

Lease Car Policy

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Target Audience	CCG staff
Approving Committee	CCG Executive
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Policy Author	Knowles Associate, Lease car provider / Amanda Williams, Head of Financial Accounting and Reporting
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The CCG is committed to an environment that promotes equality, embraces diversity and respects human rights both within our workforce and in service delivery. This document should be implemented with due regard to this commitment.

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Approved documents are valid for use after their approval date and remain in force beyond any expiry of their review date until a new version is available.

Version Control Sheet

Version	Date	Reviewed By	Comment
Draft v0.1	April 15	A Walker	
Draft v0.1	April 15	CCG Executive	
Draft v0.1	May 15	Anti Fraud Officer, MIAA	Comments received and included in the final draft.

Analysis of Effect completed:	By:	Date:
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1. INTRODUCTION

- 1.1 NHS Bolton CCG has implemented a lease car policy which will enable all eligible employees to lease a new car for business use and private use or private use only. Vehicles will not be provided for business use only. See Appendix B for Eligibility criteria.
- 1.2 The standard term for the lease car agreement is 36 months and employees can make payments for the use of the car through salary sacrifice or salary deduction. This will bring significant savings to both employees and the CCG.

2. PURPOSE

The purpose of the scheme is to provide employees of the CCG access to a brand new vehicle. Employees may use the vehicle for business and / or private use.

3. SCOPE

- 3.1 This policy applies to all permanent and fixed term employees of the CCG. However, the length of the fixed term contract must exceed the length of the lease car agreement. The scheme will not be available to any employees who are on the 'at risk' register.

4. EQUALITY IMPACT ASSESSMENT

- 4.1 This policy applies to all eligible CCG employees irrespective of age, race, colour, religion, disability, nationality, ethnic origin, sexual orientation or marital status, carer status, social and employment status, HIV status, gender reassignment, political affiliation or trade union membership. All employees will be treated in a fair and equitable manner. The CCG will take account of any specific access or specialist requirements (e.g. BSL interpreter, documents in large print) for individual employees during the implementation of this policy.

5. DEFINITION

- 5.1 This scheme will enable eligible employees to lease a new car to use for business and/or private use.
- 5.2 Employees will pay for the use of the car through either salary sacrifice or salary deduction. Any reduction to an employees' salary through salary sacrifice must not take them within 3% per annum of the national minimum wage or below the National Insurance lower earnings limit for national insurance contributions.
- 5.3 The vehicle will be regarded as a 'company car' by HMRC and the employee will be liable to pay income tax on the 'benefit-in-kind' resulting from it. The benefit is calculated on the list price of the car and CO₂ emissions value. Under salary sacrifice income tax is paid on the full benefit. Under salary deduction the benefit is reduced by the driver's private use contribution and income tax is charged on the balance
- 5.4 The scheme will add towards the CCG objective to reduce its carbon footprint by providing employees with the opportunity to lease new, more efficient cars with lower CO₂ emissions to the cars they are currently driving.
- 5.5 The arrangement is entirely at the discretion of the CCG who may withdraw the facility at any time.

6. LEGAL POSITION

In accordance with the provisions contained in part II of the Employment Rights Act 1996 any employee who has applied for a lease car will be issued with an amendment to contract letter with details of their new reduced salary. Employees must sign this to consent to the changes in their terms and conditions of employment. If the employee does not sign this, the CCG could leave itself open to a claim for unlawful deductions from wages, and therefore without the appropriate signature, applications for a lease car will not be granted.

Employees should be aware that a reduction in salary may have an effect on the accrued NHS Pension benefits and statutory payments, e.g. statutory maternity pay, statutory sick pay and other benefits including redundancy pay. A reduction in taxable salary might also affect more general financial matters such as mortgage applications.

We actively encourage employees to seek advice from an independent financial adviser regarding the salary sacrifice element of the scheme.

