

CLOSURE OF LEASE CAR SCHEMES

Purpose

1. The purpose of this report is to recommend that the Staffing Policy Committee finally withdraw the three suspended subsidised lease car schemes by 31st March 2012.

Background

2. The subsidised lease car schemes were introduced in the early 1990s as recruitment and retention tools at a time when it was challenging to recruit to professional grades.
3. There are currently approximately 200 staff who have a subsidised lease car (approximately 30 on TUPE'd terms and conditions). Prior to Vesting Day, three of the former authorities offered subsidised lease car schemes: County Council; North Wilts; and Kennet. These schemes are broadly similar although they differ slightly in the detail.
4. The County Council scheme has been suspended since early 2009 and no new leases have been taken out since then. The ex district schemes have been suspended since vesting day. This has led to some inequality as a group of staff have continued to have access to a benefit which is not open to others. In February 2010 the Pay Harmonisation Executive Board decided to extend the current embargo on new leases in all schemes until June 2011 and authorised the extension of individual leases due to end before June 2011 if the drivers wanted this.
5. Current leases are therefore due to expire on various dates between November 2010 and June 2012. Staff with lease cars fall into one of three categories: those on their original lease; those who have had formal extensions (for 6 or 12 months) agreed by their provider following the Pay Harmonisation Executive Board decision in February 2010; and those who have had informal extensions following that decision. Informal extensions have no specific end date.
6. All staff have received correspondence after the Executive Board decision in February 2010 detailing their own particular circumstance. This correspondence also signposted the possible closure of the schemes as it informed them that, 'it is not known whether there will be a lease car scheme beyond June 2011...'.
7. The lease car schemes were not introduced through a collective agreement so the Council does not need to negotiate with unions about removing them.
8. The Staffing Policy Committee will also consider the Staff Management Executive Board's recommendation to introduce a Salary Sacrifice scheme to lease cars. This scheme enables an employee to reduce their salary by a certain amount, which is then used to pay the lease on a car. There are possible tax savings for the employee and for the Council in doing this. There would be no subsidies in this scheme.

Closing the schemes

9. The Staff Management Executive Board considered three options about when to close the schemes:
 - **Option 1** – Close by 30th June 2011;

- **Option 2** – Close by 31st December 2011
(with all leases ending between 30th June 2011 and 31st December 2011);
- **Option 3** – Close by 31st March 2012
(with all leases ending between 30th June 2011 and 31st March 2012).

10. The Staff Management Executive Board recommends to the Staffing Policy Committee that the schemes end on 31st March 2012, Option 3. This means that as many leases as possible end between 1st July 2011 and 31st March 2012. Those leases which have not ended naturally in this time would have the contracts terminated on 31st March 2012 which would be the final closing date.
11. It is prudent for the Council to act reasonably by giving a lengthy notice period to staff warning of the closure. This notice period would allow staff to make other arrangements for providing a car.

Financial considerations

12. A decision to finally withdraw the subsidised lease car schemes would fit with the Council's business plan to manage financial pressures over the next four years. The Comprehensive Spending Review indicated that the council's budget reduction will be 28.4% over four years (over £120 million). The council therefore needs to find savings of £2.5 million from people costs. Closing the subsidised lease car schemes is one proposal towards achieving this £2.5 million saving.
13. The subsidised lease car schemes currently cost the Council around £475,000 per annum in subsidies and mileage costs. If the subsidised lease car schemes were closed the council would no longer pay £475,000 in subsidies and mileage. However, some ongoing costs would continue for this group of staff. They will have previously claimed 12.7p per business mile in a lease car and would now need to claim for business miles in one of three ways: as essential car users; as casual users; or claim the Inland Revenue rate for any business miles travelled.
14. The potential cost of staff with lease cars returning to their contractual mileage rates has been modelled. On this basis, the likely cost of business travel per annum for this group of staff would be £235,000.
15. If a lease is terminated before it ends naturally there may be an early termination charge. This will affect leases which are still in their original term and those which have been formally extended (6 or 12 months). Provider's charges vary, but they specify a particular months' rental depending on when the term of the lease is ended.
16. It is therefore likely that savings from not re-introducing the subsidised lease car schemes could be £240,000 per annum (£475,000 - £235,000). This figure does not take into account any one off early termination charges. It also does not take into account any administration costs of running the schemes, or that it is likely that re-opened subsidised lease schemes would have higher costs than the current suspended schemes. This is because eligible staff who had previously been unable to access the schemes during the suspensions would now be able to do so.
17. Closing the scheme on 31st March 2012 would mean that the first financial year of full savings (£240,000) would be 2012/13. The likely savings of each option during financial year 2011/2012 has been modelled by Finance and is attached at Appendix A. Option 3 has been highlighted for information.
18. Some of the full year savings may be achieved before financial year 2011/2012 as some of the managers affected by the management review will have lease cars and their leases will be terminated at the point they leave the Council.

Recommendations

19. The Staffing Policy Committee is recommended to close the three suspended subsidised lease car schemes by 31st March 2012, with as many leases as possible ending between 1st July 2011 and 31st March 2012.
20. The Staffing Policy Committee is recommended to authorise the issue of letters to all current lease car holders informing them that the schemes are being withdrawn and the arrangements for returning their car.

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