

Report To:	EXECUTIVE CABINET
Date:	2 November 2020
Executive Member/Reporting Officer:	Councillor Brenda Warrington – Executive Leader Tracy Brennand – Assistant Director People & Workforce Development
Subject:	WORKFORCE GREEN TRAVEL OFFER - CAR LEASING SCHEME VIA SALARY SACRIFICE
Report Summary:	The report outlines the importance of a strong Green Travel Offer for the workforce with the opportunity to implement a car leasing scheme via salary sacrifice for employees of Tameside Council. The provision of a car leasing scheme as part of the Green Travel Offer will support the 'living well' corporate priority whilst also enabling cost savings for both the employee and the Council.
Recommendations:	That Executive Cabinet be recommended to APPROVE that: <ul style="list-style-type: none"> (i) The Council implements a car leasing scheme via salary sacrifice for employees of Tameside Council (excluding Schools) to promote and enable greener travel where car is the chosen mode of transport (ii) The chosen provider from the lead 2 companies outlined in the report is NHS Fleet Solutions (iii) That the car leasing scheme be approved to include the following parameters: <ul style="list-style-type: none"> • Sacrificed salary deduction cannot reduce pay below the minimum wage • One lease arrangement per employee • Approval is subject to meeting the required eligibility checks and signing the agreed terms for the salary sacrifice arrangement • Only employees who have successfully completed their probation period, and are not subject to a formal performance/capability process or with a live performance/capability warning are eligible to apply • Apply risk protection measures as built in costs where appropriate i.e. Family Cover to mitigate any potential financial loss. (iv) To place an emissions cap within the car leasing scheme at 110 – 120 g/km; steering individuals towards eco-friendly transport, but would continue to allow popular, lower emission, petrol cars to be included. (v) To pay the HMRC advisory fuel rates for company cars, as updated each quarter. (vi) that the scheme should be offered to School Staff
Link to Corporate Plan:	Creating a Green Travel Offer which includes a car leasing scheme with low emissions to improve air quality whilst also providing employer and employee saving opportunities supports the Living Well priority.
Policy Implications:	The proposals would be in line with existing policy matters.
Financial Implications:	The proposals set out in this report are intended to provide employees with a cost effective means of leasing a low emission

**(Authorised by the Section
151 Officer)**

vehicle. The salary sacrifice arrangement also provides the Council with savings on National Insurance and Employer Pension Costs. The value of savings to the Council will depend on the scheme provider and levels of take up but estimates range from circa £17k to over £100k per annum. Administration time for the Council is minimal and is expected to be managed within existing revenue budgets.

As set out in the report, the arrangements are intended to minimise the risk to the Council, however the financial risk cannot be eliminated entirely. In the event of an employee leaving the Council, there is risk that the Council may be liable for some termination fees. This risk is considered to be low, and needs to be considered in the context of potential savings.

The salary sacrifice arrangements also present potential financial risks to the employee in respect of implications for pension contributions and pensionable pay. The Council cannot provide financial advice to employees but must ensure that pension implications are clearly signposted.

Legal Implications:

**(Authorised by the Borough
Solicitor)**

The proposed details of the scheme are set out in the main body of the report. It would be advisable to consider undertaking an Equality Impact Assessment on the scheme.

In relation to the procurement of the scheme provider it is understood that this will be undertaken via an existing Framework Agreement. Advice should be taken from STAR in order to ensure that a compliant procurement route is undertaken and that the project officers are aware and understand the terms of the contract as under Framework Agreements there is not the option to negotiate bespoke terms. Therefore the project officers need to be content that the terms are acceptable to the Council.

It would also be advisable to give careful consideration to how the Council will manage any early termination of lease arrangements due to redundancy and/or dismissal.

Additionally extremely clear warning need to be given in respect of pension impact that employees need to acknowledge and sign up to avoid claims at a later date. This is because The Local Government Pension Scheme (LGPS) consider car leasing as a non-allowable benefit, which means that pension contributions and benefits are based on the salary after the lease amount has been sacrificed. This does produce a short term saving for the organisation as the employers' pension contributions are paid on the reduced salary and not the gross salary. However the longer term implication is reduced pension contributions from employees who participate in the scheme for the duration of the lease term.

Risk Management:

The risks of introducing such a scheme are set out in the report, in addition to what provisions are in place to mitigate such risk.

