



Harrogate and Rural District
Clinical Commissioning Group



Staff Benefit Car Lease Scheme



Car Lease Scheme

A new salary sacrifice scheme has been launched in the CCG, which is available to all employees. The scheme is a car lease scheme and is designed to allow employees to access a car of their choice at a very attractive price, due to the huge purchasing power of the NHS. This is just one of a number of staff benefits that the CCG has to offer its employees.

Employees joining the scheme will also have the satisfaction of knowing that they are getting a cost effective 'hassle free' way of running a car.

If you are interested in finding out more please read through the following brochure and refer to the CCG's Salary Sacrifice / Lease Car Policy. Can I also remind you to ensure that you read all documentation regarding the scheme carefully before you commit as there may be instances where the scheme does not benefit some staff.

I hope that you will find the scheme a great benefit and a welcome addition to the existing Staff Benefits provision.

Amanda Bloor

Chief Officer

The Car Lease Scheme

Introduction

The CCG has launched a new staff benefit in the form of a Car Lease Scheme. The scheme is designed to provide all permanent staff with the option of having access to a new car of their choice at a very competitive price whilst at the same time providing savings for the organisation that will support the services provided to patients.

Overview

The CCG Lease Car Scheme is designed to provide you and your family with competitively priced and trouble free motoring. Under the Scheme, you lease a car using the CCG's current lease car suppliers, normally for a period of three years.

There is no deposit and costs are fixed for all elements for the duration of the lease. The car will be insured for yourself and up to four named drivers (assuming they are legally entitled to drive).

At the end of the lease period you can return the car with no additional charge subject to the vehicle meeting the required return standards and having covered no more than the agreed contracted mileage. Employees will have the opportunity to make further savings by the use of a salary sacrifice scheme subject to their salary not being "sacrificed" to a level below the national minimum wage. (The provision of a company car will make the employee liable to a car benefit tax charge based on the vehicle chosen.)



a. Competitive Prices

A competitive price has been obtained by using the CCG's, and indeed the NHS's, buying power to secure car leases at the most competitive price. This combined with the potential for further savings through the use of salary sacrifice, means that the scheme provides an attractive option to most employees.

b. No deposit

When comparing the scheme with other types of vehicle finance or personal lease, it is important to remember that no deposit is required. Some commercial schemes show very attractive monthly payments but tend to require sizeable deposits.

c. Full maintenance included

All routine servicing and repair costs arising from normal usage of the vehicle are included in the charge. This includes normal wear of exhausts, replacement batteries, even puncture repair and the replacement of tyres as a result of fair wear and tear. Breakdown cover is also included.

d. Insurance cover

Fully comprehensive insurance cover is included within the monthly charge. In the event that the car will be used for business purposes other than that relating to your employer, the CCG will require full details and will require alternative insurance arrangements to be made.

The standard insurance includes cover for the employee and up to 4 additional named drivers (no named drivers under the age of 21 can be insured on the vehicle).

e. Trouble-free budgeting

The monthly salary sacrifice (or monthly payment from net salary) is fixed at the beginning of the agreement and is held for the full term of the agreement. This means that even if interest rates rise substantially or expensive maintenance is required on the car (excluding any repairs not covered by insurance or needed due to misuse or negligence), the monthly charge is not affected.



f. Easy ordering and high service levels

A dedicated lease car team is employed by the Trust and they will work hard to ensure the process of ordering and receiving your new car is as smooth as possible. The team will also advise and help you through the process of choosing, to receiving and on to using your new car.

Instant quotes can be obtained via our website www.nhsfleetsolutions.co.uk. Alternatively, the lease car team are available for help Monday - Friday during day time office hours on 08448 118 228.

Eligibility

Eligibility is subject to the following conditions:

- A permanent employee of the CCG
- Payment to be via Salary Sacrifice or agreed deductions from Net Salary
- Line Manager confirmation of employment status
- No named drivers under the age of 21 can be insured on the vehicle
- One lease car per employee

The CCG reserves the right to decline any application.

Drivers

It is possible to have up to five named drivers insured for the car (licence evidence required. No named drivers under the age of 21 can be insured on the vehicle).

How do the arrangements work?

