



CABINET: 10 MARCH 2020

Report of: Corporate Director of Transformation & Resources

Relevant Portfolio Holder: Councillor Yvonne Gagen

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SUBJECT: INTRODUCTION OF A CAR LEASE SALARY SACRIFICE SCHEME

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To seek Cabinet approval to introduce a Salary Sacrifice Car Lease Scheme for staff.

2.0 RECOMMENDATIONS

- 2.1 That the proposal to introduce a Salary Sacrifice Car Lease Scheme into the Council as an additional benefit in kind for staff with effect from 1 April 2020 be approved.
- 2.2 That it be noted that the scheme will promote and encourage the use of the low CO2 emission vehicles to staff to encourage the support the Council's Carbon neutral ambitions.
- 2.3 That delegated authority be given to the Corporate Director of Transformation and Resources and the Head of Human Resources and Organisational Development to undertake the detailed implementation of the Car Lease Salary Sacrifice Scheme.

3.0 BACKGROUND

- 3.1 The Council currently offers two Salary Sacrifices Schemes to staff, one related to Child Care Vouchers, the second related to providing staff with an opportunity to purchase a bicycle through a salary sacrifice arrangements called the Cycle to Work Scheme.

- 3.2 Salary sacrifice means that the Council arranges for the purchase price of the product to be taken in instalments from salary each month. The amount is deducted from gross salary, prior to any Tax and NI or pension deduction.
- 3.3 The consequence of this is that staff receive a financial benefit by paying reduced Tax and NI and pension contributions. However this reduced financial cost of tax and NI and pension contributions also extends the benefit for the employer, as employer contributions are also reduced.
- 3.4 The range of things that can be introduced as a salary sacrifice include the purchase of a Salary Sacrifice Car Lease Scheme. This allows staff to choose to use some of their salary before it's taxed in exchange for the use of a brand new car.
- 3.5 There is an added benefit to the Council's ambition to reduce its carbon footprint, as the new cars offered in these schemes are the greenest on the market with lower CO2 emissions.
- 3.6 The scheme, like Cycle to Work and Childcare Voucher schemes, enable staff to offset some of their salary, in return for a brand new full maintained and insured car. There is no deposit required or ongoing running costs including road tax, insurance, MOTs, breakdown assistance and repair bills.
- 3.7 Following research, the preferred Salary Sacrifice Car Lease Scheme provider for the Council has been identified as NHS Fleet Solutions.
- 3.8 NHS Fleet Solution is an NHS body itself and specializes in providing Car Lease vehicles to the Public Sector. It enable vehicles to be insured for up to 5 people over the age of 21 years at no additional premium, it obtains its vehicles from over 20 car lease providers, providing a great deal of choice to staff in the vehicles available to them. They also have large bulk buying power, enabling them to offer substantially reduced lease deals on special offer deals to staff, that are extremely financially competitive. It further offers fixed rate saving to the Council, of £700 per vehicle per year regardless of vehicle cost. It further builds in the cost of providing fast charge sockets into lease monthly fee for electric only vehicles takes pressure off staff to find additional money for this, at approximately £6 per month in the first lease deal.
- 3.9 NHS Fleet Solutions is available to call off from a Government Procurement Framework, which makes procurement of such a scheme relatively straightforward by enabling us to make a direct award without the need for full tender arrangements, or to run a mini tender exercise.
- 3.10 The scheme operates at no cost to the Council, other than an initial outlay to purchase the lease, which is then repaid to the Council directly by the employee through direct salary deductions.
- 3.11 For information, two local neighboring Councils use NHS Fleet Solutions Salary Sacrifice Car Lease Scheme, Blackpool and South Ribble (SR from April 2020).
- 3.12 It is not possible to provide detailed costings of any individual car lease that is possible with this scheme in this report. There are a number of variable factors

that affect this, including what is available on market. However, from research, officers are satisfied that this scheme does offer value for money for staff and is competitively priced, and would be genuine benefit to attract and retain staff to the Council's workforce.

