



Author/Lead Officer of Report: Shaun Lee,
Payroll Service Manager

Tel: 07391 394935

Report of: Eugene Walker, Executive Director of Resources

Report to: Co-operative Executive

Date of Decision: 20th October 2021

Subject: Electric Vehicle Car Lease Salary Sacrifice Scheme

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/> Y	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/> Y	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Executive Member Portfolio does this relate to? <i>Finance and Resources</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Economic and Environmental Wellbeing Scrutiny and Policy Development Committee</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/> Y	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>EIAs not currently on Sharepoint therefore no number available</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/> N
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below: -		
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

Purpose of Report:

The purpose of this report is to outline the proposal to introduce a car lease salary sacrifice scheme (electric vehicles) for Council Employees and to seek approval to enter into a contract with the supplier.

Recommendations:

It is recommended that the Co-operative Executive:

1. Approves the implementation of a Car Lease Salary Sacrifice Scheme (electric vehicles) to be made available to Sheffield City Council employees.
2. Approves the Council entering a Contract with a Supplier for the provision of the Scheme as outlined in this report.
3. Delegates authority to the Executive Director of Resources, in consultation with the Director of Finance and Commercial Services and the Director of Legal and Governance to:
 - a. agree the terms of the Scheme Policy.
 - b. take all other decisions necessary to meet the aims, objectives and outcomes of this report which are not already covered by existing delegations in the Leaders Scheme of Delegation.

Background Papers:

None

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Kayleigh Inman</i>
		Legal: <i>Gemma Day</i>
		Equalities: <i>Michelle Hawley/Bev Law</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>Eugene Walker</i>
3	Executive Member consulted:	<i>Cllr Cate McDonald</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Shaun Lee</i>	Job Title: <i>Payroll Service Manager</i>
	Date: <i>14/09/21</i>	

1. INTRODUCTION

The scheme forms part of a range of measures including working from home and active travel to reduce number of car journeys for employees who are predominantly car users. The scheme will therefore support car users who drive to work to switch polluting cars to electric vehicles. The scheme will sit alongside other Council initiatives to support reduction in air pollutants such as the use of cycles and e-cycles. The scheme also adds to the employment benefit package supporting recruitment and retention.

2. PROPOSAL

The purpose of this report is to outline the proposal to introduce a salary sacrifice car leasing scheme for Council Employees and to seek approval to enter a contract with the supplier.

The scheme is essentially business contract hire, and as such the Council is responsible for any costs associated with the vehicle under its agreement with a car leasing company. However, these costs and responsibilities are passed on to the employee through the Salary Sacrifice agreement and Scheme Policy between the Council and the employee.

The employee agrees to a reduction in their Gross Salary in return for a non-cash benefit, in this case a company car and the associated services within the scheme. This mechanism in turn results in savings on tax, National Insurance and pension contributions on the gross salary being sacrificed.

The Car Benefit Scheme allows the Council to provide employees with a brand new fully maintained and insured car through flexible benefits at a lower cost than they could normally achieve in the retail market. The insurance is provided through the leasing company under a fleet policy. The employee can add additional drivers to the policy and the cost would be added to the amount the employee pays for the lease.

The employee will choose their vehicle using an on-line portal through the leasing company which will generate a formal agreement which the employee signs up to. This will also produce a contractual change document. This is because the agreement is a salary sacrifice arrangement where the employer will provide a vehicle (through the leasing company) in exchange for the employee reducing their salary by the value of the monthly lease.

As the vehicle is provided through a salary sacrifice arrangement, employees could save income tax, National Insurance, and pension contributions on the portion of sacrificed salary every month as well as benefiting from corporate buying power and Public Sector (CCS) discounts. Employees will reduce their pension contributions, and this

will impact on employee pension benefits on retirement. There are VAT and corporate finance rate advantages to the employee. As this is a benefit, employees will also pay Benefit in Kind tax on the vehicle.

The proposal offered by the preferred leasing company, Tusker, provides risk protection. There is an initial exclusion period of 3 months following the delivery of the car. After this period the scheme offers the following protection:

Redundancy/Retirement/TUPE Transfer – The employee returns the vehicle, and the commitment is finished.