Access to Information:

The background papers relating to this report can be inspected by contacting Jenny Dickie



Telephone: 0161 342 2983



e-mail: jenny.dickie@tameside.gov.uk

1. INTRODUCTION

- 1.1. The organisation is committed to reducing its carbon footprint and encouraging our residents and workforce to become carbon literate and review their individual activity and the impact of this on our environment. Crucial to this is the ability to provide and promote a comprehensive Green Travel approach that enables the workforce to make the right choice for them whilst contributing and making a difference to the environment. The current circumstances provide an opportunity to review the current arrangements in place and improve the available package whilst encouraging greener modes of travel.
- 1.2. This report sets out a proposal to introduce a HMRC approved, green car leasing scheme via salary sacrifice to the employees of Tameside MBC.
- 1.3. Tameside & Glossop CCG already offer a salary sacrifice car leasing scheme to their employees, through the provider NHS Fleet Solutions. As a partner organisation in the Single Commissioning Group, selecting this provider would achieve a consistent approach to the reward offer for the workforce, whilst also engaging a public sector organisation.
- 1.4. Many local authorities (including Salford, Warrington, Trafford and Stockport), as well as the majority of NHS trusts within the North West of England, are taking advantage of the significant cost efficiency and duty of care benefits that salary sacrifice lease cars offer both the employer and the workforce.
- 1.5. The scheme allows an employer to provide employees with a brand new fully maintained and insured car, at a lower cost than they could normally achieve in the retail market.
- 1.6. The employee pays for their car over a two or three year period through a fixed reduction in their gross salary, via a HMRC approved salary sacrifice scheme.

2. CAR LEASING SACRIFICE SCHEME REQUIREMENTS

- 2.1. HMRC approved salary sacrifice schemes are popular and legitimate methods of reducing both the employers' and employees' tax liability in return for a benefit.
- 2.2. A salary sacrifice allows an employee to reduce (sacrifice) their salary by an agreed amount, equivalent to the value of a benefit provided by the employer. In this case the benefit is the leased car. The sacrificed pay thus avoids income tax and National Insurance Contributions (NICs).
- 2.3. Clearance for the scheme must be obtained from HMRC. Clearance is sought by the scheme provider, on behalf of the Council.
- 2.4. The eligibility criteria within the HMRC salary sacrifice rules are:
 - The arrangement must be for a minimum of 12 months
 - Employees cannot sacrifice below the National Minimum or Living Wage (age dependant)
 - Employees cannot sacrifice below the Lower Earnings Limit (currently £6,240pa / £120pw)
 - The scheme must be open to the majority of staff
 - Employees must agree to the salary sacrifice variation before being approved for the scheme.
- 2.5. As an alternative, employees could access the scheme via net deduction, as opposed to salary sacrifice. Net deduction schemes work well when an employee doesn't want their

pension affected, or for employees who cannot take part in a salary sacrifice scheme due to NMW / NLW restrictions.

2.6. The table below shows the impact on an employee's salary when choosing net deduction as opposed to salary sacrifice:

- Option 1: Salary Sacrifice
- Option 2: Net Deduction

Option 1

Salary Sacrifice	
Monthly Gross Salary Sacrifice:	£ 311.37
Savings on NI:	£ -37.36
Savings on Tax:	£ -56.48
Savings on Pension:	£ -28.96
Total savings per month:	£ -122.80
Monthly Take Home Pay reduced by:	£ 188.57
Monthly Car Tax Liability:	£ 81.50
Total cost per month:	£ 270.06

Option 2

Salary Deduction	
Deduction from (net) take home pay:	£ 317.13
Monthly car tax liability:	£ 5.38
VAT:	£ 63.42
Total cost per month:	£ 385.94

However, a net deduction scheme is less tax efficient, and employees make no savings using this scheme. Moreover, dependent upon the provider, savings to the Council are significantly reduced or non-existent. Therefore, it is recommended to promote the salary sacrifice scheme in the first instance, but net deduction schemes are an option dependent upon an individual's circumstances.

3. EMPLOYER BENEFITS AND RISKS OF A CAR LEASING SCHEME

3.1. There are a number of advantages to the Council of implementing a car leasing scheme, including:

- 'Green' credentials – by helping to remove old / energy inefficient cars and replace them with new cars which emit less CO2.
- There will be a reduction in employer NICs and pension contributions directly related to the amount that is salary sacrificed.
- Recruitment and retention - the scheme will aid the organisation's ability to recruit and retain employees, as easy access to a good-value car leasing deal is an attractive employee benefit. New recruits with existing car leasing arrangements to transfer into the scheme; enabling the organisation to realise new savings and the new recruit to continue to enjoy their existing benefit (subject to employer scheme discretions).
- Compliance / duty of care – cars owned by employees but used for work make up what is known as a 'grey fleet'. The Council is liable for ensuring that employees are licensed, taxed, insured and that their cars are roadworthy. New cars leased through the salary sacrifice arrangement being proposed dramatically reduce the organisation's liability as the lease cost to the driver includes insurance, servicing and maintenance of the vehicle, breakdown cover as well as tyre and windscreen replacement.

3.2. Whilst the scheme has a number of benefits, there are also risks; some of which have a financial implication. Risks include:

- The Local Government Pension Scheme (LGPS) consider car leasing as a non-allowable benefit, which means that pension contributions and benefits are based on the salary after the lease amount has been sacrificed.
- This does produce a short term saving for the organisation as the employers' pension contributions are paid on the reduced salary and not the gross salary. However the longer term implication is reduced pension contributions from employees who participate in the scheme for the duration of the lease term.
- One of the main risks relating to the scheme is early termination fees. Whilst the providers have measures in place to mitigate such risk from the organisation, in some circumstances the Council would be liable for any outstanding costs that cannot be recovered from the employee e.g. when an employee leaves without working their notice period.
- Risks vary depending upon the scheme provider, and are explored in more detail below.

