

AGENDA ITEM:

REPORT TO:	MEERSEYSIDE FIRE & RESCUE AUTHORITY
DATE:	31ST JULY 2012
REPORT NO.	CFO/101/12
REPORTING OFFICER:	DEPUTY CHIEF FIRE OFFICER
CONTACT OFFICER:	HEAD OF FINANCE, IAN CUMMINS, EXTN: 4244
OFFICERS CONSULTED:	STRATEGIC MANAGEMENT TEAM
SUBJECT:	A REVIEW OF ESSENTIAL CAR USE

APPENDIX A	TITLE	DRAFT SERVICE INSTRUCTION – CAR MILEAGE ALLOWANCE
-------------------	--------------	--

Purpose of Report

1. Merseyside Fire & Rescue Authority (MFRA) currently operates a number of car allowance schemes in order to compensate staff who are required to use a vehicle to carry out their duties. This report outlines the various allowances and schemes currently in operation, and recommends a number of changes to the current scheme to ensure that the Authority is best able to manage its occupational road risk whilst maintaining the most cost effective scheme possible.

Recommendation

2. That Members approve the recommendations contained within this report and agree to open consultation with employees and their representative bodies on the following;
 - the introduction of a revised entitlement and eligibility criteria for the casual, essential and lease car user scheme
 - changes to align the choice of lease car to the Authority's environmental principles
 - the expansion of the access to the scheme to include all flexi duty officers irrespective of role in order to mitigate the associated road risk
 - the removal of the lease car user employee contribution
 - the reduction in the current lease car allowances and the removal of the home to office payment currently received by officers.

Introduction

3. MFRA recognises that certain employees' will on occasions be required to use a motor vehicle to undertake their duties. As such MFRA

currently provides a number of car allowances in order to recompense staff for the costs associated in undertaking such work.

4. MFRA also recognises that some staff will be required to have a vehicle available at all times and that, in the case of its operational staff, that the vehicle will be used to respond to emergency incidents under blue light conditions.

Background

5. Like most other Fire Authorities MFRA currently operates three schemes for the reimbursement of staff who are required to use a car to undertake their role which are;
 - Reimbursement of the cost of employees using their own vehicle via casual user allowance
 - Reimbursement of the cost of employees using their own vehicle via an essential user allowance
 - Facilitating the provision of a dedicated vehicle through the offer of a lease rental allowance.
6. Casual Users receive
 - A reimbursement for additional mileage in excess of normal commuting in accordance with the national Local Government Employers rates, (for a 1200 – 1450cc engine this is currently 65p/mile)
7. Essential Car Users receive;
 - An annual lump sum allowance of £1,240 spread over the year, and
 - a reimbursement for additional mileage in excess of normal commuting in accordance with the national Local Government Employers rates, (for a 1200 – 1450cc engine this is currently 50.5p/mile), in addition
 - Flexi duty officers can claim for commuting mileage from home to their normal place of work and if applicable any business mileage incurred while on cover
8. Lease Car User;
 - Senior operational staff duties and some non-uniform posts are of such a nature that it is essential that they have a motor car at their disposal whenever required. The Service currently provides a lease car scheme for these staff. The lease car allowance and any employee contribution rate are variable depending on the seniority of the position held and the nature of the role undertaken.

9. If any of these postholders choose not to pursue a lease car they are currently entitled to take-up the essential user allowance and use their own vehicle.
10. In the case of operational staff, leased vehicles are fitted with full covert blue lights and horns. The majority of lease vehicles are also fitted with Bluetooth and satellite navigation. Those staff utilising the essential car user allowance are not provided with covert blue lights and horns relying instead on temporary fixtures and fittings.
11. This constitutes significant risk to the Authority and the individual in the effective management of road risk.
12. The table below outlines the current lease schemes. The lease scheme thresholds are inflated by RPI each year and the car lease agreements are fixed for a 3 year period.

