

AGENDA ITEM 6**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL****CABINET****12th FEBRUARY 2015****REVIEW OF THE COUNCIL'S CAR MILEAGE RATES****REPORT OF THE DIRECTOR OF HUMAN RESOURCES****Author: Richard Evans, Human Resources Manager****1. PURPOSE OF THE DISCUSSION PAPER**

The purpose of the paper is to seek Cabinet's view on reducing the current mileage reimbursement rate payable to staff that utilise their vehicles for work related purposes.

2. RECOMMENDATIONS

It is recommended that Members:-

- 2.1 Agree to reduce the current Council car mileage rate from 45p per mile to 35p per mile effective from 1st May 2015.
- 2.2 Authorise the Director of Human Resources to publish a statement of the change to the mileage rate to all staff, following discussions with the trade unions.
- 2.3 Request the Group Director Corporate and Frontline Services to update the draft 2015/16 budget strategy to reflect the financial implications of any budget related decisions made by Cabinet prior to Council on the 4th March 2015. As part of this update, any savings achievable in 2015/16 should be used to reduce the level of Transitional Funding (i.e. use of the Medium Term Financial Planning and Service Transformation Reserve) needed to deliver a balanced budget for that year.

3. BACKGROUND

- 3.1 Recent public and staff suggestions received as part of our engagement work to address the budget shortfall in 2015/16, included the need to review employee allowances such as car mileage rates.
- 3.2 Members may recall that in June 2011, as part of the wider change to terms and conditions of employment, the Council introduced a revised standard car mileage rate based on HMRC guidelines which is currently 45p per mile.

3.3 The HMRC rate of 45p per mile is based on a percentage reimbursement of cover costs for both buying and maintaining a car. However, in the present day, the vast majority of staff will own a car for their own domestic arrangements and a recent review by the Automobile Association suggests that the average running costs of a car are significantly lower than 45p per mile. .

3.4 The costs associated with running a car based on the Automobile Association review does vary based on whether it is diesel or petrol. The rates indicated are between 16p and 26p per mile for diesel cars and 17p and 27p per mile for petrol cars and therefore it would not seem unreasonable to set a revised rate for Council employees to claim mileage reimbursement at a figure of 35p per mile irrespective of vehicle engine type. Within the Automobile Association rates the cost of fuel is assumed to be £1.29 and £1.37 per litre for petrol and diesel respectively. For illustrative purposes only, using the average of these fuel assumptions (i.e. £1.33 per litre) the table below provides some analysis of potential fuel costs over sample distances versus the proposed reimbursement rate:

	Journey Distance (Miles)				
	1	10	50	100	1000
Cost of fuel (20.2p per mile) *	£0.20	£2.02	£10.10	£20.20	£202.00
Proposed Reimbursement Rate (35p per mile)	£0.35	£3.50	£17.50	£35.00	£350.00
Reimbursement Over Fuel Costs	£0.15	£1.48	£7.40	£14.80	£148.00

** based on assumption that cost of fuel £1.33 per litre (£6.05 per gallon) with car averaging 30 miles a gallon*

(Note the above excludes other car running costs)

3.5 An additional consideration is that should the Council set a mileage reimbursement level below the HMRC rate, then employees may also be able to claim tax relief directly from HMRC but it will depend on their personal tax circumstances.

3.6 The legal position is that as the mileage rate is not incorporated within an employee's contract of employment, and as such there is no legal requirement to issue formal notice of the change. Nevertheless, discussions will take place with the trade unions in respect of this matter.

3.7 If Members were of a view to change the current rate as highlighted in the report, then the estimated full year savings to the Council, based on current mileage claimed, would be £0.400M.

3.8 If as recommended, additional notice is given to employees and this proposal is implemented on the 1st of May 2015, the resultant savings for 2015/16 are estimated to be £0.367M.