The proposal is as follows:

- (a)** The CCG will not charge an employee for use of the car of their choice, but instead employees will agree to enter into a salary sacrifice arrangement (discussed below). In turn the employee will be liable for the company car income tax charge that arises out of the arrangement on the provision of a company car.
- (b)** A salary sacrifice arrangement is, simply put, an arrangement whereby an employee agrees to 'swap' an element of gross salary in return for the employing CCG providing an employee the use of a company car. Under these arrangements the costs of providing the company car (including all servicing, repairs, road fund licence, and insurance costs) will be paid for by the employing CCG. The agreement will last for the period of the car lease (usually 3 years).
- (c)** This arrangement will only be available to employees who have a permanent contract of employment with the CCG.
- (d)** The arrangement is entirely at the discretion of the CCG who may withdraw the facility at any time.
- (e)** An employee can choose to participate in the arrangements, and in no way are the arrangements compulsory.



Working Tax Credit (WTC) or Child Tax Credits (CTC)

It should be noted that quotations do not take into account the impact on Working Tax Credit (WTC) or the Child Tax Credits (CTC) which may mean that it may not be appropriate for some employees to participate in the arrangements outlined in this document as the loss of tax credits may be greater than the tax/NIC savings. (Also see "What if I am claiming Tax Credits?" on page 9).

How much can I save?

The exact savings will depend on individual circumstances and the car that is selected. The company car benefit in kind charge which is then subject to income tax is calculated on the manufacturer's list price of the company car and a % charge determined by the exhaust emissions of each specific car. The relevant % charges based on CO₂ emissions as prescribed by HM Revenue & Customs can be found at www.vcacarfueldata.org.uk

How long does the arrangement last?

Employees will be able to revert back to the higher salary at the end of the leasing period (ie three years). Whilst it is envisaged that for the majority of employees the arrangements will run its normal course through the life of the lease, an employee will be automatically opted out of these arrangements where these arrangements mean that their rate of pay falls below the National Minimum Wage. This action ensures that an employee's right to a legal rate of pay is maintained. The CCG will review the individual circumstances to determine whether a termination charge is levied.

What is the general effect of reducing taxable salary?

Employees accepting this proposal should pay a reduced amount of tax and NIC and therefore in net salary terms should be better off each month. However, a number of state benefits are dependent on paying a minimum level of NIC, for instance Statutory Sick Pay and Job Seekers Allowance. You should consider the impact on such future benefits if the salary sacrifice means that your new revised rate of gross annual earnings fall below the starting level for paying NIC. For further information on the current starting level for NIC please contact the Payroll department.

Employees should be aware that a reduction in taxable salary may affect other company and state benefits such as Statutory Maternity Pay, sick pay, and their level of entitlement in the event of death. A reduction in taxable salary might also affect more general financial matters such as mortgage applications, however the majority of high street lenders take into account the arrangements outlined in this booklet when making mortgage decisions especially since many of the banking institutions already have similar arrangements in place for their own employees.

Any other payments (ie over and above basic salary) such as shift allowances, overtime payments, and redundancy entitlements would continue to be calculated based on the higher salary rate (ie the rate before the salary sacrifice is applied, often known as "notional pay"). Any annual salary increments will be stated both in terms of the higher notional pay and revised basic pay rate. It is important to note that percentage salary increases will be made by reference to the higher notional rate of pay.

For the avoidance of doubt (as indicated above), an employee will not be permitted to reduce their taxable salary to a rate below the prescribed National Minimum Wage rate (ie so that their new rate of taxable pay would equate to less than the hourly legal minimum rate).

What about my pension arrangements?

The fact that your contractual pay is being reduced means that your level of pension contribution will be reduced thus resulting in an increase in your take home pay (ie they will be based on the revised new lower rate of gross pay). With regard to the NHS Pension scheme, there will be no impact unless the salary sacrifice runs into the period used to calculate your pension entitlement. For the majority of NHS staff it is income earned in the last year of service that determines ongoing pension payments after retirement. If this is the case any salary sacrifice in the last year of service will have the effect of lowering income and will have an adverse effect on the ongoing pension entitlement.

Ongoing pension entitlement is determined by the income received in either:

- One of the last three years (usually the last year) prior to retirement or
- An average of the best 3 consecutive years in the last ten years (usually the last 3 years) prior to retirement.

