

**Report for:** Staffing and Remuneration Committee

**Item number:** 10

**Title:** Reimbursement of Business Mileage

**Report authorised by :** Richard Grice – Assistant Director, Transformation and Resources

**Lead Officer:** Ian Morgan – Reward Strategy Manager

**Ward(s) affected:** All

**Report for Key/  
Non Key Decision:** n/a

## **1. Describe the issue under consideration**

- 1.1 One of the aims of the Modern Reward Strategy was to review all allowances paid to Council staff including the reimbursement of out of pocket expenses while on Council business.
- 1.2 The Council currently operates four different schemes to reimburse expenses incurred for car business mileage. Both a casual and essential user scheme for employees who started on or after the 13<sup>th</sup> July 1993; and a historic scheme for employees who started before that date. See Appendix A for full details of Haringey Car Mileage Rates. The historic casual and essential user schemes are in accordance with the national collective agreement between local government employers and the trade unions, called “ the Green Book”. This agreement has been reached by the National Joint Council for Local Government Services (“NJC”). The casual and essential user schemes for employees who started on or after 13<sup>th</sup> July 1993 are a modified version of the NJC Schemes, in that unlike the latter schemes the allowances under the former schemes for vehicles with engines sized 1000 to 1199cc and 1200 to 1450 cc are the same.
- 1.3 In summary, the essential user scheme consists of an annual lump sum payment and mileage claimed is paid at a rate according to miles undertaken and car engine size. The casual user scheme is similar to the essential user scheme but a lump sum is not paid and mileage claimed is paid at a higher rate.
- 1.4 As part of the Modern Reward Strategy initiative we intend to replace these schemes with a single scheme which will only be paid for on a claims basis, and under which motorcycle, van and bicycle mileage will also be paid for. The use of the car/van/motorcycle/ bicycle on Council business will have to have been given prior authorisation by the Council, and the Council will need to be satisfied that the particular mileage claimed for took place on Council business.
- 1.5 Concurrently with this change we aim to change the method of calculating reimbursement from the current National Joint Council (NJC) rates to the rates authorised by Her Majesty’s Revenue and Customs (HMRC). These rates are set out in Appendix B.
- 1.6 This will result in the Council establishing one car/van /motorcycle/bicycle user scheme for all staff.

## **2. Cabinet Member Introduction**

Not required for the Staffing and Remuneration Committee.

### **3. Recommendations**

- 3.1. Officers are authorised to consult with Council staff and their representatives on the replacement of the current and historic arrangements of a lump sum and mileage rates based on NJC rates, with HMRC authorised mileage rates, as set out in Appendix B.
- 3.2. Officers to bring to the Committee for approval a further report setting out the outcome of the consultation and final proposals for the payment of car/van/ /motorcycle/bicycle allowances to Council employees.

### **4. Reason for decision**

- 4.1. Linking the amounts that the Council will pay staff who carry out business travel using private transport, i.e. cars, vans, motorcycles or cycles, to the HMRC authorised rates has three major advantages:
- 4.2. The payment can be made tax-free thereby avoiding unnecessary liability for either income tax or National Insurance contributions for the Council and its, employees.
- 4.3. We estimate that by paying mileage rates on a claims only basis will save the Council upward of £200,000 each year, even given a margin for under reporting. An analysis of potential savings is shown in Appendix D.
- 4.4. This approach will harmonise car mileage rates for all staff.

### **5. Alternative options considered**

This is part of the Modern Reward Strategy programme of reviewing, discontinuing or consolidating allowances and ensuring allowances continue to be fair, transparent and consistent and remain fit for purpose

### **6. Background information**

- 6.1. Reimbursement of out of pocket expenses incurred on Council business
  - 6.1.1 The Council reimburse employees through the payroll for essential expenses properly incurred whilst on Council business.
  - 6.1.2 HMRC govern the scope of what an employee may claim as a legitimate business expense and in some instances impose limits on the financial amount that can be claimed tax free.
  - 6.1.3 No payments are made in respect of travel between an employee's home and their normal place of work.
- 6.2. Business mileage rates
  - 6.2.1 Traditionally the reimbursement rates for business mileage are calculated by reference to both standing charges and running costs. The standing charge takes into account those items that are not directly related to mileage such as depreciation, insurance and roadside assistance. The running costs take into account those items that are linked to mileage such as fuel, tyres repairs and servicing. The proportion of motoring costs attributable to each element changes in relation to the annual mileage undertaken until the proportion attributable to standing charges is negligible. Under the National Joint Council (NJC) rates this cut off point is at 8,500 miles per annum, whereas the HMRC

calculations assume that the cut off point isn't reached until 10,000 miles per annum. The differences can be seen in Appendix A (Haringey Car Mileage Rates) and Appendix B (HMRC Car Mileage Rates).

