

BRISTOL CITY COUNCIL

HUMAN RESOURCES COMMITTEE

Thursday 2nd April 2009

Report of: The Head of Human Resources

Title: Review of Mileage Allowances

Ward: N/A

Officer Presenting Report: Andrew Stephens - Corporate
Development HR Manager
Robert Britton - (Designate) Service
Director: Strategic HR/WS

Contact Telephone Number: 0117 922 2672

Recommendation

The Committee is asked to:-

- i. Adopt the resolution of full Council when setting the budget on 24th February, to adjust mileage allowance rates for councillors and staff in line with HMRC guidelines. Reducing them by 2.9p per mile to 40p per mile.
- ii. Note that in accordance with (i) above, the review of mileage allowances is not being pursued at this stage.

Summary

This report reflects the resolution of Council from its meeting on 24th February 2009. In consequence, the findings of a joint review into the Council's mileage allowance rates, payable to staff who are required to travel during the course of their duties, are not being pursued at this stage.

The significant issues in the report are:

1. The Council resolution to revert to a mileage allowance of 40p per mile with effect from 1st April 2009.

2. Note the findings of the review in relation to the research and evidence presented in connection with the mileage allowance rates and the costs of fuel and motoring (submitted to this committee for Members' information only).

1. Policy

- 1.1 The current mileage allowances for using a car, van, motorcycle or bicycle on business travel are provided for in the Expenses, Benefits and Travel Policy, section 6.48. (See Appendix A)
- 1.2 The HR committee is responsible for taking decisions in respect of pay and benefits.
- 1.3. The Council decision on the budget proposals are indicative rather than definitive. Full Council as a matter of law cannot take executive decisions.

2. Consultation

2.1 Internal

Consultation had been commenced regarding the review of mileage allowances, previously initiated by this committee. The TU's have now been informed that this review is being shelved in the light of the Council resolution (February 2009).

2.2 External

Not Applicable

3. Context / Background

- 3.1 Following representations from the trade unions during 2008, and with the then CMT's agreement, the HR Committee agreed a 2.9 pence increase in the mileage allowance for cars and vans with effect from 1st October 2008, taking the rate for the first 10,000 miles of business use to 42.9p/mile. The rates for motorcycles and bicycles remained 24p and 40p per mile, respectively.
- 3.2 The findings from this review, are as follows:-

- (a) Appendix B shows a graph plotting unleaded petrol and diesel prices (source: The Automobile Association (AA)) in the south west since 2003, alongside the BCC mileage rate for the same period.
- (b) During the period July 2002 to January 2005 petrol prices rose steadily from approximately 76p to 84p per litre.
- (c) The period January 2005 to January 2007 was characterised by several peaks and troughs in the price per litre, ranging from highs of around 98p to lows of around 87p.
- (d) The above increase was proposed, and agreed, largely in response to sharply increasing fuel prices throughout 2007 and the first half of 2008
- (e) This period saw the price of fuel rise from around 87p to a peak of 120p in July 2008.
- (f) Since July 2008 the price has decreased at a more rapid rate than the preceding increase. The current average in the south west is around 89p. This is around 13p more than the 76p per litre average price in the period 2002/03, when the current maximum HMRC rate of 40p/mile was set.
- (g) The price of diesel has been higher than petrol for the entire period. In 2002 the differential was around 2p. Diesel is currently consistently around 12p more expensive than petrol.

3.3 In addition the following information regarding running costs was ascertained for a car (up to the value of £10,000 when new) is 46.9p per mile based on an annual mileage of 5,000 miles, falling to 30.53p per mile with an annual mileage of 10,000. These figures are derived from the following costs:

Standing Charges per annum	Charges/cost at 5,000 miles	Charges/cost at 10,000 miles
Road Tax	£120	£120
Insurance	£420	£420
Depreciation	£1097	£1097
Total standing charges per mile	32.74p/mile	16.37p/mile
Running costs per mile		
Petrol (based on 86p/litre)	8.77p/mile	8.77p/mile
Tyres	0.52p/mile	0.52p/mile

Service labour costs	3.2p/mile	3.2p/mile
Replacement parts	1.67p/mile	1.67p/mile
Total running costs per mile	14.16p/mile	14.16p/mile
Total of standing charges and running costs per mile	46.9p/mile	30.53p/mile

3.4 For comparative purposes, the following represents an illustration of mileage allowance payment versus petrol costs for an employee claiming 5,000 business miles per annum, based on fuel consumption of 40 or 30 mpg, a 42.9p/mile allowance and petrol at 86p/litre (See appendix C For calculations).