4.0 IMPLICATIONS SUMMARY

- 4.1 In a salary sacrifice car scheme, an employee forgoes a portion of their gross salary in exchange for savings on tax and national insurance (NI) and pension contributions. The employee will save tax and NI on the sum that has been sacrificed, and the value of the car benefit is subject to benefit-in-kind (BIK) tax. (noted on a P11D). This will require a variation to their terms and conditions to convert some of their salary to a benefit in kind. This will be achieved through the sign up documentation required by the Car Lease Scheme.
- 4.2 A salary sacrifice scheme also produces savings for employers, on NI contributions and pension contributions. Although the employer still has to pay NI contributions on the provision of the car, this will normally be much less than the employer NI contributions that would have been due on the portion of salary sacrificed. NHS Fleet Solutions agree to pay a standard rate of £700 per car per year for each lease agreement. This beneficial for budget planning.
- 4.3 There is a duty of care for the employer to let staff make informed decisions. However it is not for us as an employer to give personal and tax advice, but we will be required to inform employees that they are giving up salary and are getting a benefit for it, but this could impact other things, such as tax credits and their pension entitlement, dependant on how long it is to their proposed retirement date. Full implications and costs and savings will be made available to staff to ensure they can make an informed choice.
- 4.4 If an employee leaves prior to the end of a lease contract, or if they lose their driving license, there needs to be an agreed exit mechanism for paying any early termination of lease exit fees. There is a debt management process built into the scheme contract, but, ultimately as the lease contract is with the Council and not the individual employee, any debt left outstanding and unrecoverable from the employee would need to be underwritten by the Council.
- 4.5 There will also be a requirement for the employee to meet any speeding or parking fines as they would in normal day to day motoring in their own vehicle and there will be requirements to pay for undue damage to the cars or excess mileage charges. But these will be clear in any contract at the outset.
- 4.6 The requirements of the salary sacrifice scheme do not allow someone to enter into an agreement for a car lease if it means that as a result their remaining salary is below the national minimum wage. This does mean that some of our lower paid staff and apprentices, would not be able to engage in the scheme. It's also likely that staff on probation or on less than 2 year contracts would also be excluded, as they may not be in post for the duration of the lease agreement.
- 4.7 It is proposed to set aside a percentage of savings made by this scheme each year to be available as an early termination contingency fund, to ensure that this remained a cost neutral scheme to the Council.

- 4.8 It should also be noted that the Council would be liable to continue to pay lease fees for any employee who took unpaid maternity leave during the life of a car lease scheme, or was absent due to long term sickness and went into a no pay status. This is due to anti discriminatory equality legislative requirements. However, these occurrence are not very frequent within the Council and it is not envisaged that this would be a problem for the Council as it will have established the early termination contingency fund noted above.
- 4.9 Overall, a salary sacrifice car lease scheme is straightforward to introduce and offers a low-cost option to reward staff. It is a win-win for both Council and our staff.
- 4.10 The HM Treasury's has introduced a significant incentive for drivers to consider greener salary sacrifice vehicles (and car leasing via salary sacrifice more generally). In 2020 a full electric vehicle, and any petrol hybrids with a range of 130 miles or more on electric charge, will not be liable for any **Benefit-in-Kind**; as opposed to **16%** BIK on the vehicles list price in 2019/20. Furthermore for two years subsequently, BIK will only be 1% in 2021/22 and 2% in 2022/23 of the vehicle's P11D value.
- 4.11 The above incentive promotes the purchase of low CO2 emission vehicles and would be promoted within the scheme as both a financial incentive to staff to direct their purchasing power towards low CO2 emission vehicles. However, the scheme would not be limited to Ultra Low Emission vehicles in its portfolio. But clearly the higher the CO2 emission, the less financial attractive the lease deals will be for staff.

5.0 SUSTAINABILITY IMPLICATIONS

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 6.1 There are some financial implications arising from this report in respect of the initial set up of the scheme. As this is done via a salary sacrifice deduction from gross salary, arrangements will have to make with our payroll provider BTLS Ltd to undertake these deductions. This will require a system change, which will need to be established to enable this to occur. There are cost implications to any changes to the payroll support we receive in the contract. It is not clear at this stage how much this will be, as it will involve an RFP submission and a cost price to be provided by BTLS Ltd. However, it is envisaged any cost can be met from within existing budgets set aside for the provision of the Payroll contract.
- 6.2 As the initial purchase of the lease is paid for by the Council, this will generate a cash flow need to enable a 12 month lease to be purchased up front from NHS Fleet Solutions, which will then be paid immediately back by the employee via direct salary deduction. The Council has an administrative option to pay this 12 months up front as a one of payment, or to pay monthly in line with the payments recovered from the employee via direct salary deductions. To ease the administrative burden it is proposed that an annual invoice is paid to NHS Fleet Solutions, which is repaid over the 12 months by the employee.

6.3 There will be some administrative resource implications with the setup of the scheme, but once established, the majority of the administrative burden is borne by NHS Fleet Solutions and not the Council staff. Any residual checking and administration can be absorbed within existing resources.

7.0 RISK ASSESSMENT

7.1 The actions referred to in this report are covered by the scheme of delegation to officers in relation to debt recovery and any necessary changes will be made in the relevant risk registers once the scheme is adopted.

8.0 HEALTH AND WELLBEING IMPLICATIONS

8.1 The proposal will promote good health and wellbeing and enable people to flourish by providing them with a mechanism to obtain a brand new car which is fully insured and without maintenance costs, to improve their financial and family life. The incentive to purchase ultra-low emission vehicles as part of the scheme will also improve the environment in which we all live. This in turn reduces stress on employees makes them feel more valued and improves health by improving air quality. Account has also been taken in the establishment of scheme to ensure no vulnerable group would be unfairly disadvantaged. This brings the possibility of affordable trouble free motoring to our staff to encourage them to lead full active lives.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

There is a direct impact on employees, therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix to this report, the results of which have been taken into account in the Recommendations contained within this report

Appendices

1. Fleet Solutions
2. Equality Impact Assessment