

Lease Car Policy

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Name and Job Title of author:	Tanya Carter, Interim Director of HR
Executive Director lead :	Steven Course, Chief Finance Officer
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Summary

East London NHS Foundation Trust provides a car scheme that allows its employees to hire a brand-new vehicle that can be used primarily for the business miles incurred during the employee's duties and a declared element of personal use known as the 'Business Car Scheme'.

The Trust also provides a benefit and recruitment scheme under which a car is provided mainly for personal use but also for business use known as the 'Employee Benefit Scheme'.

An employee using their own vehicle to perform business miles are known as 'owner drivers' and are included in this policy.

Employees are encouraged to partake of the schemes to reduce the cost of reimbursement for employees using their own car for business and provide a safe new modern vehicle with low CO₂ emissions to support the Trust's commitment to reducing its carbon footprint.

The cars are sourced via the Trust's Fleet Management Company who use their purchasing power to provide vehicles at a very competitive rate.

This policy is to outline the relevant issues around hiring a vehicle and contains information regarding the hire and conditions associated such as:

- Eligibility,
- How to obtain quotes,
- Responsibilities,
- Additional drivers,
- Termination,
- Vehicle return at lease end.

1. INTRODUCTION

- 1.1 The East London NHS Foundation Trust (the Trust) has implemented a car fleet scheme which will enable all eligible employees to lease a new car for business use, private use or a combination of both.
- 1.2 The policy will operate in accordance with National Terms and Conditions of Service and all relevant legislation.
- 1.3 The policy will be automatically updated by any change in relevant government statute or regulation e.g. relating to income tax liability.
- 1.4 Employees should read this policy in conjunction with the lease car 'terms and conditions of use.'

2. PURPOSE

- 2.1 This policy describes the Trust's arrangements for the provision of lease cars to eligible staff.

3. SCOPE

- 3.1 This policy applies to all permanent and fixed term employees of the Trust. However, the length of the fixed term contract must exceed the length of the lease car agreement. The scheme will not be available to any employees who are on the 'at risk' register.
- 3.2 The scheme also applies to staff on a probationary period subject to availability of a suitable car.

4. EQUALITY IMPACT ASSESSMENT

- 4.1 This policy applies to all eligible substantive East London NHS Foundation Trust employees irrespective of age, race, colour, religion, disability, nationality, ethnic origin, sexual orientation or marital status, carer status, social and employment status, HIV status, gender reassignment, political affiliation or trade union membership. All employees will be treated in a fair and equitable manner. East London NHS Foundation Trust will take account of any specific access or specialist requirements (e.g. BSL interpreter, documents in large print) for individual employees during the implementation of this policy.

5. DEFINITION

- 5.1 This scheme will enable eligible employees to lease a new car to use for business and/or private use.

- 5.2 Employees will pay for the use of the car through either salary deduction or salary sacrifice. Any reduction to an employees' salary through salary sacrifice must not take them below the London living wage at any time during the contract period.
- 5.3 The vehicle will attract Car Benefit Taxation which is calculated on the list price of the car and CO₂ emissions value. It is the responsibility of the employee to ensure that they are aware of the extent of the tax implications when making their vehicle selection.
- 5.4 The scheme will add towards the Trust's objective to reduce its carbon footprint by providing employees with the opportunity to lease new, more efficient cars with lower CO₂ emissions to the cars they are currently driving.
- 5.5 The scheme will reduce the Trust's risk under Duty of Care by providing a maintained and reliable car that is fully insured for all **East London NHS Foundation Trust** business activity, private use and commuting.

6. ELIGIBILITY

- 6.1 The purpose of the lease car scheme is to provide transport to employees. The requirement to drive business miles is not essential as the salary sacrifice or salary deduction lease car is open to all staff (subject to earning threshold)
- 6.2 In this respect, participation in the scheme will be offered to all new and existing employees. However, there are specific requirements that must be met as outlined in section 5.2, 6.3, 7 and 9 of this policy.
- 6.3 Eligible employees may join the scheme at any time but cannot opt out during the lease period without reimbursing any early termination charges incurred by the Trust.
- 6.4 The Trust reserves the right to reject applications with a full explanation of the basis of the rejection being provided.