Anyone who has joined the NHS Pension Scheme prior to the 1st April 2008 will be in the former, anyone joining on the 1st April 2008 or after will be the latter.

In such circumstances a salary sacrifice that is in place during the period that is used to determine ongoing pension entitlement, will again have an impact on the pension received.

Where an employee leaves the NHS pension scheme and freezes their pension entitlement, the value of the frozen pension may be affected if an employee participates in the salary sacrifice arrangement immediately prior to leaving the pension scheme.

A salary sacrifice may impact on the ongoing pension entitlement where a staff member becomes seriously ill and is required to take medical retirement or dies in service. In such circumstances, the pension entitlement is determined by the income level in the preceding 12 months and therefore may be impacted if a salary sacrifice is in place.

The Government has announced that new pension arrangements are to be introduced into all public sector pension schemes including the NHS Pension Scheme from 31 March 2015. Much of the detail is still being worked out but the NHS Pension Scheme will change from a defined salary scheme to a Career Average Revalued Earnings ("CARE") scheme. While some members of the NHS Pension Scheme will be permitted to remain in their current section of the NHS Pension Scheme beyond 31 March 2015, most members will automatically move to the new CARE scheme from 1 April 2015 for future service only. This means that pension benefits already built up in the 1995 and 2008 sections of the NHS Pension Scheme will be retained and calculated by reference to final pay at retirement.

As mentioned above, the pension you receive under the existing final salary NHS Pension Scheme is for all of your years of membership but it is based on your pensionable pay at or close to retirement. Under the new CARE NHS Pension Scheme, your pension will be based on your pensionable pay right across your NHS career.

The pension you earn each year is based on pensionable pay in that year and is increased by a set revaluation rate, linked to inflation, for each year up to retirement or leaving. The final pension is then calculated by adding together the pension earned in each year of NHS Pension Scheme membership so it will not be limited to the period immediately before you retire or leave as is the case under the existing final salary NHS Pension Scheme.

This new basis of calculation for final pension entitlement means that any salary sacrifice that exists during membership of the new CARE NHS Pension Scheme will have the effect of lowering your pensionable earnings each year and, therefore, affecting your final pension entitlement. It is therefore recommended that you obtain advice to understand the effect that any salary sacrifice arrangement will have on your specific pension entitlement before entering into the Car Lease Scheme. This advice can be sought from NHS Pensions on 0300 3301 346.

What if I am claiming Tax Credits

From April 2003 the government introduced Tax Credits, namely the Working Tax Credit (WTC) and the Child Tax Credit (CTC). The WTC is means tested and effects the amount of CTC an employee may receive. These tax credits consider the earnings of both the employee and their spouse/partner. In principle a company car benefit in kind is considered earnings for the purposes of WTC.

Consequently each employee's situation is different and it is necessary to take the spouse/partner's salary into account in order to estimate the most realistic impact of participating in these arrangements.

If you qualify for state benefits such as the Disabled Persons Tax Credit (DPTC) you may qualify for a higher level of credit.

If you are currently claiming WTC or CTC you should consider very carefully the likely impact on your net disposable income before committing to any salary sacrifice.

Long Term Sickness, Maternity Leave, Redundancy or Resignation

The CCG recognises that employees who are unable to work because of illness or incapacity, or who take maternity leave during the period of a lease contract, may have concerns about possession of a leased car. In these circumstances any employee who is unable to attend work due to sickness or incapacity, for a period exceeding 6 months, or who takes maternity leave will have the following options;

- Option 1 -** To return the car and pay the early termination fee. (All costs associated with damage or excess mileage will be charged to the employee).
- Option 2 -** To continue paying for the car on a net salary deduction* basis (or standing order).

If you are expecting a baby and are considering joining our Car Lease Scheme, you must be aware that your Statutory Maternity Pay and Occupational Maternity Pay (OMP) (where payable) could be affected.

SMP and OMP are calculated on the amount of average weekly earnings during the 8-week period, fifteen weeks prior to the expected date of confinement (weeks 17 to 25 of pregnancy). A "salary sacrifice" arrangement (such as the Car Lease Scheme) will reduce the amount of salary that is liable to National Insurance Contributions.

