

**ITEM No ...3.....**

**REPORT TO: POLICY AND RESOURCES COMMITTEE 12 SEPTEMBER 2016**

**REPORT ON: Introduction of a Salary Sacrifice Car Benefit Scheme**

**REPORT BY: Executive Director of Corporate Services**

**REPORT NO: 283-2016**

**1 PURPOSE OF REPORT**

1.1 To seek approval for the introduction of a salary sacrifice scheme for leasing company cars.

**2 RECOMMENDATIONS**

2.1 It is recommended that the Committee approves the proposal to implement a new salary sacrifice scheme and agrees that full salary before sacrifice is still used in calculation of all other pay allowances, other than for pension purposes.

**3 FINANCIAL IMPLICATIONS**

3.1 Potential savings arise from a reduction in Employers National Insurance and Pension contributions and the movement of some casual mileage payments to business mileage. They will be dependent on uptake

3.2 Employees will also make savings in National Insurance and Pension contributions as well as tax. However there is a potential impact on their future pension plus they will be taxed on the benefit in kind they are receiving.

**4 BACKGROUND**

4.1 Following a Procurement review a direct award can be made to Tusker a company who will administer this through their hosted website and in line with a Crown Commercial Services framework. A special arrangement has been agreed where payments will be made through an embedded payment card which will generate further rebates to the Council.

4.2 The scheme will allow all employees, including teachers, to access a new car with a 3 year lease and full maintenance and insurance cover. Each employee may have an entitlement to a maximum of 2 agreements at any one time. All permanent employees will be eligible to the extent that any salary sacrifice does not take them below the National Living Wage.

4.3 Employees will be able to access the scheme through a specific website which Tusker will create for the City Council. This will assess affordability re National Living Wage. All quotes and orders will be generated through this. There will still be an opportunity for HR and the appropriate line manager to review before any order is placed.

- 4.4 A salary sacrifice scheme is a tax efficient vehicle that enables employees to purchase or lease assets through an agreement between HMRC, the employer and a third party provider. Employees can choose to “sacrifice” part of their annual pay in order to fund whatever benefit is included in the salary sacrifice scheme.
- 4.5 This sacrificed pay is deducted from the employee’s gross pay before the calculation of PAYE income tax and National Insurance Contributions (NIC), thereby generating savings for the employee. To comply with HMRC regulations, the employee’s contract of employment must be amended to reflect the new reduced rate of pay. The employee’s hourly rate of pay must not fall below the national minimum wage.
- 4.6 As well as savings for the employee, the employer also benefits through a reduction in employer’s NICs payable on the sacrificed part of pay. It should be noted that any Salary Sacrifice Scheme is subject to HMRC approval and also that any changes in regulations in the future may directly impact on the scheme
- 4.7 This scheme differs from other salary sacrifice schemes within the Council as it does impact on pensionable pay and employees will need to consider that when making any decisions. As the vehicles are classed as company cars any usage will be paid at the business rather than casual mileage rate.
- 4.8 Initially the administration work of notifying payroll of deductions and ensuring monies are reconciled will be shared between the existing Contract Car Hire team and the Procurement Section. This will be reviewed in light of impact on workload.
- 4.9 It is proposed that the existing Contract Car Hire scheme continues in its current format but there may be an opportunity to integrate the two schemes at a later date.
- 4.10 Tusker will produce publicity materials and will host a series of roadshows which will highlight the benefits. They will work in conjunction with Communications Division.
- 4.11 This scheme will also help the city’s carbon footprint as the initial CO2 emissions will be set at 120g/km moving gradually down to 110, which is lower than the current UK average for new cars.
- 4.12 Cars will be provided through local franchises where possible but there will also be the opportunity for all servicing to be delivered locally
- 4.13 Elected members would be eligible to participate in the scheme where they meet the minimum salary requirements and where they have at least 3 years left in office at time of application.

## 5 **POLICY IMPLICATIONS**

- 5.1 This report has been screened for any policy implications in respect of Sustainability, Risk Management, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment. There are no major issues although there are potential environmental improvements noted at 4.11.

## 6 **CONSULTATION**

- 6.1 The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report

7 **BACKGROUND PAPERS**

7.1 None.

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Executive Director of Corporate Services

22 August 2016

