18p	26p	13p	15p	19p

These are Inland Revenue approved rates and hence are not taxable. They are reviewed by HMRC on a regular basis to reflect the cost of motoring.

All claims must be submitted in a timely manner through the Council's on line claims system.

5.8 Replacement Vehicles

The Council will not provide a replacement vehicle should the vehicle become damaged or require repair. However employees are encouraged to request a courtesy car from the garage doing the repair if required at no cost.

5.9 Breakdown Cover

The Council provides breakdown cover on all its vehicles. Please call the number provided for any assistance

5.10 What happens if I have an accident?

If you are involved in an accident then you should make a note of all the parties involved and exchange details. Do not accept liability. The facilities manager and insurance officer must be informed as soon as possible and arrangements can then be made for the vehicle's repair if required.

There will be a compulsory excess of £250 per claim, reduced to £40 for windscreens for repairs and replacement, for all drivers. In addition there is a further excess for young and inexperienced drivers of:

- a) £75 for those persons aged over 25 who have not held a full licence for more than 12 months.
- b) £75 for 21-25 year old drivers.
- c) £100 for drivers aged under 21 years.

Members of the scheme will have to pay the excess regardless of fault once the vehicle has been repaired. Where the accident was due to a third party the Council will make efforts to recover the excess and if this is possible and if successful will reimburse the employee.

5.11 What if I leave the scheme early?

Due to the fact that new cars lose their value more quickly in the early years this means that a termination charge has to be levied if you leave the scheme before the 4 year contract term ends. Generally the earlier in the term the cancellation the higher the charge but there is a cap in place so that the maximum termination costs imposed on the employee will be 25% of the overall monthly cost (individual and Council contributions) multiplied by all the remaining complete months of the contract.

Termination charges are only levied where it is due to an action of the employee such as:

- Resignation
- Dismissal
- Request to leave the scheme
- Suspension of driving licence/disqualification

If termination occurs due to an action of the employer such as redundancy, then no charge will be levied. In addition in cases of ill health or death no charges are levied.

5.12 What happens at the end of the contract period?

At the end of the contract period you will have the option of either:

- a) Entering into a new agreement for a new car for a further four years or
- b) Return the existing car and revert to the Car Allowance Scheme.

Note: If you accept the car allowance then you are deemed to have left the provided car scheme and hence cannot revert back to a car at a later date.

The facilities manager will agree a date for the return of your old vehicle. Please ensure it is returned in a clean condition. You will be charged for any damage over and above normal wear and tear.

NB: The Council reserves the right to sell any vehicle during the four year period if the costs involved in maintaining and running the vehicle become excessive. In such cases the driver will have the option of ordering another vehicle or opting out of the scheme and accepting a car allowance.

6 Essential User Car Allowance

6.1 Introduction

The Council recognises that for the better performance of their duties certain job roles require to have access to a car at certain times. In order to assist staff with the fixed running costs of a vehicle the Council pays a fixed monthly car allowance through salary. In addition reimbursement is made for qualifying business mileage.

6.2 Eligibility

The new eligibility requirements for a car allowance are as follows:

- 1) Have a job role that requires them to leave the building on a regular basis for the purpose of work. This includes meetings with residents, businesses and other organisations which have a direct effect on the individuals and businesses of the borough where the Council acts as the third party. It is expected that the employee will do a minimum of 3000 business miles a year; or
- 2) Are graded as an Executive Head and above.

For the avoidance of doubt a list of eligible roles is included in Appendix 1.

The list of eligible roles will be reviewed on the 1st April each year by HR and Executive Heads to ensure that only roles that meet the criteria are included on the list. This may result in roles being added or removed. If your role is removed then the allowance will cease.

6.3 Allowance conditions

In order for eligible staff to claim an allowance they must prove that:

- 1) They hold a full UK licence and are not disqualified from driving for health or other reasons;
- 2) That they have regular access to a vehicle for work purposes;
- 3) The car has a valid MOT certificate if applicable;
- 4) That it has been serviced and maintained in accordance with the manufacturer's recommendations. This also includes tyres and windscreens being legal;
- 5) That they hold valid insurance which specifically covers them for business travel;

If the employee is unable to or ceases to fulfil all of this condition then the allowance will not be paid.

HR will require employees to submit a copy of their license, MOT and insurance annually.

When driving on Council business staff must ensure they comply with motoring regulations such as speed limits etc.

6.4 Rate of Allowance

The rate of allowance for 2012/13 is £166.67 a month equivalent to £2,000 per year.

This will be reviewed on an annual basis at the same time as the pay settlement

It should be noted that the allowance is subject to tax and national insurance

6.5 Mileage Rates

Staff using their own vehicle are able to claim reimbursement of costs for business mileage driven. Please note that mileage incurred home to work is NOT deemed to be business mileage and cannot be claimed for.