7. LEASE CAR SCHEME PRINCIPLES

- 7.1 The lease car scheme will be open on a continuous basis so applications can be made at any time.
- 7.2 The standard term for the lease car agreement is 36 months. All vehicles are covered by fully comprehensive insurance, breakdown and recovery services and accident management. Routine servicing, maintenance and repairs are also covered. If the vehicle is taken abroad maintenance is not covered.
- 7.3 The employee will be responsible for any damage resulting from the misuse or neglect of the vehicle.
- 7.4 Employees will be required to enter into a contract with the CCG under conditions set out in the lease car terms and conditions of use.
- 7.5 Employees can add additional named drivers onto the insurance to use the car for private use, subject to paragraph 7.6.
- 7.6 The employee and any additional drivers must produce a valid driving licence covering the type of vehicle to be driven. The CCG may confirm the driving licence details with the DVLA. Employees must inform the CCG of all penalty points or other motoring offences that may affect the driver's ability to drive the vehicle. The loss of a driving licence may result in the car being withdrawn and an early termination penalty charged.
- 7.7 All of the information provided by the employee during the application process will be checked and verified by a representative of the Payroll and Finance Departments.
- 7.8 The condition of the vehicle will be inspected by the leasing company at the end of the lease contract. Any unusual wear and tear will be noted and details will be agreed with the employee. The employee will be responsible for paying any costs incurred in this situation.
- 7.9 Employees will be required to purchase all of the fuel for business and/or private use. Employees who use their lease car for 'business travel' as defined in Section 17 of the Agenda for Changes terms and conditions, will either be reimbursed or receive an allowance in accordance with 7.10 below and as set out in annex A; the allowance is inclusive of fuel for business use.

- 7.10 The salary sacrifice mileage rates will be paid on submission of a mileage return. The salary deduction allowance will be deducted from the cost of the car based on the initial estimated business mileage. The allowance will be adjusted quarterly to reflect the actual mileage travelled in the previous quarter.
- 7.11 Employees can select their own choice of vehicle. The charge for the car will be dependent on the specification of the vehicle they have selected. The cost of the lease will vary depending on the business and private mileage. Employees can choose to pay for the lease car through either **salary sacrifice** or **salary deduction**.

8. SALARY SACRIFICE

- 8.1 Under this option the employee 'sacrifices' part of their salary in return for their non-cash benefit. As this sacrifice reduces the gross salary, the employee will pay lower tax, national insurance and pension contributions.
- 8.2 The value of the salary sacrifice will be based on all of the cost elements for the selected vehicle.
- 8.3 The employee is required to sign an amendment to their contract of employment with their agreement to sacrifice part of their gross salary in exchange for the car. The amount sacrificed will be based on the annual cost of the chosen car.
- 8.4 In the event of an employee being made redundant by the CCG while they are paying for a lease car through a salary sacrifice scheme the redundancy payment will be based on the higher gross salary (so will not be affected).

9. SALARY DEDUCTION

- 9.1 Under this option payment for the car is made on a monthly basis by a deduction from the employees' net pay (this is the pay received after income tax, national insurance and pension contributions).
- 9.2 The charge for the car to the employee is the annual cost (plus VAT) of the chosen car.
- 9.3 VAT is charged on the full amount deducted from salary for the service provided, regardless of whether certain supplies are zero rated e.g. insurance and excise duty.
- 9.4 A £200 administration fee will be applied to the cost per annum.

10. HMRC RETURNS

- 10.1 Employees will be liable for a taxable benefit charge calculated in accordance with HMRC guidance, details of which will be provided at the start of the contract on form P46(car) and annually on form P11d.

11. INSURANCE EXCESS

- 11.1 In the case of an accident the driver will pay the excess in all cases. If it can be proved that the driver is not at fault and recovery of the costs from the third party is possible, the excess will be waived.

- 11.2 The current cost of the excesses are:
All drivers £100
Named drivers under 21 years £500
Named drivers 21 to under 25 years £300
- 11.3 Any costs incurred by misuse including the incorrect use of fuel appropriate to the vehicle, will be charged in full to the employee. Such costs are not covered by the insurance policy and employees should take care to ensure that the correct fuel is used at all times. Any costs that are incurred will be deducted directly from the employees' salary.

12. PARKING FINES AND PENALTIES

- 12.1 The employee remains fully responsible for any fines or penalties incurred during use of the vehicle. Any payment which becomes due will be met by the employee in all cases and will be deducted from their salary. Any outstanding fine/penalty at the point of an employee leaving the CCG would be deducted from their final salary.