Annual Lease Rental Allowance				No. Now	Max No.
Scheme	Current Lease Threshold	Officer Contribution	MFRS Net Lease Cost		
	£		£		
Principal officers	8,400 to 9,800	0	8,400 to 9,800	3	3
Area Managers	7,700	1/7th	6,600	1	3
Scheme 1	5,300	2/7th	3,786	1	9
Scheme 2	3,800	2/7th	2,714	1	2
				6	17

13. In addition the cost of fully comprehensive, including emergency response, insurance for each vehicle is approximately £450 per annum. The employer is also liable for national insurance on the cash equivalent benefit of the vehicle to the employee, estimated at between £500 and £1,000 per annum for each vehicle. Any element of lease rental that exceeds the approved threshold must be met in its entirety by the employee.
14. Any business mileage incurred in the lease car is reimbursed at HMRC rates, currently 15p for a 1601 – 2000cc diesel engine.

Proposed Changes to the current car allowance schemes:

15. A full review of the current system has been undertaken and the resulting Service Instruction is included as an appendix to this report.
16. The key changes that are proposed are:

Casual User:

17. No changes are proposed.

Essential User:

18. The Essential User requirement will be assessed at the establishment or re-advertisement of a role, and incorporated into the contract of employment where appropriate. This will be done through the Director of People and Organisational Development

Account will taken of :

- Whether there is frequent and urgent need for a vehicle.
 - Whether the role/post holder would be able to access to a Service vehicle to carry out the required journeys
 - Whether the role is of a specialist or sensitive nature to warrant the award of essential car user status
19. There may be occasions when a post has not been designated as an Essential User but circumstances within the role change resulting in a clear business case for the attachment of an essential car user allowance. In such exceptional cases the approval of the Director of POD would be required whose decision, in such cases, will be final.
 20. All approved essential users must have car insurance that stipulates business use is permissible and this must be presented to the relevant service department before any allowance can be paid.

Lease Car User:

- 21 A review of the current scheme has been undertaken in light of the potential road risk faced by some staff responding to emergencies under blue lights and horns, the currently limited take up of the current scheme by some managers and the index linked lease cost allowances afforded to senior and principal officers.
22. The review has confirmed that no operational managers below Area Manager have taken up the lease car allowance scheme; instead they have chosen to stay on the essential user allowance. Managers have indicated that they prefer not to take-up the lease car scheme as it appears to offer less Value for Money (VFM) in comparison to the essential user allowance, mainly due to the employee contribution requirement.
23. The current low levels of take up by senior officers represents an unacceptable risk to MFRA.
24. The benefit of all substantive flexi duty officers operating the lease car allowance scheme ensures MFRA is better able to manage the occupational road risk facing staff when responding under blue light conditions.
25. Therefore any changes to the lease scheme must prove attractive to the eligible employee whilst remaining cost neutral to the employer.

26. The proposal is to remove any employee contributions from the various lease schemes, but in order to ensure that the scheme remains affordable to the employer the annual lease rental threshold limits will be reduced accordingly and the payment of home to office travel will cease.
27. This will impact on the type and nature of the vehicle available under the scheme 1; however the lease rental threshold is still such that it can facilitate the lease of a suitable, safe vehicle.
28. The current levels of allowances have been reviewed downwards to reflect the cost neutrality of the proposal. The officers concerned have indicated that they would be agreeable to these reductions subject to the necessary consultation.

Annual Lease Rental Allowance			
Scheme	Lease Threshold	Officer Contribution	MFRS Net Lease Cost
Principal Officers	£ 6,600	0	£ 6,600
Area Managers	£ 5,600	0	£ 5,600
Scheme 1	£ 3,250	0	£ 3,250
Scheme 2	£ 3,000	0	£ 3,000

Note: the figures exclude the non-recoverable VAT element of the lease charge; this will be met by the Service in addition to the insurance and national insurance employer costs associated with the "cash" benefit of the car.

29. Approval of this proposal and the uptake by Group and Station Managers reduces the litigious and road risk on the Authority significantly as the vehicles used would be fit-for-purpose, replaced every 3 years; vehicles would have comprehensive blue light insurance; covert lights & horns, Bluetooth & Sat Nav and would meet the minimum standards expected of any Authority vehicle

Lease car eligibility criteria:

30. In addition to the Principal and Area Managers posts that are on specific lease car schemes then the following criteria will be used:
 - Senior operational staff that may be called upon to respond in an emergency - this will include all Group & Station Managers
 - Any officer who regularly does more than 3,600 business miles a year and who can successfully put a role specific business case to their relevant Principal Officer.

