



## Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

### Decision Report

**Please ensure all sections below are completed**

**Report reference number:** 012-20

**Government security classification:** Not protectively marked

**Title of report:**

**Principle Officers & Lease Car Schemes**

**Area of county / stakeholders affected:**

Principal Officers

Uniformed and support staff at a relevant grade or who drive more than 8,500 reimbursable business miles per annum

**Report by:** Neil Cross (Chief Financial Officer)

**Date of report:** 24 June 2020

**Enquiries to:** [neil.cross@essex-fire.gov.uk](mailto:neil.cross@essex-fire.gov.uk)

#### 1. Purpose of the report

The purpose of this report is to seek the approval of the Police, Fire and Crime Commissioner (PFCC) of the updated Principal Officers and Lease Car Schemes.

#### 2. Recommendations

The terms and conditions of the Principal Officers Provided Car Scheme (POPCS) and the Officers Lease Scheme (OLS) have been updated. They now represent the most up to date tax changes brought into place through Her Majesty's Revenue and Customs (HMRC) on 6th April 2020.

#### 3. Benefits of the proposal

The key reason for the updates is to ensure that the Principal Officers Car Scheme

is compliant with Section 248A of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003.

It is worth noting that PS Tax did get agreement from HMRC in January 2018 that Gold Command vehicles are regarded as exempt from P11D reporting under the terms of Section 248A of the ITEPA 2003. PS Tax has assisted in the updating of the Principal Officers Scheme and has written a letter directly to HMRC seeking confirmation that the policy is still compliant.

In terms of the Lease Car Scheme, it is good practice regularly to review the rates that are applied. In addition, there are some potential tax savings by having a hybrid / electric vehicle option. This would also promote sustainability and reduction of the carbon footprint within the service.

#### **4. Background and proposal**

There have been some taxation changes that came into effect from 6<sup>th</sup> April 2020. This has initiated a review of the POPCS to ensure that this is compliant with HMRC guidelines.

This also resulted in an update to the OLS and, whilst performing this review, it was appropriate to review the allowances contained within the policy as these have not been adjusted for a couple of years.

##### Principal Officers Car Scheme

This car scheme is applicable to officers that hold a Principal Officer post. The principles of the scheme are outlined below (please see Appendix 1 for full detail):

- The Essex County Fire and Rescue Service (ECFRS) purchases a vehicle for use by the Principal Officer (PO). The PO has a limit to the value of the car that can be purchased (cash value limit). The cash value limit is dependent upon their position.
- The procurement follows the ECFRS guidelines to ensure that the service gets best value for money.
- Repairs, maintenance and fuel costs are funded by ECFRS.
- Principal Officers on the scheme have Gold Command Duties. In order to provide effective Gold command, the principal officers are required to be on continuous duty and have a vehicle fitted with emergency lights and an audible warning device (an Emergency Vehicle).
- Under S248A of the ITEPA 2003, there is an exemption from P11D reporting (taxable benefits in kind), as a result of this continuous duty requirement.
- There is one Principal Officer currently on the scheme who is not required to undertake Gold Command Duties. In this instance the Officer will have a car and fuel taxable benefit in kind, which is calculated in accordance with HMRC guidelines.

##### Policy Updates:

Effective from 6th April 2020, HMRC has made changes to the way emergency vehicles are taxed. As a result, the current Principal Officers Car Policy has been updated with the key changes being:

- The policy will now only apply to those Principal Officers who have Gold Command Duties (and will be mandatory). This has resulted in one Principal

Officer being removed from the scheme who will transfer onto the Lease Car Scheme.

- The policy has been updated to ensure that the exemption for P11D reporting under Section 248A of the ITEPA 2003 applies. The policy has been reviewed and updated in accordance with advice from tax advisor PS Tax.
- An update has been to the driver's license requirement has been made.

The cash value limits in the policy have not been updated. An additional allowance of £1,500 has been included should the Principal Officer select a hybrid / electric vehicle.

### Lease Car Scheme

Uniformed / support staff that are at a relevant grade or that drive over 8,500 reimbursable business miles a year are eligible to join the Lease Car Scheme.

The principles of the scheme are:

- Qualifying staff can select a Lease Car from the prescribed list of manufacturers.
- There are limits in place for the value of the lease rental that the service will fund (Service Contribution Rate) along with a cash value limit of the vehicle itself.
- The vehicle is available for private use and therefore a taxable benefit in kind will arise on the driver.
- All lease cars are sourced through Lex Auto Lease as part of a national procurement framework.

### Policy Updates:

- The policy includes different rates that are applicable to the grade of the team member eligible for the scheme. One new grade has been added to the policy.
- The service contribution rate and cash value limits have not been updated for over two years. These have now been updated to allow for inflationary increases. The policy has been updated to allow for an annual increase in the service contribution rate, but this rate will be fixed for the term for which the lease has been entered into.
- An additional allowance of £1,500 has been included should the officer select a hybrid / electric vehicle.
- A cap has been placed on the maximum CO2 emission rates.
- An update has been to the driver's license requirement.

### Other Car Schemes

#### *Essential User Scheme*

Staff that are eligible for the lease car scheme also have the choice of joining the Essential User Car Scheme. The key principles of this scheme are that:

- The user provides their own vehicle and is responsible for all associated running costs.
- They are paid a monthly cash allowance (£103.25 per month) which is subject to PAYE / NI deduction through the payroll.
- For any business miles driven, mileage is reimbursed based upon HMRC guidelines.

