

Report to: Governance Committee

Date of meeting: 2 September 2022

By: Chief Operating Officer

Title: Mileage Reimbursement Rates – One-off Lump Sum Payment

Purpose: To seek the Governance Committee's agreement to the payment of a one-off lump sum of £150 gross to be made to employees designated as a contracted car user on the single status grades

RECOMMENDATIONS:

The Governance Committee is recommended to agree to the payment of a one-off lump sum of £150 gross to all staff on the single status grades who are designated as a contracted car user and have undertaken any business mileage since 1 April 2022.

1 Background

1.1 The local mileage rates that reimburse staff for travelling on official business are currently 45p per mile for contracted users, 25p per mile for optional users and 12p per mile for leased car users.

1.2 The mileage rates aim to reimburse the running costs of a car, including maintenance and fuel and also include a contribution towards the standing costs. When the local contracted and optional user mileage rates were introduced as part of the single status arrangements, they were aligned with the HM Revenue and Customs (HMRC) income tax thresholds (45p per mile for the first 10,000 miles and 25p thereafter). [Expenses and benefits: business travel mileage for employees' own vehicles: Rules for tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/expenses-and-benefits-business-travel-mileage-for-employees-own-vehicles-rules-for-tax). Most employees have not therefore been liable to pay income tax or national insurance on mileage reimbursement.

1.3 In light of the sustained rise in the cost of fuel and wider inflationary pressures, UNISON has recently written to the Council requesting consideration be given to increasing the current mileage reimbursement rates.

2 Supporting Information

2.1 The cost of mileage reimbursement in the financial year 2021/22 was £1.2m for contracted users and £0.07m for other users, with the total mileage claimed in this period covering approximately 2.8m business miles. Total spend excluding schools for the last five years is shown below:

Mileage Costs (£m)	2017/18	2018/19	2019/20	2020/21	2021/22
Spend per SAP excl. schools	2.349	2.368	2.334	0.882	1.196

2.2 In light of the requirement to pay tax on amounts that are above the HMRC threshold, mileage rates would have to be increased significantly in order for employees to benefit over and above the associated tax/NI liability. Additional resource would also be required in the ESCC payroll function to be able to administer this.

2.3 In this regard, the cost of increasing the contracted car user rate (only) is circa £125k per annum for each 5p of increase. This is based on activity in 2021/22 – the estimate could increase by up to double should activity revert to pre-covid levels, based on the figures from SAP above.

2.4 The Automobile Association (AA) has a guide for calculating how much it costs to run a car. The costs comprise 2 separate elements: i) running costs - the day-to-day costs of using a

car such as petrol and servicing and ii) standing charges - the costs of owning a car and keeping it available to use. This includes elements such as tax, tyres, MOT, insurance etc.

2.5 This calculation is based on a number of factors that are inevitably significantly different for each individual, for example, cost of car insurance, cost of servicing etc and as such, it is not possible to confidently calculate the average cost of a car. Based on a simple calculation however, indicative figures show that of the HMRC 45p rate, 20p is for the cost of fuel, leaving 25p as a contribution towards the standing costs:

£1.76 per litre (unleaded): convert to gallons i.e. 4.54 litres in a gallon = £1.76 x 4.54 = £7.99 per gallon. Assume 40mpg = £7.99 / 40mpg = **20p** i.e. cost of fuel per mile*

2.6 Benchmarking against our closest neighbours has been undertaken and a copy is attached at Appendix 1. This shows that currently, the majority of our neighbouring Councils are remaining with the HMRC rates, with only Brighton & Hove City Council and West Sussex County Council paying higher amounts.

2.7 Any consideration of increases to mileage rates needs to take account of the environmental issues. The Council has available a range of 'green travel' options which, along with options to incentivise the use of electric cars, are currently being reviewed as part of the climate emergency work. However, it should also be noted that the move to hybrid working has reduced the need for travelling to the office and between locations for many roles across Council.

2.8 Increasing mileage rates above the HMRC thresholds will have an implication for both the Council and our staff. Anything above 45p per mile is classed as a benefit and therefore needs to be reported on a P11D and then taxed through a self-assessment tax return, which staff would need to prepare themselves.

2.9 These requirements represent a significant burden; the majority of staff are unlikely to currently complete a self-assessment tax return so would likely need support and advice on how to do this. Additionally, there would be a significant increase in the volume of P11Ds and class 1A NIC returns which would fall to the Payroll Team to complete and will probably result in additional costs as this will need to be resourced.

2.10 In the event that the mileage reimbursement rates were increased, consideration would need to be given as to whether this was a permanent or temporary change, and if temporary, over what period of time. Whilst theoretically it would be possible to reduce the rates once the price of fuel reduced, in practice this would likely be very difficult to achieve. It is also hard to determine an appropriate period during such price volatility.

2.11 It is also important to note the any decision we make around the levels of mileage reimbursement rates will potentially have a knock-on impact for private sector home care providers. If we increase our rates, this will significantly increase the pressure in this sector where there are currently approximately 3,000 independent sector homecare workers.

2.12 However, we recognise the cost of living challenges (predominantly in fuel inflation) that staff face in the delivery of their roles and the risk to ESCC of staff leaving to instead work in roles which do not require significant travel.

2.13 Given the above issues, an alternative approach to increasing mileage rates would be to pay a one-off lump sum payment, similar to the payments made through the Workforce Recruitment and Retention Fund previously. Such an approach would alleviate some of the inflationary pressure whilst avoiding the need for staff to complete a self-assessment tax return. It would also reduce our administrative burden in terms of producing additional P11Ds and class 1A NICs and provide a more targeted approach by focussing on contracted car users only.

2.14 The cost of paying a one-off lump sum of £150 gross is approximately £180k. This will be funded from the Workstyles Reserve, which was set up from the reduction in mileage claims arising during the pandemic.

3 Conclusion and Recommendations

3.1 Set against the above, after careful consideration of the options and issues and in recognition of the financial pressures on staff as a result of the rising costs of fuel, the Corporate Management Team has proposed making a one-off payment of £150 gross to all staff on the single status grades who are designated as a contracted car user and have undertaken business mileage since 1 April 2022.

3.2 As noted in paragraph 2.11, the decisions we make in relation to mileage payments for our staff will potentially have a knock-on impact for private home care providers within East Sussex. As such, it is also proposed that the Council supports the one-off payment of £150 gross being extended to this sector. A separate report (to be published on 26 August 2022) is therefore being presented to the Lead Member for Adult Social Care and Health meeting on 6 September: [\[Agenda for Lead Member for Adult Social Care and Health on Tuesday, 6th September, 2022\]](#)

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* £1.76 per litre of unleaded fuel was the average cost in East Sussex on 6 August 2022