4. EMPLOYEE BENEFITS AND RISKS OF A CAR LEASING SCHEME

4.1. There are also a number of advantages to the employee of the Council implementing a car leasing scheme, including:

- Ultra-Low Emission vehicles – tax-savings possible for vehicles emitting 75g/km of CO₂ or less, which now includes a growing choice of popular vehicles from leading manufacturers
- New car at low monthly rates – the monthly cost to the employee is competitive with the retail market, plus it comes with additional connected benefits e.g. insurance and maintenance
- Wide choice of cars
- Key features of the scheme for employees include no credit checks, no deposit and comprehensive insurance for employees (including business use) and at least 2 additional drivers (subject to employer discretions)
- Ability to purchase at the end of contract – employees can obtain a price to purchase their vehicle (determined by the leasing company at current market value) at the end of their lease period.
- Employees agree to a reduction in salary, equivalent to the value of the vehicle. The sacrificed pay thus avoids income tax and National Insurance Contributions (NICs), creating savings for the employee.

4.2. Whilst providing a great benefit to the employee, the scheme does also present some risks, such as:

- Pension contributions are based on the salary after the lease amount has been sacrificed, which means for the duration of the scheme, the employee's contribution to their pension is reduced. Taking advantage of a car leasing scheme needs to be considered carefully by each employee, and the effect on pension needs to be balanced against any financial saving through the scheme.

- For LGPS members on a career average scheme, the reduced salary will impact on the calculation of the employee's career average pay. For LGPS members with a final salary pension scheme, the reduced salary amount will be taken as the final years pay if a member has a leased car via a salary sacrifice in their final year of employment,. Furthermore, if a member is due to retire, or needs to retire earlier due to ill health or on efficiency grounds during the salary sacrifice term, pension benefits would be reduced. As an alternative, employees could access the scheme via net deduction, as opposed to salary sacrifice.
- Following the lease term, employees will be liable for any excess mileage and / or damage that is in excess of the fair wear and tear levels outlined in the terms and conditions.

5. PROVIDING A GREEN SCHEME

- 5.1. In April 2020, HM Treasury introduced a significant incentive for drivers to consider "greener" salary sacrifice vehicles.
- 5.2. From 2020/21, fully electric cars will be free of benefit-in-kind taxation for drivers, when provided as a benefit by employers. Small increases of only 1% and 2% of vehicle list price will follow in subsequent years.
- 5.3. To achieve an increased take-up to the scheme it is recommended to place an emissions cap at 110 - 120 g/km, rather than just an Ultra-Low Emission Vehicle (ULEVs) offer, to allow employees who may have a reasonable need to drive a small petrol car for commuting purposes, or who would not have the ability to install a home charging point i.e. flats, listed buildings, homes on main roads etc.
- 5.4. Placing the emissions cap at 110 – 120 g/km offers an eco - friendly option, but would allow popular petrol cars to be included, thus increasing the take – up rates, resulting in higher savings for the organisation whilst providing a green travel offer to support the objective to improve air quality and sustainable green travel.

6. EXTENDING THE SCHEME TO SCHOOL EMPLOYEES

- 6.1. Teachers are subject to national pay and conditions, and car leasing schemes via salary sacrifice are not approved, and therefore the salary sacrifice proposal cannot be extended to include teachers.
- 6.2. However, teachers would be able to participate in the scheme via net deduction. Whilst net deduction schemes are less tax efficient, allowing teachers to participate in the scheme demonstrates the organisation's commitment to being a good employer by providing an inclusive approach to employee benefits and supporting the green agenda across the whole workforce.
- 6.3. Support staff in schools that are not on Teachers terms and conditions would be able to participate in the salary sacrifice scheme. This would allow schools to realise the cost savings that the scheme provides, as outlined in this report. Schools would be responsible for the associated costs and liability within the scheme, as outlined in the report.
- 6.4. In addition, the inclusion of school staff in the scheme would provide an opportunity for SLA income, as the administration costs would be considered as part of the SLA charge.

- 6.5. Any risk / liability arising from the scheme would lie with the school. For example, schools would be liable for any outstanding costs that cannot be recovered from the employee, such as when an employee leaves without working their notice period.
- 6.6. This additional risk could negatively impact a school's budget. Therefore, as part of the process, schools need to be aware of the risks in order to manage them appropriately.

7. SELECTING A PROVIDER

7.1. The following schemes were identified via the Council approved procurement Crown Commercial Services (CCS) Framework, and were considered for adoption:

- Fleetcare
- NHS Fleet Solutions
- Tusker Direct

7.2. Fleetcare was selected for consideration due to specialising in providing the scheme to the public sector. After meeting with the providers, Fleetcare was removed as a consideration due to:

- Risks around costs e.g. early termination, damages etc.
- Their online portal was not as advanced – employees would not have access to live quotations, and orders were taken over the phone.
- More involvement with administration was required of the Council, which would increase resource costs.

