



CAR LEASING SALARY SACRIFICE SCHEME
COUNCILLOR SEATON, CABINET MEMBER FOR RESOURCES
AUGUST 2015
Deadline date: N/A

Cabinet portfolio holder: Responsible Director:	Councillor Seaton, Cabinet Member For Resources Kim Sawyer, Director of Governance
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: Yes Unique Key decision Reference from Forward Plan: KEY/02OCT15/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

RECOMMENDATIONS
The Cabinet Member is recommended to:
1. Authorise the award of a contract to Northumbria Healthcare NHS Foundation Trust for a period of 5 years, to provide a salary sacrifice car leasing scheme.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member’s approval of the recommendations to authorise the contract for the Council to obtain lease vehicles, which will enable the implementation of a salary sacrifice car leasing scheme open to Council employees.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet member to consider exercising delegated authority under paragraph 3.4.8 (a) of section 3, Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (r).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. DETAILS OF DECISION REQUIRED

- 4.1 The decision maker is asked to authorise the award of a contract to Northumbria Healthcare NHS Foundation Trust for a period of 5 years to provide a salary sacrifice car leasing scheme.
- 4.2 At its meeting on 22 July 2015, the Council's Employment Committee approved the introduction of a salary sacrifice car leasing scheme for employees. The approval of the recommendations will allow the scheme to be implemented.
- 4.3 Under the proposed contract with Northumbria Healthcare NHS Foundation Trust, the provider will hire vehicles to the Council and deliver certain administration services, to enable the Council to operate the salary sacrifice scheme. An employee wishing to utilise the scheme, selects the vehicle required and the Council would hire the selected vehicle from Northumbria Healthcare NHS Foundation Trust pursuant to the Council's contract with the provider. The employee's contract of employment is then varied to sacrifice part of the employee's salary in exchange for the Council providing the lease vehicle for the employee's (and any named driver's) use. The contract with Northumbria Healthcare NHS Foundation Trust will include the leasing of the car, insurance, servicing, repairs and replacement of parts through normal wear and tear. The Council would then use the salary sacrificed by the employee to meet the rental payments due from the Council to Northumbria Healthcare NHS Foundation Trust under the contract.

5. CONSULTATION

- 5.1 Trade Unions were consulted at a meeting of the Joint Consultative Forum on 3 June 2015 and were in agreement with the introduction of the salary sacrifice car leasing scheme.
- 5.2 At its meeting on 22 July 2015, the Council's Employment Committee approved the introduction of a salary sacrifice car leasing scheme for employees.

6. ANTICIPATED OUTCOMES

- 6.1 The award of the contract to Northumbria Healthcare NHS Foundation Trust will allow the Council to implement a salary sacrifice car leasing scheme for employees.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 Salary sacrifice car schemes have become more popular since the changes to Benefit in Kind (BiK) tax on company cars in 2008, which continues to favour low emission cars with lower levels of BiK tax. Low emission vehicles therefore benefit the most from salary sacrifice schemes.
- 7.2 It is intended that employees will be limited to leasing vehicles with emissions levels below 140g/km. This would result in employees utilising the scheme driving 'greener' cars. High emissions vehicles do not attract the BiK advantages and also, there would be a conflict with the Council's Environment policies if the scheme facilitated employees having more polluting models. Limiting the leasing vehicles in this way would mean that employees are still be able to choose from around 2000 different vehicles and models.
- 7.3 The salary sacrifice car leasing scheme allows the Council to provide an additional benefit to employees at no additional cost, with the potential to achieve savings. This is made possible by employees paying the Council for the car lease directly from their gross salary, before income tax and national insurance is paid. This results in the Council paying reduced national

insurance and pension contributions on the amount of salary sacrificed by the employees. Employees who have a car through this scheme will also be reimbursed at a lower mileage rate (10.4p as opposed to 45p per mile) which will also produce savings.