Therefore any "salary sacrifice" entered into during this eight week period will reduce entitlement to SMP and OMP (where payable). If you are pregnant and expect to have a period of maternity leave you should think very carefully as to whether you should join the Car Lease Scheme during this period (please contact your payroll department for further details including advice on Adoption and Paternity Leave).

If you are receiving either SMP and Maternity, Adoption Pay, or Paternity Pay you should contact the Payroll department to find out whether you are receiving sufficient income to enter into a "salary sacrifice" arrangement and take part in the Car Lease Scheme after taking into account your other financial commitments which are deducted at source whilst on maternity leave, adoption or paternity leave.

Termination fees are calculated on a 5, 3, 1 profile of the monthly gross salary sacrifice payments. For example, if you return the vehicle in year 1 of the contract the termination fee will be equivalent to 5 gross payments, if you return the vehicle in year 2 of the lease the termination fee will be equivalent to 3 gross payments and if the vehicle is returned in the final year of the contract the termination fee will be equivalent to 1 gross payment.

For an exact calculation of your termination fee, please contact NHS Fleet Solutions. Please note that the termination fee can not be paid by salary sacrifice and will be deducted from net salary.

***(IMPORTANT- The net salary deduction rate is likely to be at a higher rate than the salary sacrifice rate).**

If you were to retire on ill health grounds or die in service or you have been made redundant the CCG will pay any associated early termination costs. The employee is liable to pay the early termination costs in all other circumstances.

Insurance

The car will have fully comprehensive insurance for business purposes of the CCG and private use under the terms of insurance held by the CCG.

Up to 5 named drivers can be included on the insurance policy (no named drivers under the age of 21 can be insured on the vehicle). The insurance Terms and Conditions are subject to change on an annual basis when the Policy is renewed, such changes are outside the control of NHS Fleet Solutions or your Employer.

Employees should note – the car is only insured for business purposes of the CCG. If there is a requirement to use the car for any other business use, a formal application must be made to the CCG and if agreed will result in you needing to arrange alternative insurance.

In the event of any incident resulting in a claim against insurance the employee will be liable for any insurance policy excess. If the circumstances of the claim allow the insurer to successfully achieve an Uninsured Loss Recovery (ULR) on behalf of the driver, the employee will be re-imbursed. If the car is stolen or damaged beyond economical repair, you will need to continue with your payments until such times that the insurance company settles the claim. In both of these instances, a replacement car will not be provided. Policy excess levels are set by the Insurers and vary depending upon age and driving experience.

If your car has repair work carried out you are required to pay your excess direct to the garage prior to collecting the vehicle.

As part of the service we offer, you are allowed at any one time five named drivers permitted to use the lease car on the insurance policy (provided all named drivers are aged 21 or over). Like any insurance policy involvement in a traffic incident may lead to the driver having to pay an excess towards repair of the vehicle.

Our excess rates depend on individual circumstances such as age, convictions and previous fault accidents. Detailed below is the system our insurance company use that determines the excess charge the driver will be eligible for. For all drivers under the age of 23 our points system increases by 50%.

If you lose your driving licence for any reason you must inform NHS Fleet Solutions in writing immediately.

Our standard excess rate is £250; however the standard rate does change for novice and young drivers.

Young Drivers & Novice Drivers		Standard excess
Any driver under the age of 25		£500
Any driver over 25 but has had full licence less than 1 year		£400
Points	Excess	
0-2	Standard excess rate	
3-4	Standard excess plus £200	
5-6	Standard excess plus £400	
7-9	Standard excess plus £600	
10-12	Standard excess plus £600 and Driver training	
12+	Referral to insurance company	

Conviction Codes		Points
CU10-60, LC20-50, MS10-40&60-90, MW10, PC10-30, SP10-60, TS10-70		1
CU80, CD10-30		3
AC10-30, BA10-30, IN10, MS50, TT99, XX99		8
DR10-90, UT10-50, CD40-71, DD30-80		10
Accidents		Points
1 fault accident in 3 years		1
2 fault accidents in 3 years		3
3 fault accidents in 3 years		8
4 or more fault accidents in 3 years		10
Examples		
A 21 year old driver with no points and had licence less than a year excess would be £500		
A 25 year old with no convictions or accidents, and full licence for 6 years, excess would be £250 (0 points)		
A 28 year old with a DR10 and no accidents, excess will be £850 plus driver training at a cost of £280 (10 points)		
Any individual circumstance can be discussed by one of the lease team on 08448118228		

Servicing Repairs and Breakdowns

All routine servicing and repairs arising from normal usage are included in the monthly payment.