NHS Fleet Solutions

7.3. NHS Fleet Solutions was selected for consideration as they are the existing provider for Tameside & Glossop CCG's car leasing scheme, and therefore this would provide consistency in employee benefits across the strategic commission.

7.4. NHS Fleet Solutions is a department of Northumbria Healthcare NHS Foundation Trust (NHCT), and their customer base is exclusively public sector; including Warrington, Stockport and Trafford Councils.

7.5. NHCT is the largest user of the scheme; with 1,400 of their 10,000 employees (14%) driving salary sacrifice cars.

7.6. The key points of the NHS Fleet Solutions scheme are:

- A guaranteed fixed surplus of £700 per car, per year in savings for the Council; regardless of the type of car selected
- All applicants will automatically receive a net deduction quote as an alternative to salary sacrifice. This is a good option for employees who wish to avoid their pension entitlement being adversely affected. However, each net deduction order only generates £450 fixed surplus for the Council (as opposed to £700 for salary sacrifice)
- There are no admin fees to the Council
- Leases are for 2 or 3 year periods, depending on the employee's preference. Employees pay the same monthly cost for the whole period of the lease

- Everything is packaged up in one price for the employee, with no additional costs; including comprehensive insurance, windscreen repair, breakdown, road tax, full maintenance and tyres
- After the end of the lease term, employee pays for any damage or any excess mileage, and receive a quote to purchase the car
- Online platform for employees that provides live quotations and a secure, paperless order approval system (including NMW / NLW checker)
- A free mobile app (includes copy of insurance certificate and contact numbers for breakdown and tyre / windscreen replacements)
- Employees will also have access to an employee engagement team, live chat and a dedicated helpline for anyone that can't access the internet.
- Drivers can add up to 4 additional drivers (subject to employer discretion / scheme rules)
- Low administration - employee applies online, which sends an email to the Payroll and Pensions Team; who have to confirm the employee has entered the correct salary / working hours / tax code / and whether they have any other salary sacrifices
- All marketing materials provided
- P11D information supplied annually to support the Payroll Team with the HRMC return
- Dedicated experienced field-based account manager
- Quarterly onsite review meetings (or less frequently, if preferred)
- Driver debts are chased by NHS Fleet Solutions, for up to three months per incident i.e. parking fines, speeding tickets.
- Annual licence check completed directly with the DLVA
- The employee pays the agreed monthly cost for their chosen vehicle via salary sacrifice. NHS Fleet Solutions then invoice the Council, which can be done either monthly or annually (CCG currently pay invoices monthly for their car leasing scheme)

7.7. The following projection is based on the £700 surplus per car, per year; with a workforce of 2,500 employees.

Low Take Up	2020/21	2021/22	2022/23
Participation	1.00%	2.00%	3.50%
Cars	25	50	88
Annual income £	17,500	35,000	61,600
Cumulative income £	17,500	52,500	114,100
Medium Take Up	2020/21	2021/22	2022/23
Participation	1.50%	3.00%	5.00%

Cars	38	75	125
Annual income £	26,600	52,500	87,500
Cumulative income £	26,600	79,100	166,600
High Take Up	2020/21	2021/22	2022/23
Participation	2.00%	4.50%	8.00%
Cars	50	113	200
Annual income £	35,000	79,100	140,000
Cumulative income £	35,000	114,100	254,100

- NHS Fleet Solutions will mitigate risk and cost to both the employer and employee in the delivery of the salary sacrifice scheme. One of the main risks relating to the scheme is early termination fees. On a 3 year agreement, early termination fees are calculated on the basis of 5 x monthly payments if terminated in year 1 of the agreement, 3 x monthly payments if terminated in year 2, and 1 x monthly payment if terminated in year 3. For a 2 year agreement, early termination fees are calculated on the basis of 3 x monthly payments if terminated in year 1, and 1 x monthly payment if terminated in year 2. The early termination penalties are made clear in the employee's contract.
- NHS Fleet Solutions indemnifies the employing organisation against non-payment of early termination fees in the following situations:
 - NHS Fleet Solutions will endeavour to charge the employee any contractual termination fees, however should that prove unsuccessful; the costs will be met by NHS Fleet Solutions and not the Council (providing the Council has given NHS FS 14 days' notice of the employee's impending departure)
 - Should the employee remain in employment with the Council, the termination fee should be recovered from their salary. If this is not possible, the Council will not be liable for this cost
 - Family cover (for maternity / paternity / adoption / shared parental) can be provided at a cost of £10 per month for all employees joining the scheme. The Council has the option to make this cost mandatory, and it will be automatically built in to the employee's costs when they receive their quotation. This protection will reimburse fleet solutions lease charges in respect of the vehicle, up to £3,000 or 6 months costs, whichever is the lowest. The period covered will be the date the employee can no longer sacrifice the required level of salary to meet their contractual obligations until the date the driver resumes employment.
- Should an employee return from family leave on a reduced number of hours resulting in the requirement to terminate the agreement e.g. falling below NMW / NLW, the contractual early termination penalty will apply. The Council would be liable for the early termination penalty. However, these costs could then be recovered through a net deduction of the employee's salary.
- In the event an employee falls below NMW / NLW following a reduction in contractual hours or grade, this constitutes a termination and will result in a termination penalty. The Council would be liable for the early termination penalty. However, these costs could then be recovered through a net deduction of the employee's salary.

