

NORTH LINCOLNSHIRE COUNCIL

CORPORATE SERVICES
CABINET MEMBER

CAR LEASING SCHEME

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek approval to changes to the council's Car Leasing Scheme.

2. BACKGROUND INFORMATION

- 2.1 Ever since the inception of the council, there has been a car leasing scheme for eligible employees. The scheme was introduced as a 'recruitment and retention' incentive to attract employees to the area and is an integral part of the contractual terms and conditions for those eligible employees.

The scheme has evolved over the years, not only in respect of those able to take up the scheme, but also the way in which entitlement is calculated and the alternative of taking a salary supplement instead of a car. Whereas initially the entitlement was calculated on a base car (dependent on 'grade'), it is now based on 7% of the maximum of each eligible employee's grade. Those employees wishing to take the salary supplement are entitled to 6% in lieu of a leased car.

Employees currently have unlimited access to vehicles, as long as they pay the difference between their entitlement and the cost of the chosen vehicle.

- 2.2 In addition, in 2001, a 'Scheme B' was introduced, whereby those employees on essential user allowance whose business mileage exceeds 5,000 miles per year may take a lease car.
- 2.3 There are currently 65 car leases in operation (net cost £224k excluding mileage), and 53 employees take the alternative salary supplement (annual cost c£150k, again excluding mileage).

3. ISSUES FOR CONSIDERATION

- 3.1 Incentivising low emissions vehicles

The Government has given a commitment to a reduction in carbon dioxide (CO₂) emissions and, from April 2009, has taken steps to contribute to this by the treatment, for tax purposes, of vehicles with CO₂ emissions above 160g/km. It is felt that the council should therefore support, in principle, the Government's efforts to reduce the

number of ‘more polluting’ vehicles and that this limit should be applied to vehicles obtained through the car leasing scheme.

Analysis has shown that if a vehicle restriction was put at 120g/km the council would save seven tons of carbon and at 100g/km it would save 10 tons per year. It is therefore felt that employees who opt for a vehicle with a CO₂ limit of 120g/km should receive any unused portion of their 7% allowance in cash as an incentive payment.

3.2 Scheme B

It is recommended that Scheme B be withdrawn. It is little used (four leases) and there are sometimes wide variations in the employee’s contribution between years, over which the employee has no control. The variations are often contested, even when the responsibility for such changes lies entirely with the employee.

3.3 Single estimation of Mileage

To date, each eligible employee is asked to provide a split between business and private mileage when applying for a leased car. To simplify the scheme it is proposed that each applicant should be required to give a total mileage for the period of the lease. If this is then exceeded, for whatever reason including excess mileage, then that employee should be required to meet the cost of the excess mileage unless s/he has not used all of their 7% entitlement, in which case the resultant cost should be reduced by the unused portion of the entitlement. This will ensure that the benefit under the scheme is limited to 7% of salary.

If an employee is contributing towards the cost of the car, any underutilised mileage should be refunded, up to the value of the contribution made. As now, employees who do not make a contribution will not be entitled to a share of any credit received.

3.4 Insurance

A revision to include insurance charges in the employee contribution is also proposed. This recognises not only that such a charge should be included but also that the premium currently being met in full by the council does not differentiate between type of vehicle or accident history.

The premium charged to the council (per unit), at the point of taking out the lease, should be included in the cost of the car lease when calculating the 7% allowance. However, this change would be implemented when employees take out a new lease in order to give due notice.

In addition, it is also proposed that the contribution towards the cost of insurance should be graded on the vehicle’s CO₂ emissions figure, as a reflection of vehicle value. For example, vehicles with carbon emissions of 120 to 160g/km would incur insurance costs at the unit rate charged to the council (say £400) whereas vehicles below 120 g/km would incur a lower cost (for illustrative purposes, say £300). If an employee is contributing to the cost of the car above the 7% council

maximum, then a further charge of 10% of the employee contribution could be levied to reflect the additional value of the car.

4. RESOURCE AND OTHER IMPLICATIONS

4.1 Financial

Financial savings of up to £26k will eventually be made through employees making a contribution towards the cost of insurance.

4.2 Staffing

The scheme was initially introduced to retain staff.

4.3 Statutory

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

4.4 Environmental and Other

Appropriate changes to the scheme can have a positive effect on the council's contribution to the environmental agenda. The effect of lowering the CO₂ emission limit has been referred to in 3.1 above.

5. OUTCOMES OF CONSULTATION

5.1 The amendments to the car leasing scheme were proposed by the Internal Programme Board and have been supported by CMT and agreed with the Trades Unions through the corporate consultative process.

6. RECOMMENDATIONS

6.1 That the Cabinet Member approves the changes to the Car Leasing Scheme as detailed in this report.

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