

## Annex A

**Purpose: Salary Sacrifice Electric Car Scheme**

**To: Joint Staff**

**Author: Anna Godleman, Julie Simmonds**

**Date: 16<sup>th</sup> June 2022**

Consultees: N/A

### Summary of issues for consideration / decision:

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Joint Staff are advised to note this report and attached documents and consider whether the Council should sign up to the Octopus Electric Dreams electric vehicle Salary Sacrifice scheme.

This scheme would work similarly to the Council's Cycle to Work Scheme. The Council would lease electric vehicles and the additional vehicle services from Octopus EV. In turn, the Council would provide the use of the car to the employee in return for them sacrificing an agreed amount from their gross salary. As this is before income tax and national insurance, employees would save on that monthly cost. Every vehicle taken on the Electric Dreams scheme is 100% electric which significantly reduces overall carbon emissions from the vehicle.

The scheme has been designed to be simple to run with no cost to set up, and minimal admin and risk to run - so that employers can offer their staff a benefit whilst also reducing carbon emissions.

#### 1. Background:

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- 1.1 An employee commuting survey<sup>1</sup> was undertaken in late 2021. Results indicated that the majority of staff travel by higher emitting transport modes (91% by diesel/petrol car or van and 4% by electric vehicle, 4% walking, 2% by train). The estimated carbon impact of employee commuting prior to agile working was 378.5 tCO<sub>2</sub>e (2017)<sup>2</sup>.
- 1.2 Agile working has had a significant reduction on the amount of commuting journeys and associated carbon emissions (On average prior to the pandemic, employees spent 97% of their time in the office and 3% at home. At the time of the survey, employees spent 54% of their time in office and 46% at home). Further action is needed to support sustainable commuting.
- 1.3 Supporting the shift to electric vehicles could reduce the impact of a yearly commute by up to two thirds compared to a diesel or petrol car.

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<sup>1</sup> Employee Commuting Survey summary in attached papers

<sup>2</sup> <https://www.surreyheath.gov.uk/sites/default/files/Surrey%20Heath%20Local%20Plan%20-%20Climate%20Change%20Study.pdf>

1.4 Surrey Heath House has two electric vehicle charging points that are available to staff (process of access to be reviewed).

## **2. How The Scheme Works**

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2.1 The Octopus, Electric Dreams Car scheme is an employee benefit scheme, for electric vehicles. The scheme is paid through sacrificing part of employees gross salary; making savings on national insurance and income tax contributions (similar to the cycle to work scheme). The precise savings will depend upon personal tax circumstances and the make and model of the car chosen. This in turn leads to less for the Council to pay on NI contributions.

2.2 Income tax or NIC won't be paid on the salary sacrificed. They will have to pay Benefit in Kind ("BiK") tax on the car as a company car, but because it is a zero-emission car the BiK tax is currently much less than the income tax and NIC savings on the sacrifice. This should provide a saving to an employee compared to the cost of leasing a brand new EV themselves.

2.3 In the last few years the high company car tax rates for petrol and diesel cars (typically 25-35%) have made company cars generally unattractive. However, in the case of electric cars the government set these Benefit in Kind (BiK) rates, at 1% for this tax year (2021/22) and increasing to 2% over the next three years - making EV salary sacrifice a viable option. Beyond year 3, the BiK rate is not guaranteed.

2.4 To be eligible to participate in the scheme an employee must:

- Be a permanent employee paid via PAYE.
- Be employed on a permanent contract and have completed probation period.
- Be able to afford the salary sacrifice, meaning that revised salary, after taking into account salary sacrifice, exceeds the National Living/Minimum Wage and the Lower Earnings Limit for NIC purposes.
- Not be planning on retiring or resigning during the term of the agreement.

2.5 The monthly sacrifice includes the electric vehicle of choice, comprehensive motor insurance, roadside assistance, servicing, maintenance & repairs.

2.6 There is an estimated manufacturer lead in time of 6-8 months, depending on which model of EV.

2.7 The car will be leased for a fixed 2, 3 or 4 year period with a pre agreed mileage limit.

2.8 Octopus provide support with launching the scheme, with email comms, a webinar and pre-bookable 1-2-1 consultations and ongoing engagement.

- 2.9 The scheme includes account management, reporting & early termination protection as outlined in attached documentation.
- 2.10 Octopus have an excellent customer rating on Trust-Pilot.

### **3. Resource implications and risks:**

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- 3.1 There is no monetary cost for the Council to sign up to the scheme.
- 3.2 There is some Officer time associated with administration managing the scheme through payroll whilst in place.
- 3.3 Leaver protections are in place which originally did not apply in the case of employee dismissal but at our meeting on 16<sup>th</sup> May, we were advised this has now been updated to include.
- 3.4 Benefit-in-Kind rates are currently low for electric cars for the next 3 years. If the rates change then the scheme would be less economically appealing for staff.
- 3.5 Prior to 6 months on the contract, an early termination fee has to be paid by the employee to terminate - although there is no cancellation fee on the lead up to the car being delivered. However ownership of the scheme can be transferred to another member of staff.
- 3.6 Octopus currently do not offer a fixed method to purchase the car at the end of the contract, although indicate this might be an option on a case by case basis.
- 3.7 Due to the high cost of electric vehicles, the scheme will not be accessible to all members of staff.

### **Attached Papers:**

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- Employee Commuting Survey Summary
- Electric Dreams Employer Guide [click here](#)
- Electric Dreams Driver Handbook [click here](#)
- Electric Dreams Master Hire Agreement [click here](#)