40 mpg vehicle

Allowance paid per 5,000 business miles = **£2145**

Cost of fuel per 5,000miles = **£488**

Excess allowance after fuel costs = **£1657**

30 mpg vehicle

Allowance paid per 5,000 business miles = **£2145**

Cost of fuel per 5000 miles = **£652**

Excess allowance after fuel costs = **£1493**

3.5 The following additional information is pertinent:-

In these examples an employee would have an excess allowance of £1657 and £1493 respectively once fuel costs are deducted to contribute toward running costs incurred as a result of 5,000 business miles.

- (a) Whilst the AA's running costs per mile for 5,000 miles per annum, at 46.9p/mile, exceed the current 42.9p/mile allowance, the 4p/mile excess is relatively small. A consideration is also whether the majority of business users would possess the car for day to day private use anyway.
- (b) A significant proportion of the AA's figures comprise costs of depreciation. Their depreciation costs are based on a new car and the extent of depreciation will be much lower in older cars and reduce the overall figure for running costs.
- (c) Running costs at 10,000 miles per annum decrease to 30.53p/mile, 12.37p less than an allowance of 42.9p.
- (d) The increase in the cost per litre of petrol from 76p in 2002 to 89p at present, represents a 17% increase. Whereas the increase of 2.9p represents a 7.3% increase on the previous 40p rate.

- (e) However, for every 1p that the cost of fuel goes up or down the AA use an amount of +/- 0.1p/mile to adjust the amount they use for the fuel element of the total running costs per mile.
- (f) Therefore if we assume that the HMRC rate of 40p was based on a petrol price of 76p per litre, an increase of 13p per litre would represent an actual increase in cost per mile of 1.3p (10 x 0.1p), according to the AA's method of calculating running costs.
- (g) Fuel costs account for a relatively small proportion of the mileage allowance or running costs and it is not necessarily valid to consider increasing mileage allowances by the same percentages that fuel costs increase.
- (h) An option to counter the volatile nature of fuel prices, and the negative impact higher prices can have on business users, would be to review the 42.9p rate yearly and adjust the allowance up or down by 0.1p (in line with the AA's approach in 4.4 (e) above) for every penny more or less fuel is than, say, the 89p/litre petrol is currently.

3.6 In undertaking this review, options for 'green mileage' allowance schemes were considered, as set out in Appendix D.

3.7 However, at the annual Budget Meeting held on the 24th February 2009, the full Council passed the following resolution: To adjust mileage allowance rates for councillors* and staff* in line with HMRC guidelines. (Nb. * For 2007/08 the total mileage allowance costs for employees and councillors were £1,317,344 and £488 respectively).

3.8 For Members' information, Appendix E shows the allowances paid for 2008/09 by other local authorities. Bristol compares favourably with neighbouring authorities, paying higher rates than Bath and North East Somerset, South Gloucestershire and North Somerset. Only Bath pay an essential users allowance, but also a significantly lower rate per mile. None of Bristol's neighbouring authorities have any plans to review their allowances at present.

4. Proposal

4.1 Given the above, it is proposed that the Council reverts to the 40p mileage rate with effect from 1st April 2009.

4.2 Members' views are requested as to whether or not they wish to revisit

this issue for 2010/2011.