The employee must ensure that weekly checks such as tyre pressures, oil and coolant levels, brake fluid levels, windscreen washer level and a visual inspection of lights, bodywork and windscreen are carried out.

The employee has a duty to ensure the car is properly and regularly maintained in accordance with the manufacturer's and the lease company's instructions. Only approved agents must be used. The employee must co-operate with all reasonable requests by the Lease Company or the Transport Manager to ensure maintenance and servicing is properly and swiftly carried out. For repairs, contact NHS Fleet Solutions for advice. Damage caused by misuse, negligence or excessive wear and tear will be charged to the employee. All cars will have breakdown cover.

The following are exclusions from the leasing company breakdown cover and will result in a charge to the driver

- Non – mechanical breakdowns that could have been avoided by the driver
- Contaminated fuel
- Running out of fuel
- Lockouts
- Wheel change – when the spare is not available
- Second call out for a battery that has been previously condemned by a patrol

(This list is not exhaustive)

Contract Mileage

At the end of the leasing period if the average annual mileage (pro rata) exceeds the agreed mileage (pro rata) over the course of the lease, the employee will be liable to an additional charge based on a cost per additional mile. The excess mileage (pro rata) charge rate depends on the specific car but is likely to be around 7p per mile (plus VAT). It is important that employees consider this, when estimating their annual mileage rate (pro rata) on the application/quotation form. At the end of the leasing period if the average annual mileage (pro rata) is less than the agreed annual mileage (pro rata) the employee will not be eligible for a refund.

Payments

The CCG will allow employees to pay for their Car Lease by either an agreed salary sacrifice or by deduction from net salary.

All other charges levied against the CCG in respect of the employee's lease car will be recovered from net salary, for example:

- Excess mileage costs
- Lease termination charges
- Lease Company admin charges associated with speeding or parking fines or any other admin duty carried out
- Uninsured damage charges
- Costs incurred through neglect, abuse or poor maintenance of the vehicle
- Insurance policy excess
- Parking and congestion charge fines

(This list is not exhaustive)

Business Use

Employees should be aware that due to HM Revenue & Customs guidelines, staff using a Lease Car for the business of the CCG will only be able to claim business mileage at the prevailing HM Revenue & Customs mileage rates. Vehicles leased through the Car Lease Scheme will not be eligible for standard or regular user allowance.

Fuel scale charge

Travel from home to base (including excess mileage as a result in change of base) is defined under HMRC rules as private use of a lease or company car and the car fuel benefit would apply. This in effect means that anyone claiming home to work mileage for any reason would be subject to additional tax charges arising from the fuel benefit charge. (Some examples of home to work mileage include excess travel, on-call travel, overtime travel, recalled to work travel, emergency return to work. (This list is not exhaustive.)

The End of the Agreement

At the end of the lease agreement the car should be returned to the CCG. Assuming there is no damage (over and above fair wear and tear) and the contract mileage hasn't been exceeded there will be no further charge. Employees will be free to arrange a new Car Lease prior to the termination date in order to ensure that delivery of the new car coincides with the date for returning the existing car.

Conclusion

It is the CCG's aim to pass onto employees the commercial advantages offered to it by the motor trade, which will allow employees the use of company cars in a cost effective fashion. For most employees the arrangements under a salary sacrifice will further reduce the effective cost of funding the use of car in what could be considered, "Hassle-free motoring".

Next Steps

If you wish to take up this option, wish to discuss this further, or find the extensive range of cars available under these arrangements please contact NHS Fleet Solutions by email at enquiry@nhsfleetsolutions.co.uk or by telephone on: **0844 811 82 28** or visit our website at: www.nhsfleetsolutions.co.uk you will be required to register on our website using **VPD C01**.