- 7.4 The precise value of the contract will depend upon the number of employees who utilise the scheme, but, assuming that take up is similar to other Councils (5% of employees) and an average rental cost of £250 per month, the value of the contract over the 5 year contract term would be £600,000. The Council's Medium Term Financial Strategy identified that introducing a salary sacrifice scheme would result in savings of £100,000 in a full year.
- 7.5 The proposed contract with Northumbria Healthcare NHS Foundation Trust will be an overarching contract which will govern all individual orders placed for specific vehicles. Individual orders will then be placed under the contract, as per employee requirements. The period of hire of each vehicle is anticipated to be 36 months in each case. As the Council will be hiring the vehicles under the contract, the Council will be contractually responsible to Northumbria Healthcare NHS Foundation Trust in respect of all obligations in relation to the vehicles, including the obligation to make payments. However, the Council will enter into salary sacrifice arrangements with each employee using the scheme, to set out what obligations the employee must comply with in relation to the use of the vehicle. The salary sacrificed by the employee will cover the hire payments which the Council is responsible for under the overarching contract with Northumbria Healthcare NHS Foundation Trust.
- 7.6 Running a Salary Sacrifice Scheme is not without risk and issues that need to be managed. However, the scheme can be set up in such a way as to mitigate the impact of most, if not all, of these risks. The main risks/issues are as follows:
- 7.6.1 An employee may be absent either on maternity leave or through long-term sickness, or may resign, be made redundant or dismissed. This can be mitigated by obtaining insurance against these risks as part of the rental, which can be built into the scheme specification. The insurance is funded by adding a small premium to the rentals which would be recouped from the salary sacrificed by the employee.
- 7.6.2 End of contract charges such as excess mileage or damage recharges. This can be mitigated by Northumbria Healthcare NHS Foundation Trust monitoring the running mileage of vehicles provided on the scheme and, where necessary, offer to re-schedule the agreement (to take into account the additional mileage). This results in a slight increase in the monthly rental where a vehicle shows a trend to run over-mileage, but an excess mileage charge at contract expiry is avoided. In relation to charges for vehicle damage, employees should settle any charges, however, as the Council is contractually responsible to Northumbria Healthcare NHS Foundation Trust, this cost will be charged to the Council, who will recover the sums from employees. Increased damage waiver amounts are available in return for additional premiums payable with the vehicle rental, which it is recommended are included in the lease charges to the employees.
- 7.7 The advantage for the employee with a salary sacrifice scheme is that the reduction in gross salary results in savings on income tax, pension and national insurance contributions deducted from the employee's salary, which more than offset the employee's BiK liability. This is only the case if employees choose lower valued, lower CO2 emission cars, as that way the BiK they pay is lower. Employees who utilise the scheme will, however, see a reduction in their LGPS benefits, as their pensionable salary would be calculated after the amount of salary sacrifice deducted. It is intended that this point will form part of the scheme publicity to ensure employees are aware of this impact. Once the contract has been awarded, the scheme will be submitted to HMRC for approval.
- 7.8 Teachers will not be able to take part in the scheme, as a salary sacrifice scheme of this nature would be in breach of the statutory school teachers pay and conditions document.

Additionally, an employee will not be able to utilise the salary sacrifice scheme if to do so would result in the employee receiving below the national minimum wage, which would be in breach of legislation.

- 7.9 There are a number of providers who offer the services of vehicle hire in connection with salary sacrifice car schemes. Northumberland County Council operate a Framework Agreement which is available for use by other local authorities, and Northumbria Healthcare NHS Foundation Trust is the sole provider on that framework. Utilising this Framework Agreement to award the contract to Northumbria Healthcare NHS Foundation Trust removes the necessity for the Council to carry out a separate tender procedure and therefore reduces management time and cost. In addition, all profits made by Northumbria Healthcare NHS Foundation Trust are retained within the NHS.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Tender for the contract:

The Council could carry out a competitive tender for the contract, instead of using a Framework Agreement however, this was discounted as this option would be both time consuming and expensive.

- 8.2 Do nothing:

This would not realise any savings, and also the Council would run the risk of losing key staff to those Councils that offer such benefits.

9. IMPLICATIONS

- 9.1 Financial

The scheme will produce savings based on reduced employer's national insurance and pension contributions. The precise savings will depend upon take up of the scheme. The costs to the Council for leasing the cars would be entirely recovered via employee contributions.

- 9.2 Legal & Procurement

The Council has considered the legal position in respect of this proposed contract and recognises that other Local Authorities have used this framework without challenge. As the legal position evolves, the Legal Team should be consulted if further developments arise.

- 9.3 Environmental Capital

By specifying an emissions limit for vehicles that can be leased, the scheme will encourage employees to drive less polluting models.

- 9.4 Human Resources

The scheme will enable the Council to attract and retain key staff. Trades unions have been consulted and fully endorse the scheme.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Report to Employment Committee 22nd July 2015.