5. Other Options Considered

5.1 Other options arising from the review were:-

- (a) Retain existing mileage rates of 42.9p for cars and vans, motorcycles 24p and bicycles 40p.
- (b) Apply the 42.9p rate to all users (cars, motorcycles and bicycles).
- (c) Reconsider the “green” options as per Appendix D) for 2010/11

5.2 In view of the council resolution, no other options are now being considered. In the available time, no equivalent savings (estimated by the Service Director: Finance as being £105k pa) have been identified. The Service Director: Finance has been asked to attend this meeting for consideration of this report.

6. Risk Assessment

6.1 A reduction in the current mileage rate may result in some employees discontinuing the use of their car for business purposes.

7. Equalities Impact Assessment

7.1 The recommendation to revert to pre-November 2008, HRMC recommended, mileage allowance rates will impact equally on all groups of employees.

Legal and Resource Implications

Legal

The Council budget specifies the proposed allocation and the HR committee will determine the allowance.

(Stephen McNamara, Head of Legal Services)

In accordance with the Expenses, Benefits and Travel Policy the Council may vary the mileage allowances paid to employees. Employees should be advised of any change in rates taking effect from 1.4.09.

(Advice from Kate Fryer for Head of Legal Services)

Financial

(a) Revenue

The Council's 09/10 budget includes the reversion to a 40p per mile payment, saving £105k pa.

If the reversion to 40p per mile is not agreed it will be necessary to defer developments or make further savings of £105k.

(b) Capital

N/A

(Advice from Stephen Skinner, Head of Finance, Resources, Transformation and Deputy Chief Executive)

Land

N/A

Personnel

As set out in paragraphs 3.7, 4.1, 4.2 and 6.1

Appendices:

Appendix A - Extract from the Expenses, Benefits and Travel Policy.

Appendix B - Graph plotting unleaded petrol and diesel prices.

Appendix C - Illustration of actual mileage allowance payment versus petrol costs.

Appendix D - Green Mileage Allowances: Considerations/Implications

Appendix E - Mileage allowance rates for 2008/09 in other local authorities (core cities and Bristol's neighbours).

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None

APPENDIX A

Extract from Bristol City Council's Expenses, Benefits and Travel Policy:

6.48 Travelling Expenses

You may claim only the costs of necessary business travel. For guidance on which journeys count as business journeys, see "Definition of business travel" in Section 8.

Mileage Rates

Where the City Council authorises you to use a private car or motorcycle or bicycle on official business, you will receive an allowance in accordance with the rates shown below. The approved mileage rates are:

Cars and vans:

First 10,000 miles p.a. = 42.9p/mile*

Over 10,000 miles p.a. = 25p/mile

Motor cycles:

24p/mile

NB: The rates for cars, vans and motorcycles are applicable to all engine capacities.

Bicycles:

40p/mile*

The City Council's car, van and bicycle allowances are above the Her Majesty's Revenue and Custom's (HMRC) approved mileage rates. The approved mileage rates are the statutory maximum amounts which can be paid to employees for using their own vehicles for business purposes without having to pay tax and national insurance contributions. Therefore, claimants will be liable to taxation and NIC for a "benefit in kind". This will be declared by payroll to HMRC (see section 7.1).

In addition to the above rate you may claim for:

(1) Carrying Passenger: 5p per mile for each passenger (NB there is a tax and national insurance liability for carrying a service user)

(2) Carrying Bulky Equipment (at the discretion of the authorising manager): 5p per mile (NB there is a tax and national insurance liability on this