Maternity/Paternity/Adoption/shared parental – The employee will continue to make leasing payments whilst they are receiving contractual pay. Once contractual payment ends the Council will continue to pay the leasing company the monthly leasing cost. However, following the employee returning to work (or resignation), the leasing company will reimburse these costs to the Council, subject to a maximum payment of £12,000. This Protection is provided “free” to all employees. There would be an equivalent administration charge built into the scheme to ensure the scheme remains cost neutral to the Council.

Long Term Sickness – Where an employee is on long term sickness and has insufficient pay to cover the cost of the monthly lease, the leasing company will allow credits for up to 6 months or £3,000.

Leavers/Retirements – If the employee leaves before the end of the leasing period there is an early termination charge. This is payable by the employee. This is the Council’s responsibility to pursue with the employee. However, if the employee fails to pay outstanding costs associated with the lease, the leasing company will reimburse these costs to the Council, provided it can demonstrate that it has sought to recover these costs from the employee.

If the employee leaves, they can also purchase the vehicle directly from the leasing company at a cost agreed between the employee and the leasing company.

The scheme is being proposed as part of the work HR is doing to support the Clean Air strategy. Only electric vehicles will be made available through the scheme, supporting employees to make better choices to reduce pollution in the city. This also meets Sheffield City Council’s aim to create a pathway to deliver the shared ambition for Net Zero by 2030.

Take-up under the scheme is difficult to assess because we are proposing to implement the scheme using electric only vehicles. Very few employers are offering the scheme, but information received from Leeds City Council suggests a relatively low take up initially. It is

expected that this will increase as the range of vehicles increases and the infrastructure improves. For the purpose of our proposed scheme an estimated 1% take-up over 3 years is being used.

The Council continues to develop its employee reward strategy to provide a range of benefits to staff. This is seen as playing a key role in the recruitment and retention of staff. The provision of a car leasing scheme under a salary sacrifice arrangement offers savings to staff compared to what they might purchase in the retail market.

The scheme will be managed within the Payroll team under direction of the Payroll Manager. Ultimate responsibility would be Mark Bennett as Director of HR and Customer Services.

There will be some administrative costs in administering the scheme mainly within the payroll team relating to assessment under minimum wage, set up and pay over for new leases, managing leavers invoicing. These costs are expected to be minimal as most of the administration of the scheme will be managed by the lease scheme provider.

Applications will be made by the employee directly with the scheme provider using an on-line portal. Under HMRC rules an employee cannot reduce their salary to below the national minimum wage. The Council HR Team will carry out this assessment as part of the approval process with the leasing company.

A procurement strategy is in place, subject to sign off. The framework we intend to use only has one provider.

The recommendation would be to direct award to a sole supplier through CPC Drive framework owned by North of England Commercial Procurement Collaborative (NOECPC). The requirement to undertake a further competition would result in a large cost to the Council in staff hours achieving minimal (if any) savings. On the other frameworks available CCS, YPO, and ESPO to access the Car Salary Sacrifice scheme we would need to enter into contract with a different company, who would then still use Tusker to deliver this benefit. Using the direct award route there will be no additional cost to the employee/employer, there is no difference in vehicle rates, and there is no difference in any additional benefits to the employee.

3. HOW DOES THIS DECISION CONTRIBUTE?

The provision of a car leasing scheme under a salary sacrifice arrangement offers savings to staff compared to what they might purchase in the retail market.

Because of the pandemic many people are choosing to use private vehicles rather than public transport. The provision of a scheme

promoting the purchase of electric vehicles supports the Council's clean air strategy and Net Zero target.

4. HAS THERE BEEN ANY CONSULTATION?

None

5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

5.1 Equality of Opportunity Implications

There are no risks relating to equality of opportunity. All equality implications have been considered and detailed on the attached Equality Impact Assessment. All equality impacts are either neutral or positive.

5.2 Financial and Commercial Implications

The scheme is being offered via a salary sacrifice meaning the Council's liability for leasing payments are deducted from the salaries of employees who have applied for the scheme.

The provider offers risk protection if an employee retires, is made redundant or goes on maternity/paternity/adoption leave or long-term sickness. The risk protection begins three months after the start of an agreement so there is a small risk of liability for the Council during this period.

