

Committee: Finance and Administration

Date: 27th November 2008

Title: Lease Car Scheme review

Author: Adrian Webb, Director of Central Services, 01799 510421

Agenda Item

7

Item for
Decision

1. Summary

- The current Lease Car Scheme has been in operation for many years without review.
- The Council currently only uses one supplier, Lex, and therefore, there is no guarantee of competitive quotations or value for money.
- The mileage bandings are based on the old Inland Revenue 2,500 mile bands which have not been used since April 2002.
- There is currently no link to lowering CO₂ emissions.
- A new scheme based on lower emission vehicles is now proposed.
- The Council joins a national Government contract for supplying lease vehicles.
- This contract ensures competition with quotes from up to 9 suppliers.
- Revised Council contributions based on emissions rather higher business mileage.
- The Council to insure all lease cars together with drivers and eligible family members, under a Block Policy.
- Revised business mileage rate reimbursement to be based on the H M Revenue and Customs (HMRC) advisory fuel rates for petrol cars under 1400cc.
- Introduction of the new scheme from 5th January 2009.

2. Recommendations

- It is recommended that the Committee approve:
 - The new Car Leasing Scheme to be implemented from 5th January 2009.
 - The Council joins the Pan Government Framework Agreement for the lease of cars and car derived vans.
 - The new scheme to be emissions based, using the limits set out in paragraph 6 b).

- The Council's contributions to the provision of a lease car as set out in paragraphs 6 c), 6 e) and 6 f).
- All lease cars and drivers to be fully comprehensively insured under a Council Block Policy insurance policy with effect from 5th January 2009. This includes the transfer of all current lease cars where drivers currently provide their own car insurance.
- Business mileage to be reimbursed on the HMRC advisory fuel rates for petrol cars (1400cc or less) from 5th January 2009.

3. Background Papers

None

4. Impact

Communication/Consultation	See Workforce/Workplace below.
Community Safety	There are no specific Community Safety implications in this report.
Equalities	There are no specific Equalities implications in this report.
Finance	The aim is for there to be no additional cost to the Council, and it is expected that, longer term, there may be savings. This will depend on the type of car and its emissions that staff lease.
Human Rights	There are no specific Human Rights implications in this report.
Legal implications	The Council will join the Pan Government Framework Agreement. This will ensure the Council complies with Financial Regulations through obtaining up to 9 quotes for each car, and the Council accepts the cheapest quote.
Sustainability	The change to an emissions based car scheme will lower the Council's overall total carbon emissions. The Council's Carbon Management Working Group has been consulted on the proposals, and has no objections.
Ward-specific impacts	There are no specific Community Safety implications in this report.
Workforce/Workplace	Full consultation has taken place with the Union, Carbon Management W/G and Lease Car drivers. No adverse comments have been received.

5. Current Situation

- The Council's current car scheme has been in operation without review since commencing in 1990.
- The Council's contract with Lex for the supply of lease cars has been in operation since 1990, and has never been subject to a re-tender exercise.
- As the provision of lease cars comes only from one supplier, there is no competition and no proof of value for money.
- Currently the Council's contributions in lieu of essential user allowance and higher mileage rates are:
 - Up to 2,500 business miles per annum £2,200,
 - Over 2,500 business miles per annum £2,900,
 - Senior Officers £3,300,
 - Chief Executive £3,700.

The link, based on 2,500 miles, goes back to the old Inland Revenue company car tax mileage bandings which have not been in operation since April 2002. There is no link to current HMRC taxation of company cars which is based on CO₂ emissions of individual cars.

- All users insure their own lease cars at their own cost. This does mean that the Council has no way of ensuring that the interest of the leasing company or the Council is formally recognised in the insurance policy, or if the car is insured as fully comprehensive with business use included.