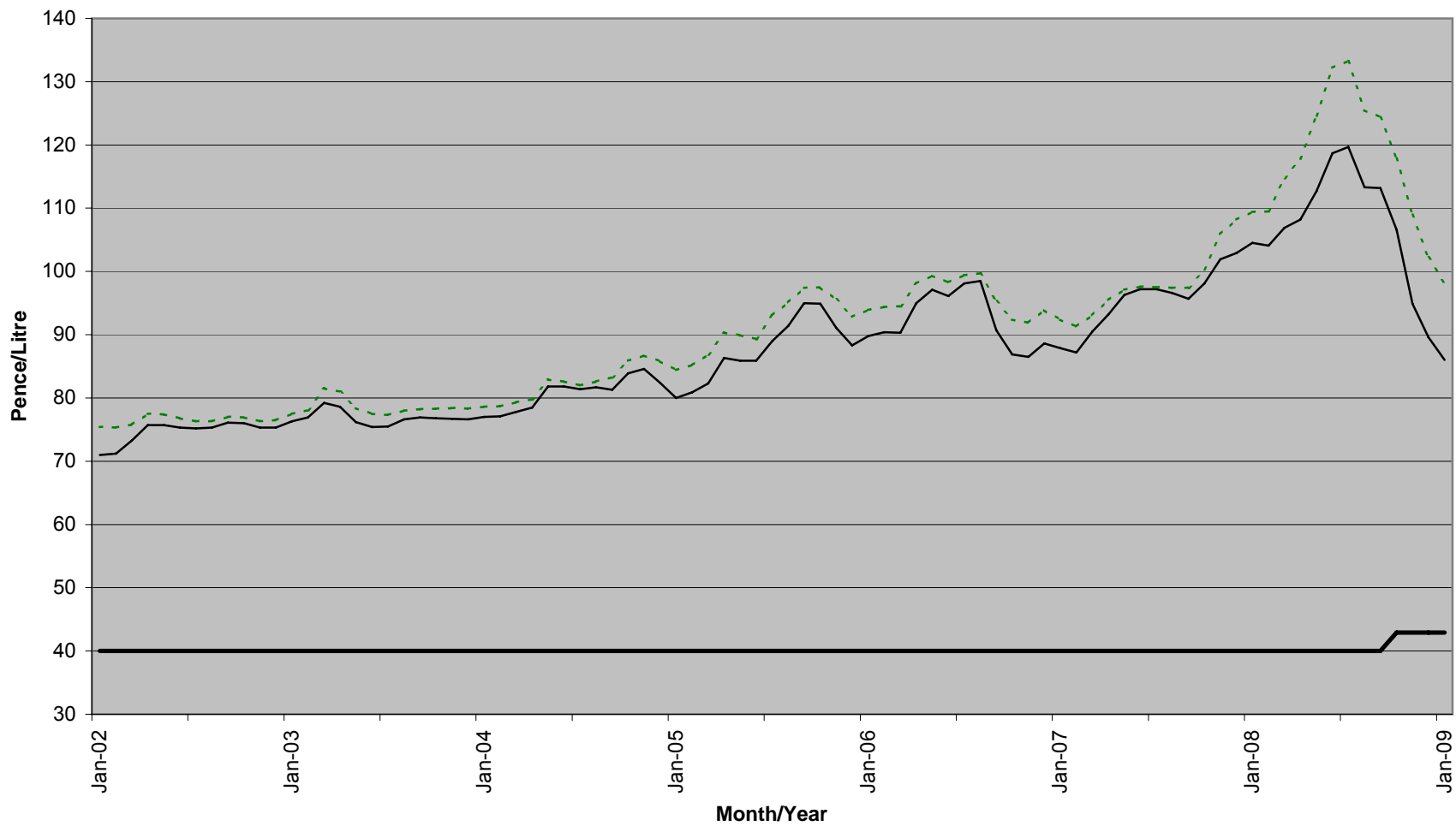
allowance).

Examples of bulky equipment are overhead projectors, zimmer frames, theodolite, boxes of files, personal computers with monitor, flip chart holders and wheelchairs.

Examples of equipment, which will not be considered as falling within these criteria, are Lap top computers, brief cases and files.

The above rates are reviewed and managers and employees will be informed of any changes as and when they occur.

A VAT receipt for fuel must accompany all claims for mileage. This receipt must be dated prior to the date of the first claim. The receipt must show it was for fuel, have the date, name of the supplier and total price paid. Receipts must be for sufficient fuel to cover all the miles claimed (£10 for every 100 miles). Any claim after 1 April 2006 not accompanied by a fuel VAT will be reduced by the VAT element (that is by approximately 1.5p/mile).