- In the event an employee has a period of long term sickness and enters in to statutory pay or no pay, the employee is able to keep the car whilst they are not in work, and the Council will continue to pay the monthly invoice. However, as the employee will have fallen below NMW/NLW, the Council is not able to recover these costs from the employee's salary. In this instance, once the employee returns to work and thus returns to normal pay, the Council would extend the variation to contract period and the employee would continue to pay the outstanding monthly costs after the lease term has ended.
- In the event of loss of licence on medical grounds / diagnosis of a terminal illness or death in service; the car is returned to NHS Fleet Solutions and **no** early termination penalties will apply.
- NHS Fleet Solutions recommends ring-fencing £90 per car, per year to act as a contingency pot; should the Council need to cover any outstanding costs that cannot be recovered from the employee.

Tusker Direct

7.8. Tusker was selected for consideration as they are the market leaders for salary sacrifice car schemes and currently have 530 live schemes with the majority in the public sector; including neighbouring GM Authorities.

7.9. The key points of the Tusker scheme are:

- Savings to the Council can be between £600 and £865 per car, per year; dependent on an employee's choice of car. However, Tusker's average employer saving is approximately £650 per car, per year.
- There is an option to access the scheme via net deduction as opposed to salary sacrifice. However, this provides no savings to the Council or the employee.
- No admin fees to the Council
- All servicing and maintenance of the vehicle is included in the monthly salary reduction along with fully comprehensive motor insurance and the option to add up to 2 additional drivers
- Tusker has one number to call should the employee have any vehicle query, need to book a service or to speak to a member of the team. There is also a live chat facility available via the scheme website
- Everything is packaged up in one price for the employee, with no additional costs; including comprehensive insurance, windscreen repair, breakdown, road tax, full maintenance and tyres
- Leases are for 3 years – employee costs change across all 3 years but employee is shown this on the portal, prior to ordering
- After the end of the lease term, the employee pays for any damage or any excess mileage, and receives a quote to purchase the car, should they choose to
- Annual licence check completed directly with the DLVA
- A fully – branded, online platform for employees that provides live quotations and a secure, paperless order approval system (including NMW / NLW checker)

- Staff would also have access to an employee engagement team, live chat and a dedicated helpline for anyone that can't access the internet.
- Low administration - employee applies online, which sends an email to the Payroll and Pensions Team; who have to confirm the employee has entered the correct salary / working hours / tax code / and whether they have any other salary sacrifices
- P11D information supplied annually to support the Payroll Team with the HMRC return
- The Council is invoiced on the 1st working day of each month, following the employee's salary sacrifice reduction on the 15th of the previous month
- Provisions for resignation, redundancy, retirement, loss of driving licence, ill health, death in service. In these circumstances the arrangement is ended and the car returned at no cost
- Additional protection for employers whereby Tusker will assume risk for dismissal, reduced hours and bad leavers (as long as the Council have demonstrated that all reasonable measures have been taken to recover the money owed from the employee directly).
- For maternity / paternity / adoption leave - once the employees pay reaches statutory level the employee will be unable to make any further reductions. In these circumstances the scheme protection is enabled and the employee has nothing further to pay until they return to work. There is no 'catch up' period on returning to work for the employee. The Council will continue to receive monthly invoices from Tusker and these will need to be paid in line with the agreed payment terms. On the employee's return to work or resignation following their period of maternity, paternity, adoption or shared parental leave, the monthly gross salary sacrifice will be credited to the Council for a maximum of 12 months and up to £500 a month.
- In the event an employee has a period of long term sickness and enters in to statutory pay or no pay, the Council will continue to receive monthly invoices from Tusker and these will need to be paid in line with the agreed payment terms. On the employee's return to work following their period of long-term sick leave, the monthly gross salary sacrifice will be credited to the Council for a maximum of 6 months and up to £500 a month. Alternatively, if the employee has had the car for more than 18 months and is not able to return to work, but is not resigning from their employment, the Council can choose to return the car at no cost instead of requesting a reimbursement from Tusker. The protection is valid from the Sick Leave commencement date until the date the employee resumes employment or leaves their employment.
- If an employee's circumstances change due to reasons within their control, they will be liable to pay an Early Termination Charge to return the vehicle early.
- The employee is responsible for all early termination costs. Where costs can't be recovered from final salary, the Council just has to demonstrate all reasonable measures have been taken to recoup the costs from the employee directly. Where this has been demonstrated, Tusker provide full risk mitigation, and the Council will not be charged
- Tusker's early termination charges are set out in the table below:

Number of Months Remaining on the Agreement	Number of Gross Reductions	
1	1	NO Early Termination charge for Resignation, Redundancy, Retirement or TUPE after 3 months
2-11	2	
12-17	3	
18-23	4	
24-29	5	
30+	6	

Should an employee incur an Early Termination Charge, this will be invoiced by Tusker to the Council, to recharge onto the employee. Typically, this is collected through an employee's final net salary, or the Council can request payment in full where insufficient funds are available from salary.