7. LEGAL POSITION - SALARY SACRIFICE

- 7.1 In accordance with the provisions contained in part II of the Employment Rights Act 1996, any employee who has applied for a lease car under salary sacrifice will be issued with an amendment to contract letter with details of their new reduced salary. Employees must sign this to consent to the changes in their terms and conditions of employment. If the employee does not sign this, **East London NHS Foundation Trust** could leave itself open to a claim for unlawful deductions from wages, and therefore without the appropriate signature, applications for a lease car will not be granted.
- 7.2 Pensions - It is very important that employees fully understand the pension implications of a salary sacrifice arrangement. By reducing their salary employees' pension contributions will reduce and as a result they will receive a lower pension in retirement. This is not the case with salary deduction and pensions that are not affected under that scheme.

- 7.3 The Trust will use its best endeavour to ensure that the employee acknowledges that salary sacrifice will reduce their pension and the Trust will not accept any responsibility for any misunderstanding by the employee.
- 7.4 Statutory payments - Employees should be aware that a reduction in salary may have an effect on statutory payments.
- 7.5 Any car provided by the Trust that is available for private use is classed as a company car and car benefit tax will apply. This is the case even if the car is not used for the employee's official duties.
- 7.6 Employees will not receive any payment for fuel for private mileage and the HMRC fuel scale charge will not apply.

8. LEASE CAR SCHEME PRINCIPLES

- 8.1 The lease car scheme will be open on a continuous basis so applications can be made at any time.
- 8.2 The standard term for the lease car agreement is 36 months. All vehicles are covered by fully comprehensive insurance, breakdown and recovery services and accident management. Routine servicing, maintenance and repairs are also covered. If the vehicle is taken abroad maintenance is not covered.
- 8.3 The employee will be responsible for any damage resulting from the misuse or neglect of the vehicle.
- 8.4 Employees will be required to enter into a contract with the Trust under conditions set out in the lease car terms and conditions of use.
- 8.5 The employee must produce a valid driving licence covering the type of vehicle to be driven. The Trust may confirm the driving licence details with the DVLA. Employees must inform the Trust, namely the Health and Wellbeing Adviser immediately of all penalty points or other motoring offences as soon as reasonably practicable, that may affect the driver's ability to drive the vehicle. The loss of a driving licence may result in the car being withdrawn and an early termination penalty charged.
- 8.6 If an employee chooses to use the car privately they can add family members to the insurance. See section 16 for further details.
- 8.7 All the information provided by the employee during the application process will be checked and verified by a representative of the Trust.
- 8.8 The condition of the vehicle will be inspected by the leasing company at the end of the lease contract. Any unusual wear and tear will be noted and details will be agreed with

the employee. The employee will be responsible for paying any costs incurred in this situation.

- 8.9 At the end of the lease employees can choose to replace the car with a brand new one, purchase the car or return the car.
- 8.10 Employees will be required to purchase all the fuel for business and private use. Any employee who uses their lease car for 'business travel' as defined in Section 17 of the Agenda for Changes terms and conditions will receive an allowance as set out in Annex A. The allowance is inclusive of fuel for business use.
- 8.11 All expenses will be submitted to Knowles and paid via the Trust's payroll in line with the reimbursement of expenses policy.
- 8.12 An employee can select their own choice of vehicle. The charge for the car will be dependent on the specification of the vehicle they have selected. The cost of the lease will vary depending on the business and private mileage. Employees can choose to pay for the lease car through either **salary sacrifice** or **salary deduction**.
- 8.13 The car will be fully insured for business and personal use and it must be available at all reasonable times for the official business of the Trust either by the allocated user or any other NHS employee.
- 8.14 Servicing, maintenance and repairs including accidental damage are provided as part of the lease contract. It is a condition of the scheme that employees are responsible for ensuring that any necessary work is carried out by an approved repairer. Any journeys to and from the approved repair will be classed as official business mileage and costs will be reimbursed in the normal way.

9. OWNER DRIVER SCHEME

- 9.1 Under this option, an employee can use their private car for business travel. The car must be authorised for use at work and recorded in the greyfleet register and meet the minimum standard for a business car. The Private Car Allowance is published in The NHS Terms and Conditions of Service (Agenda for Change) Section 17 Annex L.
- 9.2 Employees who are expected to travel on average 290 business miles per month will automatically be offered a lease car if it is in the financial and operational interest of the Trust to do so. The HR department will identify who these employees are by requesting for periodic reports from payroll.
- 9.3 If an employee is not offered a car they can voluntarily join the scheme subject to the scheme rules.
- 9.4 Where the offer of a lease car is reasonable and the offer is declined, the employee can use their approved privately owned car for work and be reimbursed their mileage in line with the expenses policy.

