

This Report will be made public on 27 May 2020



Report Number **P/20/05**

To: Personnel Committee
Date: 4th June 2020
Status: Non-executive Decision
Chief Officer: Andrina Smith

SUBJECT: REMOVAL OF THE ESSENTIAL USER ALLOWANCE

SUMMARY: This report provides the committee with a proposal which removes the essential car user allowance and associated mileage rates but also ensures that the few members of staff who do travel extensively across the district are not heavily impacted in a negative way.

REASONS FOR RECOMMENDATIONS:

The intention to remove the essential car allowance which was agreed as part of a previous round of pay negotiations however the recommendation here is to ensure staff are not negatively affected by the implementation of a previous decision.

RECOMMENDATIONS:

1. To receive and note Report P/20/05;
2. To rename the Cash Alternative Scheme as the Car Allowance Scheme
3. To implement option 2, namely to introduce a new level to the car allowance scheme.

1. INTRODUCTION

- 1.1 The council has historically had a number of different mileage schemes which linked back to the National Joint Council (NJC) national agreement on pay and conditions of service for local government which was last updated in May 2018:
- Cash Alternative Scheme
 - Essential User
 - Casual User

These schemes remained in place when the council took a decision to move onto local pay negotiations.

2. BACKGROUND

- 2.1 As part of the pay negotiations for the pay award in 2013/2014 the intention was clearly stated to review the application and validity of the essential user allowance and associated mileage with a view to moving to the HMRC rates of mileage reimbursement although no time limit was expressly stated in the agreement.

During the pay negotiations for 2016/17 the employers' side offer clearly stated a 'recommitment to review the validity of the essential user scheme and mileage over the next 18 months'.

More recently, during the 2018/19 negotiations for a 2 year pay award the employers' side offer stated 'the removal of the essential car user allowance and current essential & casual user mileage rate reimbursements in favour of using the HMRC mileage rates as job roles are defined and recruited to during the Transforming Shepway programme with the understanding that these will cease by 1st April 2020'.

- 2.2 The detailed work on implementing this decision has been running alongside the transformation programme and as the final preparations for this were being concluded a few members of staff were identified as being heavily negatively impacted by this decision due to their roles requiring extensive travel across the district.
- 2.3 At the end of March 2020, the Leader of the Council agreed with the Head of Paid Service to delay the implementation of these changes to allow time for this report to be prepared and presented to the Personnel Committee setting out options for the way forward.
- 2.4 There are currently 50 members of staff on the essential user scheme. They receive £1239 per annum paid in equal monthly instalments plus are entitled to claim up to 50.5p per mile depending on the engine size of their vehicle.

By removing the essential car allowance there would be a budget saving in excess of £60,000 per annum.

- 2.5 During the detailed work, it was identified by HR that 3 members of staff should have been on the Cash Alternative Scheme as they have regularly undertaken in excess of 4,000 miles each year. These members of staff have now been moved to the correct scheme.

3. CURRENT SCHEMES

3.1 Essential User Allowance

Essential Users are defined within the NJC National Agreement as being 'those whose duties are of such a nature that it is essential for them to have a car at their disposal whenever required. If the employee uses a private car in carrying out those official duties then they shall be entitled to receive a lump sum and agreed mileage rates (Part 3 Section 6).

The mileage rates linked to essential users was last updated by the NJC in 2011 and for the first 8,500 miles each year an employee can claim 50.5p per mile (dependent upon the engine size of their car) with an annual lump sum of £1,239 paid in equal monthly instalments of £103.25.

3.2 As far back as 2014 the Local Government Association (LGA) carried out a survey on terms and conditions that formed Part 3 of the NJC National Agreement, and the findings indicated that nearly 40% of councils were already moving away from the Essential User scheme and applying HMRC mileage rates for any claims.

3.3 Cash Alternative Scheme

The cash alternative scheme is offered on the basis of a 3 year renewable contract, subject to eligibility.

Any officer who is graded H and above on the council pay scales are automatically entitled to join the scheme.

Any other officer who travels in excess of 4,000 miles annually are eligible to apply to join this scheme.

There are currently 3 levels of payments associated with this scheme (not including the Corporate Leadership Team):

- £4,236 per annum for those at Grade J, K & L of the pay scales
- £3,900 per annum for those at Grade H & I of the pay scales
- £3,036 per annum for those eligible due to travelling in excess of 4,000 miles each year.