Lease car criteria

31. Although the choice of car will be that of the user, the Authority would require that as part of its environmental responsibilities the vehicles are fuel efficient and within certain CO2 emissions. All cars, (unless there is an exceptional personal circumstance in which case it must be approved by the Chief Fire Officer), must not exceed CO2 emissions of 135-150g/km (Band F).
32. The vehicle should also be able to achieve a minimum of 50mpg (Combined) as per the manufacturer's vehicle specifications.
33. All lease cars must be fitted with satellite navigation and hands free telephone capability.
34. The car must also be fit for purpose and vehicles acquired through the scheme should, as a guide, meet the following criteria:
 - Vehicles should be capable of safely carrying additional personnel and equipment
 - All vehicles must have a minimum of four or five full size (adult) seats,
 - All vehicles should have four or five doors,
 - Vehicles should be restricted to saloon, estate or hatchback models, or 4X4 if such a vehicle conforms to the vehicle emissions requirements specified in this report.
 - Convertible vehicles, whether hard- or soft-top, are not permitted
35. Any rental amount above the threshold must be met fully by the relevant employee and the rate at which mileage will be reimbursed will be the appropriate HMRC business car fuel rates.

Equality & Diversity Implications

36. There are no E&D considerations in regard to this proposal.

Staff Implications

37. Consultation will take place with the representative bodies, and full account taken of the expectations of their members in relation to the scope of the extended lease scheme. To ensure the extension of the Lease scheme is cost effective consultation will take place in relation to the withdrawal of home to office mileage from the new scheme.
38. Line managers have a responsibility for monitoring the mileage of their staff to ensure the all mileage claims are valid and are required to fulfil the responsibilities of the post and service.

Legal Implications

39. The Health and Safety at Work (etc) Act 1974 places a duty upon employers to ensure the health and safety of its employees and in particular the provision and maintenance of a working environment for his employees that is, so far as is reasonably practicable, safe, without risks to health, and adequate as regards facilities and arrangements for their welfare at work. Officers attending incidents where they travel at speed, often with large amounts of protective clothing and kit may have to drive at night when they have recently been awoken from sleep. They must therefore have transport that is well maintained, safe to drive at speed and capable of reaching destinations safely.
40. Employees who use their own car on Authority business must ensure that their car insurance extends to business use and a copy of the policy must be provided to the Operational Preparedness Function.

Financial Implications & Value for Money

41. The current lease car rental budget is £80,000 and equates to 17 lease vehicles under the current arrangements, although only 6 posts had taken up the lease car option in 2011/12.
42. The table below indicates that in the future based on the eligible criteria this may rise to 33 and require an increase in the lease car rental budget of £34,600. The number may be marginally greater depending on individual business cases that come forward.

Annual Lease Rental Allowance			
Scheme	Lease Threshold	Officer Contribution	MFRS Net Lease Cost
Principal Officers	£ 6,600	0	£ 6,600
Area Managers	£ 5,600	0	£ 5,600
Scheme 1	£ 3,250	0	£ 3,250
Scheme 2	£ 3,000	0	£ 3,000

43. However, these costs are offset by the reduction in the essential car user lump sum and reduction in the associated mileage claims. Therefore the overall proposed amendments to the car allowance schemes realise a £3,900 saving to the Authority. As such the expansion of the lease car scheme to the Station Manager cohort can be contained within the overall car allowance budget (See below).

	£
Total increase in insurance premium	12,000
Estimated net increase in Employers NIC	10,000
Non recoverable VAT element of lease	15,500
Reduction in Essential User Lump Sum	-31,000
Saving on essential user mileage claims	-74,000

Increase in lease rental mileage claims	29,000
Additional lease car rental	<u>34,600</u>
	- 3,900

44. The report proposes a reduction in lease allowances for Principal Officers and Area Managers will realise a permanent saving of £10k, which is included in the above figures.

Risk Management, Health & Safety and Environmental Implications

45. If the Authority approve the proposals within this report the identified road risk issues affecting Group and Station Managers will be reduced significantly.

Contribution to Achieving the Vision:

“To Achieve; Safer Stronger Communities – Safe Effective Firefighters”

46. The proposal will improve the safety of operational staff when carrying out their duties.

BACKGROUND PAPERS

None