- Tusker develop a rolling 12 month events calendar including live events, competitions and campaigns in order to market the scheme
- All marketing materials provided

7.10. The following projection is based on Tusker's estimate of an average £650 savings per car, per year; with a workforce of 2,500 employees.

Low Take Up	2020/21	2021/22	2022/23
Participation	1.00%	2.00%	3.50%
Cars	25	50	88
Annual income £	16,250	32,500	57,200
Cumulative income £	16,250	48,750	105,950
Medium Take Up	2020/21	2021/22	2022/23
Participation	1.50%	3.00%	5.00%
Cars	38	75	125
Annual income £	24,700	48,750	81,250
Cumulative income £	24,700	73,450	154,700
High Take Up	2020/21	2021/22	2022/23
Participation	2.00%	4.50%	8.00%
Cars	50	113	200
Annual income £	32,500	73,450	130,000

Cumulative income £	32,500	105,950	235,950
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7.11. See **Appendix A** for a comparison of both providers on the main aspects of the scheme.

8. PENSION CONSIDERATIONS

- 8.1. The Local Government Pension Scheme (LGPS) consider car leasing as a non-allowable benefit, which means that pension contributions and benefits are based on the salary after the lease amount has been sacrificed.
- 8.2. This does produce a short term saving for the organisation as the employers' pension contributions are paid on the reduced salary and not the gross salary. However the longer term implication is reduced pension contributions from employees who participate in the scheme for the duration of the lease term.
- 8.3. Under the current 'defined benefit' scheme rules, if a member has a leased car via a salary sacrifice in their last year of employment, the reduced salary amount will be taken as the final years pay. If an employee is in the career average scheme then the reduced salary will have an impact on the calculation of the career average salary. Furthermore, if a member is due to retire, or needs to retire earlier due to ill health or redundancy during the salary sacrifice term, pension benefits would be reduced. Alternatively, employees could access the scheme via net deduction, as opposed to salary sacrifice.
- 8.4. No employee in the pension scheme will be able to proceed with their order without having first agreed to read the financial impact of the salary sacrifice on their defined benefit, upon retirement. Taking advantage of a car leasing scheme needs to be considered carefully by each employee, and the effect on pension needs to be balanced against any financial saving through the scheme.
- 8.5. The decision is the employees to take, and the organisation cannot offer advice in this respect.
- 8.6. It is a requirement of teacher's national terms and conditions that they must receive their specified annual salary in full and without deduction. The only exceptions being the salary sacrifice for childcare vouchers. For this reason, teachers are not permitted to participate in the salary sacrifice scheme.

9. EMPLOYEE EXPENSES

- 9.1. Employees are able to claim expenses when using a car for work purposes.
- 9.2. HMRC set out advisory rates payable for employers dependent on whether the employee is using their own vehicle or a company car, however, employers may choose to pay above these rates with the excess being taxable.
- 9.3. At present, the Council pays the advisory rate for mileage for those who use their own car for work purposes, currently 45p per mile. The same approach for company cars will be applied.
- 9.4. The HMRC advisory fuel rates for company cars, reviewed on a quarterly basis (1 March, 1 June, 1 September and 1 December), with the current rate as at 1 September 2020, are shown below:

Engine Size	Rate per Mile	
	Petrol	Liquefied Petroleum Gas (LPG)
1400cc or less	10p	7p
1401cc to 2000cc	12p	8p
Over 2000cc	17p	12p

Engine Size	Rate per Mile
	Diesel
1600cc or less	8p
1601cc to 2000cc	10
Over 2000cc	12p

10. WORKFORCE ANALYSIS AND COST BENEFIT

10.1. The Council has 2,689 employees (as of April 2020, excluding schools).

10.2. Based on the expected take up of 1.5% in the first year of the scheme, expanding to 5% in year 3; here is a summary of the expected savings for the Council (based on 1 car per participating employee):

NHS Fleet Solutions	2020/21	2021/22	2022/23
Participation	1.50%	3.00%	5.00%
Cars	38	75	125
Annual income £	26,600	52,500	87,500
Tusker	2020/21	2021/22	2022/23
Participation	1.50%	3.00%	5.00%
Cars	38	75	125
Annual income £	24,700	48,750	81,250

10.3. This cost analysis is based on a modest take up, using an average monthly amount sacrificed per employee.

10.4. Savings to the Council if using Tusker are based on their average lease value but could be greater than forecast if higher value cars are selected. However, NHS Fleet Solutions provide a guaranteed surplus of £700 per car, per year, regardless of the lease value.