The associated mileage rate for the cash alternative scheme is 18p per mile.

3.4 The Cash Alternative Scheme is often referred to as the car allowance scheme as there is no longer an alternative. Historically, there would have been an option to enter into a contract for a lease car rather than receiving the 'cash alternative' as monthly payments however the lease option was removed prior to 2012 with the cash alternative scheme being left in its place.

It is recommended that this is now rebranded as being the Car Allowance Scheme.

4. OPTIONS FOR CONSIDERATION

4.1 The detailed work reviewing mileage claims has shown that there are a few staff who regularly do in excess of 2,400 miles per annum due to their roles and the effect of moving to HMRC rates is substantial. The details in the options listed below have been based on these 6 members of staff and the impact the changes could have,

however it should be noted by the member of this committee that individuals mileage can change annually. Typically, these staff members work in the Grounds Maintenance service area and Building Control and are using their cars constantly during the working day / week.

There are a further 10 members of staff who regularly do in excess of 1,200 miles per annum, however these officers have not been included in the options listed below.

By removing the essential user allowance monthly payments, any member of staff who travels more than 1,200 miles per year will notice a detriment in excess of £100 per month (£1,200 per annum).

For those travelling less than 1,200 miles per year, the detriment in reality to them is the equivalent of the £103.25 monthly payment.

4.2 In addition it should be noted that it was recognised when the original decisions were taken that there would be a number of staff who would be impacted and this has been widely accepted given the amount of notice that was given to staff for the implementation of the decision, plus there is recognition that we have agreed pay awards over recent years which have been much higher than national awards which has been appreciated by staff.

4.3 There are 4 options that have been identified for consideration by the personnel committee:

4.3.1 1. No change to the existing proposal of moving staff to the HMRC mileage rates

If we implement the decisions that have been taken during the pay negotiations and move to mileage only which is reimbursed at 45p per mile (the current HMRC rate), the effect on the identified 6 members of staff ranges from an annual detriment ranging from £1,370 up to £1,400.

4.3.2 2. Implement a new cash alternative level (recommended option)

The current cash alternative model requires staff to travel in excess of 4,000 miles each year to be eligible for an annual payment of £3,036 plus mileage reimbursed at 18p per mile.

A new level of the scheme could be introduced that enables staff to apply for the cash alternative payments if they travel in excess of 2,400 miles per annum. A suggested amount for this would be £1,800 per annum (£150 per month) with mileage reimbursed at 18p per mile.

Whilst this option would still result in a detriment for these individuals, the impact of this is would range from £225 up to £430 per annum and is considered to be much more manageable than the impact of option 1 above.

The cost to the council of implementing these new level would be £10,800 per annum based on these 6 staff members.

4.3.3 3. Reduce the threshold for cash alternative scheme applications

If this option was implemented and those who travel in excess of 2,400 miles per year were able to claim the same cash alternative as those travelling in excess of 4,000 miles the result would be that these 6 members of staff would receive a higher amount than they currently receive of between £800 and £1,000 per annum. This is therefore not a recommended option.

The cost to the council of reducing the threshold would be £18,200 per annum based on these 6 staff members.

4.3.4 4. A new scheme that enables a cash alternative payment but no mileage payment

This would be a completely new scheme for the council rather than option 2 and 3 above that are a variation to an existing scheme. This would result in a large amount of work to the payroll system which is not ideal given that only a very small number of our total staff would be needing this element of the payroll system and would also add in a number of additional audit checks. Therefore, this is also not a recommended option.

4.4 The calculations for options 1, 2 and 3 can be seen at **Appendix A**.

5. **LEGAL / FINANCIAL AND OTHER CONTROLS / POLICY MATTERS**

5.1 **Legal Officers Comments (AK)**

There are no legal comments arising directly from this report.

5.2 **Finance Officers Comments (LH)**

The financial implications are contained within the body of this report.

5.3 **Diversities and Equalities Implications (ASm)**

There are no specific Diversities and Equalities Implications arising from this report.

6. **CONTACT OFFICER AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Susan Priest – Head of Paid Service
Email: susan.priest@folkestone-hythe.gov.uk

Andrina Smith – Chief HR Officer
Tel: 01303 853405
Email: andrina.smith@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

None

APPENDICES:

Appendix A – Costings for the Mileage Schemes