— Petrol (Unleaded) - - - Diesel — Mileage Allowance (pence)

Calculation of mileage allowance payment versus petrol costs for employee claiming 5000 business miles per annum

Based on fuel consumption of **40 mpg**

$\text{£}0.429 \times 5000\text{miles/annum} = \text{£}2145$ per annum allowance paid

Cost of fuel per 5000miles:

$= 5000/40\text{mpg} = 125$ gallons

125 gallons $\times 4.54$ litres per gallon = 567.5 litres

567.5 litres $\times \text{£}0.86$ per litre petrol = **£488** for fuel per 5000 miles

Based on fuel consumption of **30 mpg**

$\text{£}0.429 \times 5000\text{miles/annum} = \text{£}2145$ per annum allowance paid

Cost of fuel per 5000 miles:

$= 5000/30\text{mpg} = 167$ gallons

167 gallons $\times 4.54$ litres per gallon = 758.2 litres

758.2 litres $\times \text{£}0.86$ per litre petrol = **£652** for petrol per 5000 miles

Green Mileage Allowances: Considerations/Implications

The Council's existing mileage allowance scheme is fairly environmentally friendly as it is, in that higher rates are not paid for larger-engined vehicles (as with the NJC rates) and generous rates are paid to cyclists.

In line with the Council's green and sustainability agendas future mileage rates could have been be linked to either HMRC road tax bands or bands that are defined based on the emissions of cars, with higher rates offered for vehicles with lower emissions. The HMRC road tax bands would perhaps be the best option to use because they are linked to emissions themselves, and it would be easier to verify employees road tax band than the emissions of their particular vehicle. The following is an example of how such a scheme may have looked, had this review been pursued:-

HMR C tax band	CO2 emissions (g/km)	12 month tax rate	Proposed BCC band (1,2 or 3)	Examples of possible BCC Mileage Allowance per mile	
Vehicles registered on or after 1st March 2001					
A	Up to 100	N/a	Band 1	Example 1: 42.9p	Example 2: 45p
B	101 - 120	£35			
C	121 - 150	£120	Band 2	Example 1: 40p	Example 2: 42.9p
D	151 - 165	£145			
E	166 -185	£170	Band 3	Example 1: 38p	Example 2: 40p
F	Over 185	£210			
G	Over 225 (for cars registered on or after 23/03/06)	£400			
Vehicles registered before 1st March 2001					
Not over 1549cc	n/a	£120	As Band 2 above	Example 1: 40p	Example 2: 42.9p
Over 1549cc	n/a	£185	As Band 3 above	Example 1: 38p	Example 2: 40p

c					
Motorcycles and Bicycles					
n/a	n/a	n/a	As Band 1	Example 1: 42.9p	Example 2: 45p
Estimated costs of example (car and vans only) (see 1.d below)				£12,781 per annum	£94,652 per annum

- (1.a) If an employee's vehicle is registered before the 1st March 2001, the table shows a proposal to place these in bands 2 and 3 is based on where the HMRC tax rate (£) for older vehicles under and over 1549cc falls in relation to the tax rates for bands A to G for newer vehicles (E.g. The £120 tax for a pre-March 2001 vehicle under 1549cc equates with the £120 for a new band C vehicle)
- (1.b) Motorcycle and bicycle rates in the this model could be set at band A, in line with the green and sustainable aspirations of the model.
- (1.c) This model would require consideration of a period of protection of the current allowance for vehicle users who would fall within a lower rate than they receive at present. Three years may be a reasonable length of time, during which an employee could acquire a different car that attracts a higher allowance if they wished.
- (1.d) Without knowing the ratio of vehicles driven by BCC employees that fall within each band shown in the table above it is impossible to predict the actual costs associated with examples 1 and 2. However, estimated costs (relative to a default rate of 40p/mile) are shown based on the assumption that one third of vehicles fall into each band.
- (1.e) In 2005 Teignbridge District Council proposed an environmentally friendly scheme that was based on exhaust emissions, that would pay various rates between 25p and 60p per mile, with the highest rate paid for the lowest emissions. Staff with cars more than eight years old would continue to be paid under the old mileage allowance scheme, as emissions data is not available. The scheme was never implemented and Teignbridge are still reviewing their scheme.
- (1.f) The following is a scheme that was considered by South Norfolk Council:

Year	CO2 g/km Emissions bands and pence per mile allowance over 5 year period		
2009	Up to 120	121 to 150	151 and over
	41p	40p	39p
2010	Up to 115	116 to 145	146 and over
	42p	40p	38p
2011	Up to 110	111 to 140	141 and over
	43p	40p	37p
2012	Up to 105	106 to 135	136 and over
	44p	40p	36p
2013	Up to 100	101 to 130	131 and over
	45p	40p	35p

Their rationale was that if employees adjusted over a period of time the emission levels of the vehicles they drove it would be cost neutral. If the emission of the owner/driver vehicle fleet stayed the same, the cost of work travel to the Council would gradually reduce.

Core Cities Mileage Rates Comparison 2008/09

APPENDIX E

Core City, Neighbouring Local Authority

	Birmingham	Bradford	Leeds	Manchester	Newcastle	Nottingham	Bristol	BANES	S.GLOS	N.Somerset
Essential Users									Starters after April 06	
Lump Sum pa 451-999cc	£726	£726	£753	£657	£723.77	£726	n/a	£753.00	n/a	n/a
Lump Sum pa 1000cc - 1199cc	£819	£819	£849	£735	£816.55	£819	n/a	£849.00	n/a	n/a
Lump Sum pa 1200cc and above	£1,056	£1,056	£1,095	£735	£816.55	£1,056	n/a	N/A	n/a	n/a
Per mile -first 8,500 miles 451 - 999cc	32.0p	32p	34.0p	28.1p	32.37p	32.0p	42.9p	34.0p	40p	40p
Per mile -first 8,500 miles 1000cc - 1199cc	34.6p	34.6p	36.9p	31.2p	34.85p	34.6p	42.9p	36.9p	40p	40p
Per mile -first 8,500 miles 1200cc and above	n/a	43.4p	45.8p	31.2p	34.8p	43.4p	42.9p	N/A	40p	40p
Per mile -after 8,500 miles 451 - 999cc	12.1p	12.1p	34p	28.1p	12.48p	12.1p	*25p	13.6p	25p	25p
Per mile -after 8,500 miles 1000cc - 1199cc	12.1p	12.1p	36.9p	31.2p	12.37p	12.1p	*25p	13.6p	25p	25p
Per mile -after 8,500 miles 1200cc and above	n/a	14.4p	45.8p	31.2p	12.37p	14.4p	*25p	N/A	25p	25p
Casual Users										
Per mile -first 8,500 miles 451 - 999cc	40.5p	40.5p	42.9p	35.8p	40.93p	40.5p	42.9p	N/A	40p	40p
Per mile -first 8,500 miles 1000cc - 1199cc	44.2p	44.2p	46.9p	39.9p	44.44p	44.2p	42.9p	46.9p	40p	40p
Per mile -first 8,500 miles 1200cc and above	n/a	55.8p	58.7p	39.9p	44.44p	55.8p	42.9p	N/A	40p	40p
Per mile -after 8,500 miles 451 - 999cc	12.1p	12.1p	42.9p	35.8p	12.48p	12.1p	*25p	N/A	25p	25p
Per mile -after 8,500 miles 1000cc - 1199cc	12.1p	12.1p	46.9p	39.9p	12.37p	12.1p	*25p	13.6p	25p	25p
Per mile -after 8,500 miles 1200cc and above	n/a	14.4p	58.7p	39.9p	12.37p	14.4p	*25p	N/A	25p	25p
								* rate after 10000 miles		
Motorcycles										
Up to 124cc per mile	n/a	11.6p	n/a	n/a	25p	n/a	24p			25p
125cc and above per mile	n/a	13.7p	n/a	n/a	25p	n/a	24p			25p
Bicycle Allowance - (per mile)	n/a	14p	n/a	n/a	21p	n/a	40p			20p