### 6.3. Essential Car Users Allowance

Currently essential car users are paid an up front payment on the assumption that they will complete at least 8,500 miles a year and as a consequence receive an allowance based on engine capacity but claim a reduced rate per mile.

6.4. Please note we are not proposing to change the definition of an essential car user merely the way that their reimbursement for business mileage is calculated and paid.

6.5. There is no common approach for business mileage rates amongst other London Boroughs although there are a number of local arrangements in place. Further detail can be found in Appendix C.

## 7. Contribution to strategic outcomes

The aim of the Modern Reward Strategy in reviewing, discontinuing or consolidating allowances is to reduce the level of administration needed by ensuring that the management of supplementary payments is clear, transparent and consistent; reducing the time spent on resolving queries and on ensuring the correct amount of such allowances is paid.

## 8. Statutory Officers' comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

### Assistant Director of Corporate Governance Comments

8.1. The Assistant Director of Corporate Governance has been consulted on the content of this report and comments as follows:

8.2. S112 of the Local Government Act 1972 provides that the Council may appoint staff on such reasonable terms and conditions of employment as the Council might determine. Payment of HMRC authorised mileage rates on a claims basis is a reasonable course of action with benefits to both the Council and staff overall, although some staff may inevitably face a reduction in benefits as a result of the harmonisation of rates.

8.3. It may well be that the current schemes to reimburse expenses incurred for car business mileage are terms of the contracts of employment of employees covered by those schemes. The proposals to pay HMRC authorised mileage rates on a claims basis, if eventually agreed by the Committee, may involve the Council seeking changes to the contracts of employment of these employees.

8.4. Such variations made by way of agreement with the trade unions recognised by the Council will be binding on individual employees, if either these employees' contracts of employment contain a specific term binding the employee by the outcome of local collective agreements with the trade unions or if as a result of past custom and practice it can be said that it is an implied term of these contracts that local collective agreements bind the employee. Such variations agreed with the individual employees will also be binding on them. In the absence of such agreement with the trade unions or with the individual employees, then in order to ensure that such variations had legal effect, it would be necessary to terminate these employees' contracts of employment and to offer them new contracts containing the new terms concerning the payment of business mileage.

- 8.5. The equalities impact statement indicates variations in some equality strands and the harmonisation of allowances will reduce the risk of equal pay and discrimination claims succeeding against the Council.

#### **Chief Finance Officer Comments**

- 8.6. This proposal was not included as a savings proposal in the Council's Medium Term Financial Strategy (MTFS) as reported to Cabinet in December 2016 and would therefore represent an additional saving to the Council. Additional savings will be required over the Council's 5-year MTFS.
- 8.7. The calculations to support the proposal have not been independently validated by Finance but further due diligence will be undertaken.

#### **Equalities Comments**

- 8.8. The Council has a public sector equality duty under the Equality Act 2010 to have due regard to the need to:
- 8.8.1. Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act;
  - 8.8.2. Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it;
  - 8.8.3. Foster good relations between people who share a relevant protected characteristic and people who do not share it;
  - 8.8.4. A "relevant protected characteristic" is age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation.
  - 8.8.5. An equalities impact assessment has been completed as shown in Appendix E. In summary there is evidence to suggest that some people that share protected characteristics are more likely to be affected by the proposal to adopt HMRC rates for business mileage, for example employees aged 55+ who are overrepresented amongst essential car users when that group is compared with the Council workforce as a whole. Women and BAME employees are overrepresented amongst casual car users when that group is compared with the Council workforce as a whole.

#### **9. Use of Appendices**

- 9.1. The appendices to this paper are as listed below.

Appendix A – Schedule of Haringey Business Mileage

Appendix B – Schedule of HMRC Rates

Appendix C – Summary of Rates used by London Boroughs

Appendix D – Analysis of Potential Savings

Appendix E – Equalities Impact Assessment

#### **10. Local Government (Access to Information) Act 1985**

Not applicable.