

London Borough of Bromley

Report No.DHR15004

PART I – PUBLIC

Agenda Item No.:

Decision Maker: Committee/Portfolio Holder

Date: GENERAL PURPOSES & LICENSING COMMITTEE

Decision Type: Non-Urgent Non-Executive Key
Non-Key

TITLE: STAFF CAR ALLOWANCE

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Chief Officer: Director of Human Resources

Ward: N/A

1. REASON FOR REPORT

- 1.1 As part of the 2015/16 Council budget, staff and their representatives were consulted on the proposal to replace the current car allowances paid using two payments system comprising a lump sum and a mileage allowance with a single flat rate consistent with the HMRC recommendation, resulting in circa £300K savings.
- 1.2 Members, having seriously considered the comments and responses to the proposal from staff and their representatives, agreed not to include the proposal in next year's budget but to adopt a graduated/phased approach to reduce or minimise the impact on affected staff.
- 1.3 The report sets out the details of the proposed graduated approach to replacing the existing reimbursement arrangements for staff required to use their car for legitimate business purposes.

2. RECOMMENDATION(S)

- 2.1 The Committee is requested to:
 - 2.1.2 Agree that all new recruits required to use their car for legitimate business purposes will be reimbursed on a single, flat rate, set locally by the Council.
 - 2.1.3 Subject to 2.1.2 above, agree that the local rate applicable to new recruits from 1st April 2015 is 45p per mile.
 - 2.1.4 Delegate to the Director of Human Resources in consultation with the Director of Finance the authority to review and vary the local mileage rate payable having regard to local circumstances and the prevailing recommended HMRC rate

2.1.4 Note that, for existing staff, their representatives are being consulted on the proposed phasing arrangement set out in paragraph 3.8 below.

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: savings target circa £300k in full year.
 2. On-going costs:
 3. Budget Head/Performance Centre:
 4. Total current budget for this Head:
 5. Source of Funding:
-

Staff

1. Number of staff (current and additional): Currently there are about 380 essential car users and 550 casual car users
 2. If from existing staff resources, number of staff hours:
-

Legal

- 1) Legal Requirement: Non-Statutory Requirement
 - 2) Call In: Call in is not applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected)
-

Ward Councillor Views

- 1) Have Ward Councillors been asked for comments: N/A
- 2) Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The Council implemented localised pay and conditions of employment in 2013, meaning that it is not contractually linked or bound by the terms set or determined by the National and Regional negotiating bodies. Every employee of the Council, with the exception of teachers, is on a local contract with locally determined terms and conditions of employment.
- 3.2 Hence, the Council is more able than before to manage staffing costs within the overall cost pressures and challenges facing the authority, gaining greater control and accountability and achieving efficiencies through local harmonisation and implementation of affordable terms and conditions of employment, whilst remaining competitive in the labour market.
- 3.3 Being able to manage or control the impact of staff costs on the Council's budget, especially in the current unprecedented financial dire strait, is crucial. Given the scale of the financial challenge facing the Council, it is no surprise that every cost pressure is being reviewed on a regular basis. Every service is being baselined and every cost is being challenged with a view to addressing the current and future financial pressures as a consequence of the unprecedented reductions in public funding.
- 3.4 In response to the industrial relation challenges associated with the change from national to local terms and conditions of employment, the Council agreed in 2012 not to introduce any further changes before 1st April 2015. The no change position by the Council was unprecedented at the time, given the scale of the budgetary pressure facing the authority and in comparison to the level of cut in terms and conditions of service, including pay cuts implemented by some Councils in the country.
- 3.5 However, as stated above, the Council continues to face a period of unprecedented reductions in public funding and, over the next few years will need to identify savings in the region of £50 million to balance the revenue budget. Despite the significant impact of the budget gap on frontline services, the only change to reduce staff costs currently being proposed is to modernise the car allowance scheme.
- 3.6 Currently staff are reimbursed on the basis of a lump sum of £960 per annum, plus 40.9p per mile (for the overwhelming number of essential car users) and 52.2p per mile for most casual car users. This report recommends that the current reimbursement arrangement be replaced by a locally determined single, flat payment, with reference to the HMRC recommended rate which is currently 45p per mile for both essential and casual users. The local rate will be subject to local review when the Council will consider the prevailing HMRC recommended rate in the context of wider local circumstances but will not be bound by it. This is consistent with one of the key drivers of the decision to replace the nationally/regionally negotiated terms and conditions of employment with a local Bromley contract for all staff, except teachers.
- 3.7 As stated above, Members, at the full Council meeting on 23rd February 2015, having regard to all consultation feedback from staff and staff representatives,

