

REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

CAR LEASE SALARY SACRIFICE SCHEME

Purpose of the Report

1. The purpose of the report is to seek approval from Personnel Committee to the implementation of a salary sacrifice car lease scheme.

Information

Background

2. The Nottinghamshire Plan sets out a clear and ambitious vision for the future of Nottinghamshire for the next ten years in which we're working towards a healthy, prosperous and greener future for everyone. For the next ten years the focus will be on:
 - Improving health and wellbeing in all our communities
 - Growing our economy and improving living standards
 - Reducing the County's impact on the environment
 - Helping everyone access the best of Nottinghamshire
3. With the Council's ambition to become carbon neutral in all activities by 2030, the introduction of a salary sacrifice car lease scheme, promoting the purchase of electric and hybrid vehicles, whilst being a benefit to its employees and Members, will also allow the Council to have some control over its business-related emissions for those who take up the scheme.
4. The Council's People Strategy, 2022-2026, was approved by Personnel Committee on 26 January 2022. As stated within the Strategy "Our people are critical to our ability to achieve our ambitions." The new Strategy builds on work and activities underway before the pandemic, identifies key priorities for action and develops them for the future for example continuing to be a good employer and Employer of Choice.
5. The County Council continues to develop its employee reward strategy to provide a range of benefits to staff. The provision of a car leasing scheme under a salary sacrifice arrangement offers savings to staff and Members compared to what they might purchase in the retail market. The scheme also adds to the employment benefits package supporting the recruitment and retention of staff.

How will the scheme operate

6. The scheme will be delivered by one of the largest providers within the market and who have an extensive client base in both the private and public sector.
7. The scheme is essentially business contract hire, and as such the Council is responsible for any costs associated with the vehicle under its agreement with a car leasing company. However, these costs and responsibilities are passed on to the employee through the salary sacrifice agreement and scheme Policy between the Council and the employee/Member. The employee/Member agrees to a reduction in their gross salary or allowance in return for a non-cash benefit, in this case a company car and the associated services within the scheme.
8. The scheme allows the Council to provide employees/Members with a brand new fully maintained and insured car, under 75g/km Co2 emissions, through flexible benefits at a lower cost than they could normally achieve in the retail market. The insurance is provided through the leasing company under a fleet policy. The employee/Member can add additional drivers to the policy and the cost would be added to the amount the employee/Member pays for the lease.
9. The employee/Member will choose their vehicle using an on-line portal through the leasing company which will generate a formal agreement which the employee/Member signs up to. This will also produce a contractual change document. This is because the agreement is a salary sacrifice arrangement where the employer will provide a vehicle (through the leasing company) in exchange for the employee reducing their salary, and Members reducing their allowance, by the value of the monthly lease.
10. As the vehicle is provided through a salary sacrifice arrangement, employees could save income tax, National Insurance, and pension contributions on the portion of sacrificed salary every month as well as benefiting from corporate buying power and Public Sector (CCS) discounts. Employees will reduce their LGPS pension contributions, and this will impact on employee pension benefits on retirement. There are VAT and corporate finance rate advantages to the employee. As this is a benefit, employees will also pay Benefit in Kind tax on the vehicle.
11. The scheme should be considered as a long term commitment and anyone entering the scheme should ensure they have read and understood all the terms and conditions prior to signing the agreement.

Other Options Considered

12. Do nothing and not implement this type of scheme. However, this would not support the key priorities and vision as set out in the Nottinghamshire Plan – Healthy, Prosperous, Greener.

Reasons for Recommendations

13. The introduction of this scheme will support employees and members to access low emission vehicles in exchange for a reduction in their salary/allowances.
14. Supports the climate emergency declared by the Council in May 2021.
15. This scheme will further enhance the employment benefits package offered by the Council.

Statutory and Policy Implications

16. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Data Protection and Information Governance

17. A summary Data Protection Impact Assessment has been completed and signed off by the Information Governance Team.

Financial Implications

18. The scheme is being offered via a salary sacrifice agreement which means the Council's liability for leasing payments are deducted from the employees/Members whose application has been approved.

19. The provider offers risk protection if an employee retires, is made redundant or goes on maternity/paternity/adoption leave or long-term sickness. The risk protection begins three months after the start of an agreement so there is a small risk of liability for the Council during this period.

20. If the employee leaves before the end of the leasing period, there is an early termination charge. This is payable by the employee and is the Council's responsibility to pursue with the employee. If the Council can demonstrate that best efforts have been made to recover this charge, but payment has not been made by the employee, then the supplier will reimburse this charge.

21. The benefits of the scheme are considered to outweigh the potential risks of such a scheme.

22. There will be some costs for the Council's Business Services Centre in administering the scheme mainly within the payroll team. This will relate to assessments under minimum wage, set up and pay over for new leases and managing leavers invoicing. These costs are expected to be minimal as most of the administration of the scheme will be managed by the lease scheme provider.

23. Any savings for the Council in terms of lower employers' national insurance and pension contributions, will depend upon the take up of the scheme by employees/members. This will be monitored and reported to Members should it be material.

24. It is intended that the scheme will operate at no cost to the Council.

Human Recourse Implications

25. Under HMRC rules an employee cannot reduce their salary to below the national minimum wage. Therefore, a salary eligibility criterion of £22,000 per annum has been set. An

assessment will be undertaken as part of the Council's approval process with the leasing company for each applicant.

26. As Members are not classed as employees, receiving an allowance and not a salary they will be able to sacrifice all their County Council allowance.
27. As the monthly lease payment will be taken from the monthly gross salary before any other deductions are made this results in the taxable pay being less. This means that members of the LGPS who enter the scheme will pay less pension contributions. Therefore, employees must carefully consider the implications for their pension if they decide to enter the scheme.
28. Individuals do have the option to "make up" this reduction to their pension by opting to pay APC to purchase an additional annual pension amount. A leaflet detailing the effects on an individual's LGPS benefits will be available providing more detailed information which employees will be encouraged to consider and take any appropriate action.
29. All approved applications will require employees/Members to sign a driver declaration which will require them to indicate that they understand all the terms of the lease agreement and that they have considered all their financial outgoings at the point of signing the lease.

RECOMMENDATION

It is recommended that:

- 1) Members approve the implementation of a salary sacrifice car lease scheme.
- 2) A review is undertaken after the scheme has operated for 12 months.

Marjorie Toward

**Service Director – Customers, Governance and Employees
Chief Executives Department**

For any enquiries about this report please contact:

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Constitutional Comments (LPW 18/02/2022)

30. The recommendations fall within the remit of the Personnel Committee by virtue of its terms of reference.

Financial Comments (GB 24/02/2022)

31. The financial implications are set out in the report.

HR Comments (JP 17/02/2022)

32. Any HR implications are contained in the body of the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All