If the employee leaves before the end of the leasing period, there is an early termination charge. This is payable by the employee and is SCC's responsibility to pursue with the employee. If SCC can demonstrate that best efforts have been made to recover this charge, but payment has not been made by the employee, then the supplier will reimburse this charge.

There will be some costs for SCC in administering the scheme mainly within the payroll team. This will relate to assessments under minimum wage, set up and pay over for new leases and managing leavers invoicing. These costs are expected to be minimal as most of the administration of the scheme will be managed by the lease scheme provider.

The scheme will run for four years, and an employee will be able to take out a lease agreement at any point during that four year period. The lease can be taken out up to a maximum of four years which commercially has the following implications:

1, If an employee takes out a lease in the final month of the four years, then they will still be in the scheme up to 8 years on from contract letting and HR will need to still administer this contract. That being said

we would advise that new applications are capped to 6 months prior to the end of framework, to limit volume of last minute applications, especially if the expiry of the framework is close to either of the two times a year a new car registration number is generated.

2. If the framework the scheme operates under at the point of re-letting, subject to HR still requiring the scheme to be in operation, no longer operates, we would have to re-let under a different framework with potentially a different provider. This fact would mean that HR could be managing two different providers at that point, with two different sets of terms and conditions. **Please note** the framework that this scheme is being let under is administered by the NHS and has been in place since 2010 meaning that this it's 3rd iteration, so this scenario is unlikely, however it does need consideration.

5.3 Legal Implications

The Localism Act 2011 provides local authorities with a “general power of competence” which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited.

The proposed procurement outlined in this report has a potential value in excess of the threshold in accordance with the Public Contracts Regulations 2015, therefore the procurement and contract award processes to be followed will be subject to those Public Contracts Regulations.

The procurement process and contract award must also be undertaken in accordance with all relevant provisions of the Council's Constitution including its Contracts Standing Orders.

The Council and the supplier will enter into a Master Contract Hire Agreement upon successful award to the supplier and additional hire schedules are entered in to for each vehicle.

Officers involved in this contract and employees using this salary sacrifice scheme must be aware of the obligations and responsibilities within the agreement between the Council and the supplier to ensure that the Council is not put in breach of this agreement. The Council is responsible for payment and must indemnify the supplier in specific circumstances under the agreement. There are also terms within the agreement for a daily rental.

Both Parties must comply with the Data Protection Legislation.

5.4 Other Implications

None

6. **ALTERNATIVE OPTIONS CONSIDERED**

Alternative options that were considered as part of this scheme are detailed below.

6.1 ***Alternative Option 1 – ULEV Scheme – Vehicles under 75 g/km***

Advice from the Sustainability and Climate Change Service suggests that supporting the purchase of ULEV to include hybrid vehicles may help to achieve a reduction in specific vehicle emissions if this is replacing a diesel vehicle or one with higher emissions. However, it could increase the amount of carbon dioxide emissions and continues to produce higher carbon emissions if the new vehicle is not a replacement for an existing vehicle.

6.2 ***Alternative Option 2 - Green Scheme – Vehicles under 120 g/km***

Manufacturers are continually improving the efficiency of engines and reducing CO2 emissions. There are several hundred vehicles that will fall into this category offering a wide selection of vehicles. As a result, employees who are considering a new vehicle purchase could purchase a vehicle with lower emissions than their current vehicle. Employees who have purchased a car more recently e.g. in the last 3 or 4 years, may already have a vehicle with emissions lower than 120 g/km. Therefore, it is possible that offering vehicles within this category may not result in lower emissions. In any event, the scheme should exclude diesel vehicles to support a reduction in carbon emissions.

6.3 ***Alternative Option 3 - Do Nothing***

The scheme will support the Council's clean air agenda and should result in a positive impact resulting in a reduction in vehicle emissions in Sheffield.

7. REASONS FOR RECOMMENDATIONS

It is recommended that the Council approves the implementation of a Car Lease Salary Sacrifice Scheme (electric vehicles) to be made available to Sheffield City Council employees. This will help to meet the target of Net Zero by 2030.

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