13. USE OF THE LEASE VEHICLE ABROAD

- 13.1 Use of the lease vehicle abroad is permitted, subject to prior written application to the Fleet Management Company. However, maintenance costs are not covered when the vehicle is abroad, and it is the employee's responsibility to make special arrangements to cover this period. Employees will be advised of the maintenance requirement when written permission is given depending on the country of travel.

14. ABSENCES FROM WORK

- 14.1 If an employee expects to have a period of maternity leave they should carefully consider whether Salary Sacrifice is effective (please contact Knowles Associates for further details). If an employee is paying for a lease car through a salary sacrifice agreement and subsequently goes on maternity leave the maternity pay that they would receive would be based on the lower gross salary.

As at March 2015 maternity pay is based on the average earnings in the two months/8 weeks prior to the 15th week before the due date. This is weeks 17-25 of pregnancy. Any salary sacrifice in place during this eight week period will reduce the value of maternity pay.

Employees have the opportunity to change to a salary deduction arrangement or return the vehicle to prevent the maternity pay calculation being affected. Employees should refer to the CCGs Maternity Policy regarding the calculation and timing of transferring to the salary deduction scheme. Please note: salary deduction is likely to be a higher cost than salary sacrifice.

- 14.2 If the employee chooses to return the car there will be a financial penalty, on account of early termination of the contract. The employee will be liable to pay this.
- 14.3 If an employee is absent from work on sick leave, maternity leave or other authorised long term absence they may continue to use their lease car privately. If pay is reduced to half pay or zero pay the employee is still liable to pay their contributions to the CCG.

- 14.4 If the employee chooses to keep the car for the duration of their absence from work, the employer's mileage contribution (if applicable) will be reinstated upon their return to work.
- 14.5 Employees are encouraged to seek advice from an independent financial adviser regarding the salary sacrifice element of the scheme.

15. PENSION IMPLICATIONS

From April 2015 NHS pension entitlement will be based on the career average pensionable pay. Therefore, for periods where an employee is participating in a salary sacrifice arrangement pensionable pay means the reduced salary i.e. salary minus the sum sacrificed. Entering into an arrangement that reduces gross pensionable pay (e.g. salary sacrifice) will have a negative impact on the amount of pension built up in that scheme year. As such it is important to consider the tax, National Insurance Contributions and Pension contribution savings against the likely reduction/impact on pension benefits before deciding to participate in a salary sacrifice scheme.

The NHS Pensions' Scheme Members' Helpline telephone number is 0300 3301 346 or 0191 279 0571.

16. EARLY TERMINATION

- 16.1 On early termination of the lease car contract, payment is required to be made to the lease car company. The amount of the payment will vary depending on how far into the contract the employee is when it is terminated. The cost will be passed on to the employee depending on the reason for it.
- 16.2 The right to a lease car will be terminated in the following circumstances:
- Termination of employment by CCG for reasons such as misconduct, performance and sickness. Please refer to HR policies.
 - Retirement of the employee or voluntary termination of employment
 - Death of the employee
- 16.3 The CCG may terminate the employees' right to a lease car at its discretion in the following circumstances:
- The employee breaching the terms of their agreement and/or conditions set out in this policy.
 - The employee having a prolonged absence from their normal duties.
 - In exceptional circumstances where an employee chooses to terminate their participation in the scheme.
- Any other exceptional circumstances not provided for above.
- 16.4 In the event of the employee's death in service, or on early termination of the employee's contract on the grounds of ill health or redundancy, there shall be no financial penalty to the employee or their Estate in the case of early termination of their lease car agreement.
- 16.5 In all other cases of early termination, the employee will be required to reimburse the CCG for any payment due to the leasing company because of the early termination of the contract for hire.

- 16.6 Once the employee has terminated their lease car agreement they must return the car and pay any outstanding contribution for private use; any outstanding amounts will be deducted from salary.
- 16.7 Upon returning the car, the lease company will inspect the car for fair wear and tear. The employee will be liable for any charges incurred for repairs that are not within the fair wear and tear policy (with the exception of early termination arising from death in service).

