



SPECIAL POLICY AND RESOURCES SCRUTINY COMMITTEE – 24TH SEPTEMBER 2014

SUBJECT: MILEAGE EXPENSES – OPTIONS APPRAISAL ON SAVINGS

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151
OFFICER**

1. PURPOSE OF REPORT

- 1.1 To seek views from Scrutiny on considering the potential budget savings that may be achieved from amending the Council's Expenses Payments for employees, as part of the Medium Term Financial Planning (MTFP) arrangements.

2. SUMMARY

- 2.1 On the 26th February 2014 Council approved a reduction in the Casual User Mileage rate from 55p to 50p per mile as part of the agreed budget for the 2014/15 financial year. Cabinet had originally proposed a reduction to 45p per mile in line with the approved rate for Her Majesty's Revenue & Customs (HMRC).
- 2.2 This report reconsiders whether it would be appropriate to review this position and bring the mileage rate in line with the HMRC approved arrangements, in light of worsening Medium-Term Financial Plan (MTFP) projections.

3. LINKS TO STRATEGY

- 3.1 The budget strategy agreed by Council in February 2014 required estimated savings of £6.5m for the 2015/16 financial year and £6.9m for 2016/17. This estimate has since been revised following advice from the Minister for Local Government that we should model scenarios based on a cut in Welsh Government funding of up to 4.5%, rather than the previously notified indicative cut of 1.5%. This has the potential to increase the savings requirement to £15.1m for 2015/16 and £15.0m for 2016/17.

4. THE REPORT

4.1 BACKGROUND

- 4.1.1 As part of the 2014/15 budget approved by Council in February 2014 the Casual User Mileage rate was reduced from 55p to 50p per mile. Cabinet had originally proposed a reduction to 45p per mile in line with the approved HMRC rate. However, in light of representations raised by the Trades Unions on behalf of their members a reduction to 50p was considered more appropriate at that time.

- 4.1.2 Members may wish to note that research conducted on behalf of the Society of Welsh Treasurers (SWT) has identified that Caerphilly is one of only 5 Welsh Local Authorities that have not currently adopted the HMRC rate of 45p per mile.
- 4.1.3 This analysis has identified that 17 Welsh LA's have adopted the approved HMRC rate. Of the remaining 5 LA's that have not adopted the approved HMRC rate, 3 are reviewing this for 2015/16 (separate to Caerphilly).
- 4.1.4 Members may wish to note that any expense payments above the approved HMRC rate (45p) will create an individual tax liability for each employee claiming at the 50p rate.

4.2 POTENTIAL OPTIONS

- 4.2.1 3 options are listed below for consideration: -
- a. Preserve the Status Quo - carry on funding the expenses at the current level of 50p per mile. This would not deliver any contribution to the MTFP savings target.
 - b. Amend the mileage rates to the approved HMRC rate with effect from the 1st April 2015. This would deliver a projected ongoing saving of circa £135k per annum excluding Schools and the Housing Revenue Account).
 - c. Amend the mileage rates to any other rate that members may wish to propose.

5. EQUALITIES IMPLICATIONS

- 5.1 An Equalities Impact Assessment has identified that certain groups of staff are affected to varying degrees by the proposed changes (Options b & c above), based on their current need to claim expenses. The Equalities Impact Assessment is attached as Appendix A for information.
- 5.2 It is likely that despite these issues, difficult decisions will have to be made due to the current need to deliver savings against the MTFP, however these implications must be recognised and understood as part of the decision-making process.

6. FINANCIAL IMPLICATIONS

- 6.1 The Authority will need to deliver estimated savings of up to £30.1m during the 2015/16 and 2016/17 financial years.
- 6.2 The indicative potential saving from the proposals in this report if they are adopted is £135k per annum. It should be noted that due to the financial planning cycle and the likelihood that we would need to issue contractual notice, there may be a 12 week delay in the full saving being realised.

7. PERSONNEL IMPLICATIONS

- 7.1 If we are unable to reach a collective agreement with the Trades Unions to achieve an agreed implementation date, we will be required to issue notice of the contractual change to individual employees. This will require a lead in period of 12 weeks to allow for the contractual notice to be served.
- 7.2 If Option C in 4.2.1 is approved, this will allow a period of time for employees to review their vehicular arrangements to mitigate any reduction in payments.

7.3 Members should be aware that the Council operates a Green Car Lease Scheme that encourages employees to access environmentally friendly vehicles that are fuel efficient.

8. CONSULTATIONS

8.1 The Trades Unions remain opposed to any changes to employees Terms & Conditions that would worsen their current position. It is highly unlikely therefore that the Trades Unions would support the proposal to reduce the mileage rate payments to employees. This will lead to potential employee relations issues if members decide to adopt either proposals b or c in 4.2.1 above.

8.2 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

9.1 Members of the Scrutiny Committee are asked to consider and comment upon the options set out in paragraph 4.2.1 of the report.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To ensure that the views of the Scrutiny Committee are considered prior to the report being presented to Cabinet.

11. STATUTORY POWER

11.1 Local Government Acts 1972 and 2000.

Author: G. Hardacre, Head of Workforce & OD
Consultees: Corporate Management Team
Cllr Christine Forehead, Cabinet Member for Human Resources
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services
Stephen Harris, Acting Head of Corporate Finance
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Appendix A – Analysis of Breakdown of Mileage Payments