The current rates payable are as follows:

Date effective from	Cars up to 1549 cc	Cars 1500 cc & over	Motorcycles up to 500 cc	Motorcycles 501 cc & over
01/03/2012	43p	55p	7p	14p

Date effective from	All Cars (Up to a maximum 10,000 miles)	All Motorcycles
01/03/2012	45p	24p

Rates are reviewed periodically to reflect the changing costs of running a vehicle. Currently mileage payments are not taxable if they are below 45p a mile. Any excess over this figure is taxable. It is the employee's responsibility to pay any tax or national insurance that may be due.

All claims for mileage must be made on a regular basis using the Council's on line claims system.

7 Casual Users

7.1 Introduction

Casual Users are those staff who do not qualify for an allowance and use their own vehicles for Council business on a less frequent basis.

7.2 Conditions

In order for eligible staff to claim a mileage reimbursement they must:

- 1) Obtain permission from their line manager
- 2) Hold a full UK licence and are not disqualified from driving for health or other reasons;
- 3) That the car has a valid MOT certificate if applicable;
- 4) That it has been serviced and maintained in accordance with the manufacturers recommendations and that tyres and windscreens etc. are legal;
- 5) That they hold valid insurance which specifically covers them for business travel;

Only if all these conditions are met can an allowance be claimed. Claimants will be required to confirm they comply with each claim and may be required at any time to produce the relevant documentation for HR.

7.3 Mileage Rates

Staff using their own vehicle are able to claim reimbursement of costs for business mileage driven. Please note that mileage incurred home to work is NOT deemed to be business mileage and cannot be claimed for.

The current rates payable are as follows:

Date effective from	Cars up to 1549 cc	Cars 1500 cc & over	Motorcycles up to 500 cc	Motorcycles 501 cc & over
01/03/2012	43p	55p	7p	14p

Date effective from	All Cars (Up to a maximum of 10,000 miles)	All Motorcycles
01/03/2012	45p	24p

Rates are reviewed periodically to reflect the changing costs of running a vehicle.

These amounts may be taxable depending in HMRC regulations at the time

**Appendix 2
Compensation for Non-Eligible Staff**

Roles which no longer are eligible for the Provided Car scheme nor qualify for the Essential user scheme are listed below.

(List of Job roles to be added after individual consultation)

Staff in these roles will be entitled to a compensation payment to reflect that they are no longer eligible.

Calculation of Compensation Payment

Compensation is calculated as twice the annual allowance the council makes for the provided car scheme for those roles.

There would be an additional contribution towards tax and national insurance due on the payment.

These would be as follows:

Grade	Compensation Value	Tax & National Insurance Contribution	Total Compensation
SH1 – SH5	£5070.00	£1,272	£6,342
SH6 – SH9	£5633.00	£1,263	£6,896

Equalisation Payment

In order to reflect the fact that provided car contracts end on different dates an additional equalisation payment will be paid to those staff whose provided car contracts expire prior to June 2014.

These are as follows:

Grade	Annual Value	Monthly Value
SH1 – SH5	£2535.00	211.25
SH6 – SH9	£2817.00	234.75

When is it payable?

The Compensation payment will be paid at the end of the contract term as a lump sum. The equalisation payment will be paid in monthly instalments from the end of the agreement term.

Other Points to note

The provided car would be offered to the employee for purchase before it is offered out generally to staff.

Annex B

Provided Car Scheme consultation – response from Staff Representatives

The following is a summary of comments from Staff Representatives on the Provided Car Scheme following consultation with affected staff.

Mileage – Whilst Staff Reps recognise that the mileage criteria of 3000 miles has been set to recognise a regular use of a provided car for business purpose, an element of flexibility on this benchmark should be exercised to recognise that this will not always be achieved and to prevent any feeling that extra mileage should be undertaken in order to achieve this total. Figures should always be considered in the round. The definition should also emphasise consistency across job roles/ groups. It is therefore suggested that the definition is clarified to address these matters.

Consistency in the application in the mileage rule – Concerns were raised about the consistency in applying the mileage benchmark, specifically that senior managers would not be subject to the requirements set out in Paragraph 5.2.2.

The policy also reads that an Executive Head was not required to be in the scheme on 31 March 2010 in order to be eligible – it is understood that this is not the correct intention and this should therefore be amended.

Excess mileage – With regard to the proposal to impose an additional mileage charge to scheme members who achieve over 48,000 miles in the 4 year period, it is felt that the benchmark of 48,000 miles is too low and should be revised to 60,000 miles.

Essential Car User allowance – Staff Reps received feedback suggesting that the proposed Essential Car User allowance rate may be too low. It is therefore requested that, if the level of allowance is recognised to be inappropriate, it will be reviewed accordingly. It is, however, noted that this allowance will be reviewed annually.

A number of responses relating to individual situations were also received but these matters should be addressed during the individual consultation following the adoption of the policy.

Provided Car Scheme consultation

Definition - From the feedback received on the provided car scheme the definition for those staff being eligible needs some clarifying. The following points need to be incorporated into the definition:

- Similar job roles will be reviewed as a group in order to prevent inequality between jobs in the same job family doing similar tasks and some receiving a car/car allowance and others not.
- The 3000 miles limit won't be used in isolation otherwise we will find employees driving around just to reach this target.
- Other factors taken into consideration is equipment being carried, number of journeys.