

**NORTH LINCOLNSHIRE COUNCIL**

**CORPORATE SERVICES  
CABINET MEMBER**

**CAR LOAN SCHEME**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To seek approval for the withdrawal of the Council's Car Loan Scheme.

**2. BACKGROUND INFORMATION**

- 2.1 The Council has always operated a scheme whereby eligible employees could receive financial assistance (a loan) towards the purchase of a car. In times past, the interest rate charged by the Council was favourable when compared with private finance rates. Nowadays, however, competitive interest rates may be found elsewhere. The interest rate charged by the Council is set at 1 April each year and is normally equivalent to the bank of England Base Rate. However, the current rate is 5.25% as no adjustment was made on 1 April 2009 to reflect the current base rate of 0.5%.
- 2.2 The number of loans is reducing, from 42 at April 2007 to 22 now, primarily because of cheaper alternative sources of finance. It is now an appropriate time to consider withdrawal of the scheme or, if retained, what changes are required to the scheme.

**3. OPTIONS FOR CONSIDERATION**

- 3.1 Option 1 - Withdrawal of the Scheme  
The car loan scheme is discretionary, and is not essential to meet council priorities. The existence, and ready availability, of cheaper sources of finance is clear evidence that the activity can be provided by non-state providers and is further justification for the withdrawal of the scheme. For example, the Council currently charges interest at 5.25% (APR c10.5%) whilst internet loans from high street banking institutions are available from 8.5% APR.

Administrative savings can also be achieved if the scheme is withdrawn.

- 3.2 Option 2 - Retention of the Current Scheme

However, if the scheme is to be retained, there are several issues which will need to be addressed, including:

- Eligibility
- Restricting the choice of vehicle, to bring the scheme into line with the Council's Leased Car Scheme and to make a positive contribution to the Carbon agenda. Further restrictions may be necessary regarding the age of any vehicle subject to a loan.
- The period of any loan
- The maximum loan available, and
- Procedures regarding the recovery of amounts due to the Council.

#### **4. ANALYSIS OF OPTIONS**

##### 4.1 Option 1 – Withdrawal of the Scheme

The justification for the withdrawal of the scheme is outlined in paragraph 3.1 above. The availability of cheaper sources of finance gives the Council the opportunity to withdraw the scheme.

##### 4.2 Option 2 – Retain the Scheme

Paragraph 3.2 above lists some of those scheme details which will need addressing if the scheme is retained. The outcome of those items is likely to make the scheme less attractive than it is now.

#### **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

##### 5.1 Financial

Administrative savings can be achieved if the scheme is withdrawn.

##### 5.2 Staffing

Car loans are an integral part of the flexible benefits package.

##### 5.3 Property and IT

None

#### **6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)**

6.1 It is entirely at the council's discretion whether or not to offer a car loan scheme.

6.2 Environmental issues will be considered if the scheme is retained.

#### **7. OUTCOMES OF CONSULTATION**

7.1 The Internal Programme Board has been consulted and recommends the withdrawal of the scheme. Comments have been received from GMB asking that the scheme be retained and that the interest rate be reduced.

## **8. RECOMMENDATIONS**

8.1 That the Car Loan scheme be withdrawn.

SERVICE DIRECTOR FINANCE

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**Background Papers used in the preparation of this report: None**