10. SALARY DEDUCTION

- 10.1 Under this option payment for the car is made monthly by a deduction from the employee's net pay (this is the pay received after income tax, national insurance and pension contributions).
- 10.2 The charge for the car to the employee is the annual cost of the chosen car. The annual cost will be reduced by an allowance based on the driver's estimated annual business mileage. The allowance will be adjusted to match the actual business mileage claimed.
- 10.3 VAT is charged on the full amount deducted from salary for the services provided, regardless of whether certain supplies are zero rated e.g. insurance and excise duty.
- 10.4 Reimbursement of business fuel expenses will be paid on submission of an expenses claim to Knowles and this will be paid via the payroll in line with the reimbursement of expenses policy.
- 10.5 If the business allowance exceeds the cost of the car there will be a minimum charge of £50.00 per annum plus VAT.

11. SALARY SACRIFICE

- 11.1 Under this option the employee 'sacrifices' part of their salary in return for their non-cash benefit. As this sacrifice reduces the gross salary, the employee will pay lower tax, national insurance and pension contributions. ELFT will also benefit from reduced pension and NIC contributions.
- 11.2 The value of the salary sacrifice will be based on all the cost elements for the selected vehicle; this is the full cost of the car.
- 11.3 Where an employee chooses to pay for their lease car through salary sacrifice a saving share will apply if they travel less than 1,000 business miles per annum.
- 11.4 A business mileage allowance will be reimbursed via payroll on submission of an expenses claim in line with the Expenses and Subsistence Policy.
- 11.5 The employee is required to sign an amendment to their contract of employment with their agreement to sacrifice part of their gross salary in exchange for the car. The amount sacrificed will be based on the annual cost of the chosen car.
- 11.7 In the event of an employee being made redundant by ELFT while they are paying for a lease car through a salary sacrifice scheme the redundancy payment will be based on the higher gross salary (so will not be affected).

- 11.8 For the purpose of VAT recovery HMRC are expecting the possibility of business use. The salary sacrifice car is insured for the business use of the Trust and the car must be made available to the Trust for any purpose.
- 11.9 Any future changes in HMRC policy in respect to VAT or Car Benefit Tax will be passed to the employee as appropriate

12 THE APPLICATION PROCESS

- 12.1 If an employee is interested in the Car Lease salary deduction scheme, it is recommended that they speak to the relevant budget holder in the first instance before submitting an application.
- 12.2 In order to obtain a quote for a Lease car, employees must first register on the Knowles website (<http://www.knowlesfleet.com/>). Once registered, up to five quotes can be requested at one time. Further quotes can then be requested and there is no limit to the number of quotes an employee can request. The quotes will detail the estimated contribution that the employee will need to make on a monthly basis either through salary deduction or salary sacrifice.
- 12.3 The employee decides on the vehicle they want to lease and completes an on-line application form. Drivers will be required to enter into a contract with the Trust under conditions set out in the lease car terms and conditions of use document. As part of the on-line application the driver must sign a hire agreement before the car is ordered.
- 12.4 Knowles Associates check the application. Knowles will normally follow the HMRC Advisory Fuel Rates and align the changes when submitting quotes with the lease cars. The NHS Staff Council will normally review costs of business motoring twice per year usually in April/May and November/December, following the publication of the latest guides on motoring costs. If costs need to change, new rates will normally apply from 1st January and 1st July respectively.
- 12.5 ELFT's HR Advisor for Health & Wellbeing & OD is automatically emailed a hyperlink to a living wage check form for the driver. This form will contain the salary and tax code information the driver has supplied to Knowles, along with the vehicle and mileage details.
- 12.6 ELFT's HR Advisor for Health & Wellbeing & OD will agree/update the information on the form. This may be done in liaison with Payroll. Once this has been completed, ELFT's Financial Controller is automatically emailed a hyperlink to the final sign off form. Once approved the form is submitted to Knowles.
- 12.7 For salary deduction schemes only, an email is sent to the relevant budget holder to authorise the lease car application. If the application is approved by the Budget Holder, the Trust's Financial Controller receives notification by email. The Financial Controller checks the application; counter approves the application and submits it to Knowles Associates.
- 12.8 The employee must provide Knowles Associates with a valid driving licence covering the type of vehicle to be driven.

- 12.9 Once the application is approved by ELFT's Financial Controller popular cars which are in stock can be delivered within three weeks. In some cases if the driver has very specific requirements and the car is a factory order it can take between 12 and 14 weeks.
- 12.10 Knowles Associates liaises with the employee to arrange delivery of the car.
- 12.11 A second schedule is issued to the driver shortly after the vehicle is delivered. This confirms the vehicle and employee details.