acknowledged the impact of the change on staff already in receipt of a car allowance at current values and agreed not to effect the changes in 2015/16 budget. Instead they agreed to consult on a phasing arrangement in order to give staff a transitional period during which they could prepare for the changes and make any necessary adjustments. However, the changes will apply to new recruits from 1st April 2015, subject to this Committee approval.

3.8 For existing staff, subject to further consultation with staff and Unions, it is proposed that the changes will be phased in as follows:

- i) Year 1 2015/16 Financial Year – No change; existing rate per business mile for casual and essential users and for staff in receipt of an essential car user lump sum allowance this will continue to be paid at current values for so long as staff meet the criteria;
- ii) Year 2 2016/17 Financial Year:
 - Essential car users – 50% of the current value of the essential car user lump sum allowance will be paid and no change to the mileage rate;
 - Casual car users - local mileage rate, having regard to the HMRC mileage rate (currently 45p per mile, subject to review) to be applied to all business miles driven;
- iii) Year 3 2017/18 Financial Year – no essential car user lump sum allowance will be paid and all essential and casual car users will be reimbursed at a single local rate per business mile driven, having regard to the HMRC rate (currently 45p per mile, subject to review).

3.9 The local rate will be subject to periodic review when the Council will have regard to local circumstances and the HMRC recommended rate for business car users. The HMRC maintains that its rate sufficiently covers both the running cost (wear and tear on the car) and the petrol cost (mileage) and would, therefore, treat any payment over and above the HMRC rate (currently 45p) per mile as “profit” to be subject to tax and national insurance deductions at each individual beneficiary’s rate. The Director of HR in consultation with the Director of Finance currently has delegated responsibility for varying the mileage rate payable to lease car users, which also takes into account the HMRC recommended rate and a review of the mileage rate for car users generally would be consistent with these arrangements and could be undertaken as part of the same exercise.

3.10 A number of organisations, including public sector organisations and some neighbouring authorities, already apply a similar single payment based on the HMRC recommended rate or the AA rate. The latter is marginally higher than the HMRC rate. Based on anecdotal information, there is no evidence to suggest that the change to a 45p per mile for newly recruited essential and casual car users will impact on the Council’s competitiveness in the local or regional labour markets.

3.11 Subject to this Committee’s approval pursuant to paragraphs 2.1.2 and 2.1.3 above, for all new recruits the Director of HR therefore recommends that a single local rate of 45p per business mile based on the HMRC rate, be payable to all essential and

casual car users from the 1st April 2015 and no essential user lump sum allowance will be payable. Essential car users, both newly recruited and existing staff, will subject to availability continue to use the staff car park free of charge..

- 3.12 The outcome of the on-going consultation with the Unions and staff on the above phasing proposals, and the impact, if any, of the phasing arrangements on existing staff and the Trade Unions' comments and responses, will be reported back to this Committee for consideration. Suffice it to say that the decision by full Council on 23rd February 2015 not to implement the proposed changes for existing staff in the 2015/16 budget has been welcomed by staff and managers. The impact on next year's budget is currently being addressed by the Chief Executive as part of his wider efficiency saving targets in the 2015/16 budget.
- 3.13 There is currently no evidence to suggest that staff retention will dip as a direct result of the proposed reimbursement arrangements for existing staff. To date, coming out of the nationally/regionally negotiated frameworks for terms and conditions of employment has had no direct negative impact on the Council's recruitment and retention. The Council's agility and responsiveness to the market, especially with regards to hard to recruit posts, mainly Children Social Workers and other business critical posts, is impressive. The Council has just agreed an updated recruitment and retention package for key qualified professional staff in the Children's Services Division in the ECHS Department. There is also a structured ad hoc arrangement managed by the Chief Executive and the Director of Human Resources with technical support from the Head of Pay and Benefits to regularly review and manage the Council's response to the impact of the labour markets on individual critical posts in the organisation.
- 3.14 The decision regarding the car user status of posts is with the Director of Human Resources. This is regularly reviewed in consultation with Managers and Departmental Chief Officers. Even under the NJC, it is for Councils to determine locally how to interpret and set the local criteria for car users. These are subject to change to reflect local circumstances.