10.5. This saving could grow with promotion of the salary sacrifice scheme. Amongst some participating organisations, the take up rate has increased to 9%. If participation increased to just 8% then the Council could achieve annual savings of approximately £140k per annum with the NHS scheme.

10.6. There are currently 14 active participants in the Tameside & Glossop CCG Car Leasing Scheme, through the provider NHS Fleet Solutions. This equates to a take-up rate of approximately 14%.

11. FINANCIAL & RESOURCE CONSIDERATIONS

11.1. On-going administration of the scheme would be managed through the Payroll & Pensions Team. Administrative tasks would be relatively minimal, and involve confirming the employee has entered the correct salary / working hours / tax code / and whether they have any other salary sacrifices.

11.2. The Payroll & Pensions team would need to set up a new salary sacrifice scheme for the car provision to enable the salary sacrifice deductions in the HR/Payroll system. To create the scheme in the HR/Payroll system, support from an external consultancy firm is required to ensure the scheme is set up accurately to meet HRMC requirements and calculates pay and statutory payments correctly, which would incur a cost. Estimated support time is 2 days at a cost of £1,000 per day, totalling £2,000.

11.3. There are no costs to the Council to access the frameworks and there are no launch costs or ongoing costs from either provider.

11.4. Whilst the providers have measures in place to mitigate risk from the organisation, in some circumstances the Council would be liable for any outstanding costs that cannot be recovered from the employee e.g. when an employee leaves without working their notice period or where the notice period does not provide sufficient time to recover the outstanding costs. In these circumstances the debtors process would be followed to recover the costs.

12. IMPLEMENTATION CONSIDERATIONS

12.1. The selected provider would apply for the scheme clearance from HMRC on behalf of the organisation, at no extra cost.

12.2. The car leasing scheme via salary sacrifice will require some additional employer checks to ensure that the salary reduction does not reduce the employee's income below the appropriate minimum level for that individual. The HMRC website states: "A salary sacrifice arrangement cannot reduce an employee's cash earnings below the National Minimum Wage rates." This is likely to affect very few staff, if any.

12.3. Much of the scheme administration / liaison is dealt with by the scheme provider, except for e-sign off of employee lease car application forms (i.e. employee meets any eligibility criteria, salary above minimum earnings limit etc.); invoice processing; and payroll instructions.

12.4. Copies of digitally signed authorisations to sacrifice salary are held in a secure web portal and can be printed or saved locally on an employee's employment record.

12.5. Management information relating to scheme take up, accident management etc. would be delivered by the scheme provider as per the contract agreement between them and the Council.

12.6. Following the completion of the Council's formal governance process, implementation could be achieved within 1-2 months with the chosen provider.

13. PROCUREMENT

- 13.1. In order to engage the services of a scheme provider, the Council would need to go through the required procurement process, managed by STAR Procurement. The provider can be engaged through an approved framework.

14. RISKS

- 14.1. The proposed option is not free from risk as it requires compliance with the HMRC. Appropriate monitoring systems will be in place to ensure compliance to minimise these risks.
- 14.2. Pension contributions are based on the salary after the lease amount has been sacrificed, which means for the duration of the scheme, the employee's contribution to their pension is reduced. Taking advantage of a car leasing scheme needs to be considered carefully by each employee, and the effect on pension needs to be balanced against any financial saving through the scheme.
- 14.3. The longer term implication is reduced pension contributions from employees who participate in the scheme for the duration of the lease term.
- 14.4. For LGPS members with a final salary pension scheme, the reduced salary amount will be taken as the final years pay if a member has a leased car via a salary sacrifice in their final year of employment. If an employee is in the career average scheme then the reduced salary will have an impact on the calculation of the career average salary. Furthermore, if a member is due to retire, or needs to retire earlier due to ill health or redundancy during the salary sacrifice term, pension benefits would be reduced.
- 14.5. Only employees who have successfully completed their probation period, and are not subject to a formal performance/capability process or with a live performance/capability warning are eligible to apply.
- 14.6. In order to further mitigate risk, it is recommended that only 1 lease arrangement per employee is permitted.
- 14.7. Employees are liable for excess mileage costs and damage that exceeds the fair wear and tear limits set out in the scheme's terms and conditions. Employees must sign to agree to early termination / damage costs prior to being approved for the scheme.
- 14.8. Whilst the providers have measures in place to mitigate risk from the organisation, in some circumstances the Council would be liable for any outstanding costs that cannot be recovered from the employee e.g. when an employee leaves without working their notice period.
- 14.9. The Council is liable for ensuring that employees are licensed, taxed, insured and that their cars are roadworthy. New cars leased through the salary sacrifice arrangement being proposed dramatically reduce the organisation's liability as the lease cost to the driver includes insurance, servicing and maintenance of the vehicle, breakdown cover as well as tyre and windscreen replacement.
- 14.10. If the scheme became 'unrecognised' by Government, then the benefit-in-kind tax on ULEVs would increase. The scheme would still be operable, and the advantages around nil-deposit, no credit checks and all-inclusive package would still ensure the scheme remained competitive. The disadvantage would be that employer and employee savings would be reduced. However, this is highly unlikely to occur, given the Government's commitment to the zero carbon agenda.