6. New Scheme

a) Proposed Contract

- In order to ensure that there is true competition it is proposed that the Council joins the Pan Government Framework Agreement. This will ensure that the Council obtains up to 9 supplier quotes for each order (rather than just one as at present), and taking the cheapest quote ensures compliance with Financial Regulations.
- Testing of quotes within the system shows that there are savings to be obtained from using such a wide range of suppliers. Comparison of similar vehicles on the existing fleet supplied by Lex compared with the new contract shows lower costs.

b) Vehicle Bands

- The current vehicle bandings of under and over 2,500 business miles is based on the old Inland Revenue tax breaks for company cars which ended in April 2002.
- The new proposals is to have two bands for the emissions allowable for vehicles which are as follows:
 - Under 135 g/km
 - 135 to 159 g/km
 - This means that no new car will have emissions in excess of 159g/km. In addition this links to government taxation policy for company cars which is banding based, with drivers of higher emission vehicles paying a higher percentage of the list price in tax.
 - The current HMRC emissions for car tax range from:
 - ✓ Under 120g/km taxed at 10% rate (13% diesel), up to
 - ✓ A maximum 240 g/km at 35% tax rate.
 - ✓ An increase of 1% in tax payable on the list price for each 5% g/km increase between these bands.

c) Council Contribution-staff scheme

- Paragraph 5 above sets out the current contributions made by the Council in lieu of essential user allowance.
- It is proposed that the Council's contribution for the staff scheme is changed from a mileage based system to an emissions system based on the bands in paragraph 6 b) above. These are proposed to be as follows:
 - Under 135 g/km £2,500 per annum Council Contribution,
 - 135 to 159 g/km £1,800 per annum Council Contribution.
- This will mean that those officers who choose a lower emission car will benefit from a higher Council's Contribution, encouraging the use of greener vehicles.

d) Car insurance

- The current car lease scheme does not include any provision for insurance by the Council. Drivers are currently required to arrange their own insurance.
- It is proposed that the new scheme will include the Council providing car insurance for all staff and their families who are eligible to drive, through a Block Policy.
- Drivers and eligible family members will be required to complete a proposal form declaring any licence endorsements and there may be variable excesses for young drivers or for lack of experience.

- Introducing a Block Policy will ensure the Council and the Lease Car supplier's interest are noted on the insurance policy, and the cars are all covered for fully comprehensive insurance. In addition the Council can be assured that drivers are fully covered for use in connection with the Council's business.

e) Senior Officers Scheme

- The same proposals are recommended to be implemented for the Senior Officers Car Scheme in respect of paragraphs 6 a), 6 b) and 6 d) above.
- The only variation will be in respect of the Council's Contribution which is currently £3,300 per annum.
- In order to follow the same principals set out in Paragraph 6 c) above the contributions under the Senior Officer's scheme it is proposed to change the Council's contribution to:
 - Under 135 g/km-£3,100 per annum Council Contribution,
 - 135 to 159 g/km-£2,900 per annum Council Contribution.
- In all other areas the Senior Officer Car Scheme will be the same as for other users.

f) Chief Executive Officer

- The same proposals are recommended to be implemented for the Chief Executive Officer's Car Scheme in respect of paragraphs 6 a), 6 b) and 6 d) above.
- Currently the Chief Executive receives an allowance which is 12.12% higher than the Senior Officer's Scheme Council Contribution.
- It is proposed to maintain the 12.12% differential between the two schemes so it is recommended that the Council's Contribution for the Chief Executive is as follows:
 - Under 135 g/km-£3,500 per annum Council Contribution,
 - 135 to 159 g/km-£3,250 per annum Council Contribution.

g) Business Mileage- Reimbursement

- Currently the Council reimburses official mileage at a rate of 11p per mile. It is not clear what this figure was based on in the past.
- Each January and July HMRC implements revised advisory fuel rates for reimbursement of business mileage for company cars.
- The HMRC rates are split into petrol, diesel and LPG, and further broken down into 3 bands
 - 1400 cc or less
 - 1401cc to 2000 cc

- Over 2000cc
 - In order to have a reliable rate which incurs no tax penalties, it is proposed to use the HMRC rates for business mileage reimbursement for all lease cars with effect from 5th January 2009.
 - In order to maintain the purpose of lower emissions, it is proposed to use the lowest band for petrol vehicles (1400cc or less) for reimbursing lease car drivers for business mileage, (currently 12p per mile, but subject to review from 1st January 2009).

7. Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
That the cost to the Council increases.	1	2 Further pressure on revenue budgets.	Joining a Government Contract will ensure up to 9 suppliers quote for each vehicle, compared to only one supplier under the present scheme.
Staff do not join the new scheme	2	2 Higher numbers of staff purchase older higher emission vehicles.	Comparisons between the Government Contract and the current supplier have indicated that quotes will be cheaper. In addition choosing lower emission vehicles can provide additional savings.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.