13. HMRC RETURNS

- 13.1 Employees will be liable for a taxable benefit charge calculated in accordance with HMRC guidance, details of which can be provided annually on form P11d.

14. INSURANCE EXCESS

- 14.1 In the case of an accident the driver will pay the policy excess if the incident occurred during private use. If it can be proved that the driver was not at fault and recovery of the costs from the third party is possible, the excess will be refunded. The actual policy excess will be detailed in staff members individual lease car contract between Knowles and themselves.
- 14.2 If the incident occurred whilst at work the employee will not be liable for the excess provided that their budget holder agrees and signs a payment authorisation form. Should there be a dispute between the employee and manager/budget holder, the employee is encouraged to refer the dispute to the next in line manager, HR or staff side.
- 14.3 The excess for private use will be paid directly to the repairer on collection of the car following completion of the repairs. Details will be confirmed by fleet management company at the time of the claim.
- 14.4 Any costs incurred by misuse including the incorrect use of fuel appropriate to the vehicle, will be charged in full to the employee. Such costs are not covered by the insurance policy and employees should take care to ensure that the correct fuel is used at all times. Any costs that are incurred will be deducted directly from the employee's salary.
- 14.5 The excess will increase for young and inexperienced drivers who have held a licence for less than one year.

15. ADDITIONAL DRIVERS

- 15.1 Under the new scheme an employee can add additional drivers to their contract at any time during the contract period. Any person can drive with the permission of the policy holder (the Trust) but primarily the employee and one named driver will be free of charge (if over 25). Any other person can be added subject to agreement. In order to

process any additional drivers, the policy main lease car holder should contact Knowles directly.

16. EXPENSE CLAIMS

- a. A lease car should always be used in preference to public transport.
- b. Passenger miles and bulky equipment allowance cannot be claimed for a lease car.
- c. Business journeys should always be claimed based on the shortest/fastest route where practicable.
- d. For agenda for change staff, where journeys that start or end at home the home to base distance must be deducted from the total miles travelled in that day.
- e. On-call, call-out or overtimes journeys cannot be claimed as staff are paid on call rates as soon as they are called.
- f. Disturbance allowance will be paid in lieu of excess travel following relocation.

17. PARKING FINES AND PENALTIES

- 17.1 The employee remains fully responsible for any fines or penalties incurred during use of the vehicle. Any payment which becomes due will be met by the employee in all cases and may be deducted from their salary.

18. USE OF THE LEASE VEHICLE ABROAD

- 18.1 Use of the lease vehicle abroad is permitted, subject to prior written application to the fleet management company. However, maintenance costs are not covered when the vehicle is abroad, and it is the employee's responsibility to make special arrangements to cover this period. Employees will be advised of the maintenance requirement when written permission is given depending on the country of travel.

19. ABSENCES FROM WORK

- 19.1 If an employee is paying for a lease car through a salary sacrifice agreement and subsequently goes on maternity leave the occupational maternity pay that they would receive would be based on the lower amount. If an employee wanted to avoid this, they can choose to move to a salary deduction arrangement or to return the vehicle.
- 19.2 If the employee chooses to return the car there will be a financial penalty, on account of early termination of the contract and the employee will be liable for this charge.
- 19.3 If an employee is absent from work on sick leave, maternity leave, career break or other authorised long term absence they may continue to use their lease car privately.
- 19.4 If the employee chooses to keep the car for the duration of their absence from work the payment will continue to be made by deductions from pay. If they go into a period of no pay they must continue to make the payment directly to ELFT and the employer's contribution will be reinstated upon their return to work.

20. PENSION IMPLICATIONS

- 20.1 From April 2015 NHS pension entitlement, has been based on the career average pensionable pay. Therefore, for periods where an employee is participating in a salary sacrifice arrangement pensionable pay means the reduced salary i.e. salary minus the sum sacrificed. As such it is important to consider the tax, National Insurance Contributions and Pension Contribution savings against the likely reduction/impact on pension before deciding to participate in a salary sacrifice scheme. Employee should consider taking independent financial advice before entering into the scheme.