14.11. If the Government were to completely ban all car lease schemes via salary sacrifice, then the scheme would close to any new orders and the existing leases would be managed to the end of their contracts.

14.12. The potential financial gains could be significant and therefore effective management of the potential risks are worthwhile.

15. RECOMMENDATIONS

15.1. As set out at the beginning of the report.

APPENDIX A

Comparison of Providers – Key Features

Key Feature	NHS Fleet Solutions	Tusker
Council Savings per Year	A guaranteed £700 per car, per year	Savings can range between £600 and £865 per car, per year; dependent upon the type of car. Tusker advise using £650 per car, per year; to estimate savings to the Council
Net Deduction Scheme	Guaranteed surplus would be reduced to £450 per car, per year	No savings to the Council or the employee
Administration Fees	No Administration Fees	
Lease Term	2 or 3 years, dependent upon the employee's preference and MNW/NLW thresholds taken in to account	3 years
Expected Uptake	An average of 3% take – up is expected in the first 3 years of the scheme. Warrington has an uptake of 9%	
Invoicing	Can be done monthly or annually, whichever is preferred	1 st of each month
Insurance	Insurance provided by Alliance. Insurance is a fixed cost, built in to each employee's monthly cost. Employee's insurance is fully comprehensive and includes business use.	Insurance provided by Aviva. Employee's insurance is fully comprehensive and includes business use.
Average Cost to the Employee	£300 per month (on average, car dependent), for the whole term of the lease	Costs change across the 3 years. Employee is shown the costs across all 3 years before they order
Home Charging Point	£6 per month, added on to an employee's monthly cost	No Cost
Multiple Cars?	It is recommended that only 1 lease arrangement per employee is allowed for the first 12 months of the scheme; after which time a review of the scheme success will be undertaken to determine whether this should be increased to a maximum of 2 lease arrangements per employee at any one time.	
Included in the Monthly Cost	Includes full servicing, maintenance, fully comprehensive insurance (including business use), replacement tyres, road tax, RAC European Cover, Driver Support, 24hr Accident Management, annual driver licence check	
Additional Drivers	Up to 4 additional drivers (premium for under 21s)	Up to 2 additional drivers (premium for under 21s)
Payroll & Pensions Team Involvement	Low administration - employee applies online, which sends an email to the Payroll and Pensions Team; who have to confirm the employee has entered the correct salary / working hours / tax code / and whether they have any other salary sacrifices. Payroll then have to make the correct amendments in the iTrent system to set up the salary reduction	

Payroll Information	<p>Monthly Payroll deduction report - provider does P46 report to HMRC</p> <p>Monthly MI reports</p> <p>P11D report provided annually for all participating employees</p>	
Risks	<p>Under the terms and conditions of the scheme the employee agrees to meet all costs associated with the scheme and where relevant (fines, excess mileage or damage for example) net salary deductions can be made.</p> <p>NHS Fleet Solutions will endeavour to charge the employee any contractual termination fees, however should that prove unsuccessful; the costs will be met by NHS Fleet Solutions and not the Council (providing the Council has given NHS FS 14 days' notice of the employee's impending departure)</p> <p>Family cover (for maternity / paternity / adoption / shared parental) will be provided at a cost of £10 per month for all employees joining the scheme.</p> <p>In the event an employee falls below NMW / NLW following a reduction in contractual hours or grade, this constitutes a termination and will result in a termination penalty. If the employee has entered into additional salary sacrifice agreements (e.g. Childcare, cycle to work) since the variation of contract date relating to the vehicle, resulting in the employee no longer being able to meet their contractual obligations – NHS Fleet Solutions will not indemnify the employer against the penalty in these scenarios.</p>	<p>Under the terms and conditions of the scheme the employee agrees to meet all costs associated with the scheme and where relevant (fines, excess mileage or damage for example) net salary deductions can be made.</p> <p>Where costs can't be recovered from final salary, the Council just has to demonstrate all reasonable measures have been taken to recoup the costs from the employee directly. Where this has been demonstrated, Tusker provide full risk mitigation, and the Council will not be charged</p>
Damages / Excess Mileage	<p>Employee is liable for any damage that is in excess of fair wear and tear. Employees will need to sign the itemised damage, and</p>	

	costs will be redeemed from the following month's salary. Any excess mileage will also be paid for at the end of the lease period.	
Available on a Framework?	Available on Crown Commercial Services and ESPO	
Online Portal	Online platform for employees that provides live quotations and a secure, paperless order approval system (including NMW / NLW checker) Also has a free mobile app	Online platform for employees that provides live quotations and a secure, paperless order approval system (including NMW / NLW checker)
Other GM Authorities?	Stockport, Trafford and Warrington	Salford
Implementation Timeframe	2-4 weeks	4-6 weeks