Currently the criteria for essential and casual car users, agreed by this Committee in September 2012, are as follows:

- i) Essential car users criteria – driving a car/vehicle is an integral and regular feature of the job and, therefore, having a current driving license and use of their own car/vehicle and deemed to be essential for the performance of the job.
 - ii) Casual car user criteria – irregular or ad hoc business journeys.
- 3.15 Separately, the Council operates a lease car scheme, mainly as a recruitment and retention initiative; for example it is an integral part of the Council's recruitment and retention strategy for qualified/experienced social work staff, mainly in hard to recruit and retain roles. Hence, 106 of the current 166 lease car users are qualified/experienced social work staff. Lease car users are reimbursed differently with no lump sum and a reduced mileage rate to reflect fuel costs, currently 14.6p per business mile. A small number of staff use their motor cycle instead of a car for

business purposes, for which they receive a business mileage payment to reimburse petrol and other incidental costs.

- 3.16 The Council also has a pooled car scheme operated by the Department of Environmental Services. Going forward, the Department is also talking to HR about a Car Club Scheme, similar to the scheme being piloted in some parts of the borough for residents. Both schemes will supplement rather than supplant the use of essential and/or casual cars for business purposes. Details of the proposed Car Club Scheme will be presented to the Unions and departmental representatives as part of the on-going consultations.
- 3.17 Currently there are about 380 essential car users and circa 500 registered casual car users in the organisation (excluding schools). The list will be reviewed shortly, consistent with good HR and audit practice.

4. POLICY IMPLICATIONS

- 4.1 The Council formally adopted a localised terms and conditions of employment framework in 2013. The report is consistent with the key drivers behind the decision to replace the nationally and regionally negotiated framework with a local arrangement. It is a right step in the right direction to further localise terms and conditions of employment.

5. FINANCIAL IMPLICATIONS

- 5.1 A full year saving of £300k for changes to the current essential user car allowance scheme has been included in the 2015/16 Budget. As this saving will now be phased in as set out in para 3.7 of this report, the savings will be minimal in 2015/16, £150k in 2016/17 and £300k by 2017/18.
- 5.2 The £300k has been included in the Central Contingency for 2015/16 to allow officers time to identify alternative compensating savings to meet this budget shortfall. These will be identified through the 2015/16 Budget Monitoring reports.

6. LEGAL IMPLICATIONS

- 6.1 The implications of the proposal to phase the changes for existing staff will be covered in the subsequent report to the Committee.
- 6.2 As far as new recruits are concerned, the single rate of 45p per mile for essential and casual car users will apply to them irrespective of gender or any other protected characteristics and thus there is little or no risk of equal pay claims. The change is not tainted by discrimination but a necessary financial intervention to address the budget deficit currently circa £50 million by 2018/19.

7. PERSONNEL IMPLICATIONS

- 7.1 These are covered in the report and, in particular, paragraphs 3.1 to 3.17 above. Suffice it to add that the Unions are opposed to the proposed new rate of 45p per mile for all new recruits from 1st April 2015. The Unions' position is not dissimilar to

the stance they took regarding spot salaries for all new appointments. Despite several meetings and reassurances there is no reasonable prospect of securing support and agreements from the Unions.

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| Non-Applicable Sections: | |
| Background Documents: (Access via Contact Officer) | |