21. EARLY TERMINATION

- 21.1 On early termination of the lease car contract, payment is required to be made to the lease car company. The amount of the payment will vary depending on how far into the contract the employee is when it is terminated. The cost may be passed on to the employee depending on the reason for it.
- 21.2 The right to a lease car will be terminated in the following circumstances:
- 22.2.1 Death of the employee
 - 22.2.2 Termination of employment by the Trust
 - 22.2.3 Retirement of the employee or voluntary termination of employment
- 21.3 The Trust may terminate the employee's right to a lease car at its discretion in the following circumstances:
- 21.3.1 The employee breaching the terms of their agreement and/or conditions set out in this policy.
 - 21.3.2 The employee having a prolonged absence from their normal duties.
 - 21.3.3 When the employee's contributions cannot be recovered from their salary.
 - 21.3.4 In exceptional circumstances where an employee chooses to terminate their participation in the scheme.
 - 21.3.5 Any other exceptional circumstances not provided for above.
- 21.4 In the event of the employee's death in service, or on early termination of the employee's contract on the grounds of ill health, there shall be no financial penalty to the employee or their estate in the case of early termination of their lease car agreement.
- 21.5 Transfers to other organisations – in the event that a service or individual transfers to another organisation under a TUPE arrangement and the new organisation decline the transfer of the vehicle the employee will not be liable for an early termination penalty.

- 21.6 In all other cases of early termination, the employee will be required to reimburse the Trust for any payment due to the leasing company because of the early termination of the contract for hire.
- 21.7 Once the employee has terminated their lease car agreement they must return the car and pay any outstanding contribution for private use within the current contract year. Employees will be given the opportunity to purchase the car on termination.

22. FRAUD AND PROBITY

- 22.1 In accordance with the details set out in this policy, the Trust expects all employees to act with honesty and probity. Any abuse or failure to comply with this policy and associated procedures could result in disciplinary action under the Trust's Disciplinary Policy. Cases may also be referred to the Trust's Local Counter Fraud Specialist and may also lead to criminal prosecution.

23. PROCESS FOR MONITORING COMPLIANCE WITH THE POLICY AND REVIEW

- 23.1 The Human Resources Department will be responsible for monitoring the overall effectiveness of the lease car policy.
- 23.2 This policy will be reviewed every 3 years or more frequently if required, in line with any legislative changes, by the HR Department and Staff Side.

24. SUPPORT AND ADVICE/USEFUL CONTACTS

- Fleet Management Company, Knowles Associates via 01206 252304
- HR Administrators, HR Department via 0203 738 7259
- Payroll Services via 0208 591 4700
- Pensions via 0208 591 4700

25. REFERENCES

Employment Rights Act 1996

26. ASSOCIATED DOCUMENTS

Expenses and Subsistence policy
Agenda for Change – Annex M
Agenda for Change – section 17

Business Tax – Guidance Salary Sacrifice
Lease Car Terms and Conditions of Use

<https://www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-pay>

Appendix

Allowances and Enhancements

1. Salary Deduction Allowance

Up to 3,500 business miles per annum	53p per mile
Over 3,501 business miles per annum	19p per mile

An illustrative comparison of allowances:

Annual Business Miles	Business Allowance	Annual Business Miles	Business Allowance
1	£0.53	6000	£2,331
500	£265	6500	£2,426
1000	£530	7000	£2,522
1500	£795	7500	£2,617
2000	£1,060	8000	£2,712
2500	£1,325	8500	£2,807
3000	£1,590	9000	£2,903
3500	£1,855	9500	£2,998
4000	£1,950	10000	£3,093
4500	£2,045	10500	£3,188
5000	£2,141	11000	£3,284
5500	£2,236	11500	£3,379

The allowance includes fuel for business use.

2. Fuel for Business Use

Fuel reimbursement will be paid at the prevailing HMRC Advisory Fuel Rates (AFR)
 Current AFR rates <https://www.gov.uk/government/publications/advisory-fuel-rates>

3. Salary Sacrifice Allowance

Up to 3,500 business miles per annum	45p per mile
Over 3,501 business miles per annum	25p per mile

4. Owner Driver Allowance

Up to 3,500 business miles per annum	56p per mile
Over 3,500 business miles per annum	20p per mile

Review of allowance

4. The salary deduction, salary sacrifice and owner driver allowance will be linked to Agenda for Change (Wales)

5. **National Minimum Wage – salary sacrifice**

The hourly rate for the driver compliance check (from April 2016) £8.10 per hour

6. **Reversion Car Allowance**

If an employee reverts to salary deduction due to a life style change the salary deduction car allowance will apply

If an employee voluntarily changes to salary sacrifice the salary sacrifice car allowance will apply