17. PROCESSING AND MONITORING MILEAGE RETURNS

- 17.1 Mileage returns and expense claims must be submitted via Knowles Associates On-line system on a monthly basis, all receipts must be scanned and attached to the submitted claim. Business miles will be paid on the submission of the monthly return at the AFC rates via payroll along with reimbursement for expense claims in accordance with the travel and subsistence policy.
- 17.2 Total mileage and business mileage will be monitored on a quarterly basis. If the total contracted mileage is different to the actual mileage undertaken the contract will be reviewed. Significant differences will be amended accordingly. Increases to the overall contracted mileage of the vehicle will result in an increase in the cost to the employee. Similarly significant reductions in overall mileage may reduce the cost of the vehicle.
- 17.3 All claims submitted must be authorised by the relevant manager, who is an authorised signatory, to confirm that, for each claim, there are valid supporting receipts, the arithmetic accuracy is correct and that the claim is reasonable. If the manager is not satisfied on any of these checks, the claim should be rejected and returned to the claimant to provide further explanation or to remove the claim from the e-expenses system. Any intentional false or misleading claims may be provided to the Chief Finance Officer or the Anti-Fraud Specialist for further inspection and/or investigation.
- 17.4 All expense claims will be made available for inspection for audit purposes. Please note that the Anti-Fraud Specialist may conduct a pro-active exercise around this area in order to review expense forms to detect instances of fraud, bribery and/or corruption.

18. PROCESS FOR MONITORING COMPLIANCE WITH THE POLICY AND REVIEW

- 18.1 The Finance Department will be responsible for monitoring the overall effectiveness of the lease car policy.
- 18.2 This policy will be reviewed every 3 years or more frequently if required in line with any legislative changes, by the Finance, Corporate, HR Department and Staff Side.
- 18.3 The operation of the scheme will be subject to an annual audit by the CCGs internal audit function.

19. SUPPORT AND ADVICE/USEFUL CONTACTS

Knowles Associates 01206 252300
Finance Department 01204 462079
Payroll Department 01204 390213
Pensions Department 01204 390079

20. VERSION CONTROL

Version	Date	Lead Author	Status	Comment
1		Amanda Williams		

21. REFERENCES

- Employment Rights Act 1996

22. ASSOCIATED DOCUMENTS

Travel and Subsistence Policy
Agenda for Change – Annex M
Agenda for Change – section 17

Allowances and Enhancements

1. Salary Deduction Allowance

The allowance includes fuel for business use no further payment will be made and is based on agenda for change rates in Annex M of the Agenda for Change Handbook. These rates will be revised should in accordance with revisions to the agenda for change rates.

Miles	Business Allowance	Miles	Business Allowance
500	£280	6000	£2,660
1000	£560	6500	£2,800
1500	£840	7000	£2,940
2000	£1,120	7500	£3,080
2500	£1,400	8000	£3,220
3000	£1,680	8500	£3,360
3500	£1,960	9000	£3,500
4000	£2,100	9500	£3,640
4500	£2,240	10000	£3,780
5000	£2,380	10500	£3,920
5500	£2,520	11000	£4,060

2. Mileage Rates

Up to 3,500 business miles per annum 56p per mile

Over 3,501 business miles per annum 28p per mile

These rates are in accordance with agenda for change and are subject to change in accordance with revision of annex M of the agenda for change handbook

3. National Minimum Wage

The hourly rate for the driver compliance check will be £7.10

4. Reversion Car Allowance

If an employee reverts to salary deduction due to a life style change the salary deduction car allowance will apply

If an employee voluntarily changes to salary sacrifice the salary sacrifice mileage rates will apply

5. Administration Charge

All quotes will be increased by £200.00 per annum.

6. Minimum Wage Contingency Fund

All employees on salary sacrifice will contribute 2% of their contract hire rental into the fund.

7. Redundancy payments and overtime payments will not be affected by salary sacrifice and will continue to be based on the higher gross salary.

Appendix B

Eligibility Criteria

- You hold a substantive post with a regular pattern of work with a contract that extends for the duration of the scheme
- You have completed your probationary period
- You have an hourly rate above the National Minimum Wage after all salary sacrifice and other deductions have been made
- You are not at risk of redundancy
- You are not at risk of dismissal
- You have a full valid UK driving Licence for 12 months or more
- You are not in scope for a TUPE transfer