This policy has not been updated for several years, so will be reviewed later in the financial year.

#### *Provided Car Scheme*

Effective 6th April 2020, HMRC has made changes in the way emergency vehicles are taxed. With the new HMRC tax legislation, the service has considered and implemented a Provided Car Scheme which is only available for business use in accordance with the provisions made under Section 248A of the ITEPA 2003. Prior to the change in tax legislation for emergency vehicles, all affected parties were provided with the option to change from the lease car scheme to a provided car scheme.

Fleet will be undertaking a review (in liaison with the representative bodies and potential end users) to identify a suitable provided vehicle that meets the requirements of the service and the role being performed.

Having a standardised vehicle(s) is also expected to create some savings opportunities when it comes to putting a procurement arrangement in place.

The policy has been reviewed by our tax advisor PS Tax, who has assisted the service to work through these changes and ensure that our policies are compliant with HMRC legislation.

#### **5. Alternative options considered and rejected**

The key alternative was to leave the policies unchanged. This was not deemed appropriate given the changes in HMRC legislation.

The inclusion of a hybrid / electric option in the car policies also promotes sustainability and reduction of the carbon footprint within the service.

#### **6. Strategic priorities**

N/A.

#### **7. Operational implications**

Principal Officers need to ensure they comply with the updated policy.

There are no further operational impacts.

#### **8. Financial implications**

The financial impacts are minimal.

Please refer to the Risks section, which highlights the potential financial impact of the POPCS not operating in accordance with Section 248A of the ITEPA 2003.

#### **9. Legal implications**

The key impact is compliance with HMRC requirements, which is covered above.

## **10. Staffing implications**

The five individuals impacted by the proposed changes in the POPCS have been informally consulted. None of the individuals expressed any concerns and all are content with the proposed changes. For clarification none of the individuals would suffer any detriment under these proposals. Following advice from the Assistant Director HR regarding a proportionate consultation, it was agreed that the service would take a phased approach to consultation on the changes where applicable, once the car schemes are approved. The agreed approach is that those individuals impacted will be formally consulted on an effective implementation date. This approach has been agreed with the Monitoring Officer.

## **11. Equality and Diversity implications**

There are no additional Equality and Diversity implications created by this report.

## **12. Risks**

The key risk is that Principal Officers Car Scheme is not compliant with Section 248A of the ITEPA 2003 or that the Principal Officer does not comply with the policy. This would result in taxable benefits being incurred by the Principal Officers. Furthermore, this would result in additional Employers National Insurance Contributions being payable by the service as a result of these benefits. The taxable benefits would equate to approximately £10k - £15k per year for a Principal Officer and an additional Employers NIC charge for the service of £1.4k - £2k. In Section 11.4 of the policy, it is noted that, should a personal tax liability arise, that this would be funded by the Principal Officer and not by the service.

It is worth noting that PS Tax did get agreement from HMRC in January 2018 that Gold Command vehicles are regarded as exempt from P11D reporting under the terms of Section 248A of the ITEPA 2003. PS Tax has assisted in the updating of the Principal Officers Scheme and has written a letter directly to HMRC seeking confirmation that the policy is still compliant.

In terms of the Lease Car Scheme, it is good practice regularly to review the rates that are applied. In addition, there are some potential tax savings by having a hybrid / electric vehicle option. This would also promote sustainability and reduction of the carbon footprint within the service.

## **13. Governance Boards**

This proposal was put to the Strategic Board on 11 June 2020.

## **14. Background papers**

POPCS and Lease Car Policy documents attached.

**Decision Process**

**Step 1A - Chief Fire Officer Comments**

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

I support this recommendation.....

.....



Sign: .

Date:...11 June 2020

**Step 1B – Consultation with representative bodies**

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

.....This is a change due to HMIRC regulations so there was no requirement for consultation, rep bodies have been made aware as part of the process for approval at Strategic Board...

**Step 2 - Statutory Officer Review**

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority's ("the Commissioner's") Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer

Sign:



Print: P. Brent-Isherwood

Date: 15 July 2020

Chief Finance Officer

Sign:



...Neil Cross.....

Date: 11 June 2020

**Is the report for publication?      YES**

**If 'NO', please give reasons for non-publication** *(Where relevant, cite the security classification of the document(s). State 'none' if applicable)*

.....  
.....N/A.....

If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

**Step 4 - Redaction**

**If the report is for publication, is redaction required:**

- |          |                          |           |
|----------|--------------------------|-----------|
| <b>1</b> | <b>Of Decision Sheet</b> | <b>NO</b> |
| <b>2</b> | <b>Of Appendix</b>       | <b>NO</b> |

**If 'YES', please provide details of required redaction:**

.....  
.....N/A.....

**Date redaction carried out:** .....

If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: .....

Print: .....

Date signed: .....

**Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner**

**I agree the recommendations to this report:**



Sign:

PFCC

Print: Roger Hirst

Date signed: 16 July 2020

**I do not agree the recommendations to this report because:**

.....  
.....

Sign: ..... (PFCC / DPFCC)

Print: .....

Date signed: .....