

This Report will be made public on 26 January 2021



Report Number **P/20/09**

To: Personnel Committee
Date: 4th February 2021
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 for all staff (as per the commitment reached in the 2016/17 pay settlement), but also ensures that the few members of staff who do travel extensively across the district on council business are not heavily impacted in a negative way.

REASONS FOR RECOMMENDATIONS:

The intention to remove the essential car allowance 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/20/09;
2. To remove the essential car user allowance on a phased 3 year basis with mileage reimbursed at HMRC rates from 1 April 2021;
3. To rename the current Cash Alternative Scheme as the Car Allowance Scheme from 1 April 2021.
4. To introduce a new level to the Car Allowance Scheme from 1 April 2021.

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 continuing to require extensive travel across the district.

2.3 At the end of March 2020, the Leader of the Council agreed with the Chief Executive 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 46 members of staff on the essential user scheme. They receive £1,239 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 in totality there would be a budget saving in excess of £55,000 per annum.

2.5 During the detailed work, it was identified by HR that 3 members of staff should have been on the council's Cash Alternative Scheme as they have exceeded the threshold and regularly undertake in excess of 4,000 miles each year. These members of staff have now been moved to the correct scheme and do not feature within the data referred to in this report.

2.6 In addition, during the detailed work it became clear that there are a considerable number of staff (31 for the 2019/20 financial year) who are claiming less than 1,200 miles per year which indicates they are travelling on average less than 23 miles per week for work reasons. It could be argued that these roles should not attract an essential user payment and that the council has been making payments that could be deemed unnecessary.

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 moving away from the Essential User scheme and applying HMRC mileage rates for any claims. The pay negotiations referred to in section 2.1 of this report were reflecting a distinct national trend at the time.

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 55 staff entitled to one of 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 (10 staff)
- £3,900 per annum for those at Grade H & I of the pay scales (41 staff)
- £3,036 per annum for those eligible due to travelling in excess of 4,000 miles each year (4 staff).

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

3.4 The Cash Alternative Scheme is now 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 which in turn matches the terminology used for Directors and the Chief Executive who are in receipt of a car allowance.

4. PROPOSAL FOR CONSIDERATION

- 4.1 The detailed work reviewing mileage claims has shown that there are 46 staff that are currently in receipt of the essential user allowance. For the few staff (10 identified in 2019/20) who regularly do in excess of 1,800 miles per annum due to the nature of their roles, the effect of moving to HMRC rates would be substantial. These staff members are mainly working in the Grounds Maintenance service area and Building Control and are using their cars constantly during the working day / week.

The relevant data can be found in **Appendix A**.

On the left hand side of the appendix the mileage claimed during 2019/20 for each member of staff receiving the essential user allowance (anonymised data) is shown. In addition the payment received by each of these members of staff is shown in the columns shaded in light blue which provides the essential user amount added together with the 2019/20 mileage rate to give a total for each individual. The impact of removing the essential user allowance and moving to HMRC mileage rates is shown in the columns shaded in peach.

- 4.2 In order to progress the original proposals to remove the essential user allowance the following solutions (4.2.1 – 4.2.3 below) are recommended to personnel committee for consideration:

- 4.2.1 The introduction of a new element to the existing cash alternative scheme which would enable staff to apply annually each April for the cash alternative payments if they travel in excess of 1,800 miles per annum. This can be verified very easily by a simple report on the previous financial years mileage claims taken from the payroll system. This mileage level is suggested as it implies travel in excess of 150 miles per month on average.

The suggested amount for this would be £1,800 per annum (£150 per month) with mileage reimbursed at the cash alternative rate of 18p per mile.

Based on the data from 2019/20 this element would be applicable to those staff highlighted in yellow on Appendix A.

- 4.2.2 The removal of the essential user allowance from the remaining 36 staff to be implemented over a 3 year period based on the current pay protection arrangements that currently exist within council policies.

The phased implementation would be as follows:

2021/22 – essential user allowance continues at 100%

2022/23 – essential user allowance reduced to 75% of the current amount

2023/24 – essential user allowance reduced to 25% of the current amount

Therefore by April 2024 essential user allowance will be removed.

It should be noted that no new members of staff are receiving the essential user allowance.

- 4.2.3 All mileage will be reimbursed at the HMRC mileage rate which is currently 45p per mile for the first 10,000 miles, with the exception of car allowance mileage which is reimbursed at 18p per mile.
- 4.3 Following Cabinet's consideration of report C/20/70 on 20 January 2020 work will be undertaken during 2021 in relation to identifying a customer access point in Folkestone and the relocation of the civic offices during 2023/24 at the earliest. This will undoubtedly result in a fundamental review of team and individual working practices across the council and lead to changes in the terms of conditions contained within our employment contracts, particularly if base locations change and home working is adopted on a more permanent basis. These changes will be considered through the Council's Managing Organisational Change procedures with regular consultation with unions and engagement with staff.

This does however provide an opportunity to review all the elements related to staff travelling to and for work including car allowances, mileage reimbursement, greener more sustainable travel being incentivised, car sharing benefits etc.

It is proposed that this work will start during 2021/22 with updates and progress being shared with this committee.

5. IMPACT OF COVID-19

- 5.1 Since 16 March 2020 the Civic Centre in Folkestone has been closed to staff meaning the vast majority of our staff have been working from home. This has provided an opportunity to review our ways of working within each team to ensure that our services continued to be delivered effectively throughout the period of lockdown and beyond. This change in the way that we work has inevitably brought a reduction to the mileage being claimed during this financial year as working practices have altered significantly. At the time of writing this report, expectations are that staff will be encouraged to continue working remotely wherever possible.
- 5.2 It is clear from data gathered independently from this report that the mileage claimed has dropped considerably and an update on total miles claimed by the members of staff currently in receipt of the essential user allowance will be provided at the committee meeting. However, the individuals at the top of the list (numbers 3 to 12) have still claimed substantial miles over the last 9 months which when forecast to the full year still shows they are regularly driving across the district. This data would clearly indicate that there is an essential need for these individuals to be mobile with a vehicle at all times.
- 5.3 By contrast, having compared a random sample of the rest of the staff (numbers 14 to 49) currently receiving the essential user allowance it is clear that in the majority of instances substantially fewer miles have been claimed which would support the proposal of removing the essential user allowance for all staff but introducing a different allowance for those who do regularly need their vehicle and claim regular high numbers of mileage.

6. LEGAL / FINANCIAL AND OTHER CONTROLS / POLICY MATTERS

6.1 Legal Officers Comments (AK)

There are no legal comments arising directly from this report.

6.2 Finance Officers Comments (LH)

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

6.3 Diversities and Equalities Implications (ASm)

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

7. 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 – Chief Executive
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The following background documents have been relied upon in the preparation of this report:

None

APPENDICES:

Appendix A – Mileage costings based on 2019/2020