

## Payment of a one-off lump sum to support staff with the cost of fuel

Date: 14<sup>th</sup> October 2022

Report of: Head of HR – Employee Relations and Resourcing

Report to: Chief Officer of HR

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

Due to the current high levels in fuel costs and wider cost of living crisis, the Trade Unions and staff have raised concerns that they are struggling to use their vehicle for work. This would have a major impact on the effectiveness of many frontline services should staff resort to public transport or active travel. To mitigate against these risks, the report proposes that a one-off payment is made to help towards the increased costs that have or are being incurred.

This does bring an added pressure in relation to budgets in-year, however as the payment will be made as a one-off payment based on miles already claimed there will be certainty of the costs involved, it will be managed within existing budgets and will also align to the green agenda to drive changes in future behaviour.

### Recommendations

- 1) It is recommended that the proposals included within this report are approved to enable a one-off lump sum to be paid to casual and essential car users to enable staff to continue to use their vehicle for work for the effective delivery of services.

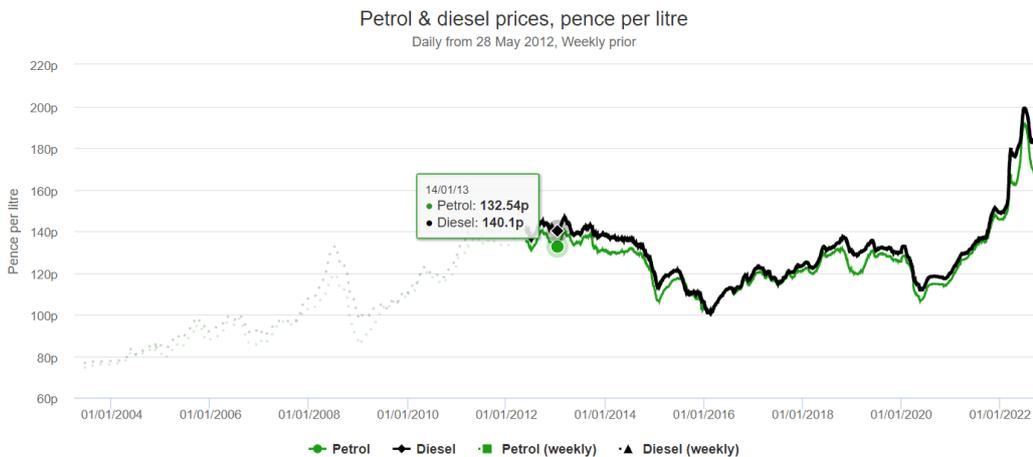
## What is this report about?

- 2) The report sets out the information that has been considered including trends in relations to fuel costs, the current costs of mileage claim over the last six months and the regional position, all of which have been important factors when considering proposals to pay a one-off lump sum to casual and essential car users in response to the current high fuel costs.

## Trends in Fuel costs

- a) The below graph from the RAC website tracks the cost of fuel. There has been a steady increase in the cost of fuel since June 2020. However, it did not exceed the previous peak of March 2013 until October 2021. Since then, there has been a steady increase in the costs until July 2022 when the cost of petrol peaked at about 191.3, before the trend started to decrease.
- b) A link to the below graph can be found here [UK pump prices over time \(racfoundation.org\)](https://www.racfoundation.org/uk-pump-prices-over-time) this is interactive and flags the cost of fuel at different intervals.

This chart tracks the changes in petrol and diesel prices over time. (If you would like to embed this chart on your website please email [info@racfoundation.org](mailto:info@racfoundation.org) for more details.) For daily pump prices and how they breakdown [click here](#).



In summary (based on petrol prices):

- October 2021 was when the fuel prices started to exceed the previous peak in March 2013.
- Costs increased from 135.2 to 168.6 between Sept 2021 – Sept 2022 this equates to a 24.7% increase in costs over the last 12 months, with a peak of 191.3 in July
- The average rate between Sept 2021-22 is 158.9 for petrol
- Petrol prices are now back down to the average costs we saw in March 2022, the downward trend seems to be continuing, however there have been some fluctuations.

## Current Mileage Costs

Based on actual mileage payments made from 1<sup>st</sup> April 2022 – July 2022 (4 months of claims) the total and average monthly costs can be seen in Table 1.

This is based on current mileage rates of:

- 45p for casual users
- 40.9p for essential car users first 8500 and 14.4p thereafter

**Table 1 – Mileage claims paid April 2022 – July 2022**

	Equivalent of 4 months mileage claims	Average monthly costs
Mileage costs	£598,353	£149,588

Table 2 highlights how the current mileage costs are distributed across the Council. Most of the mileage claimed is in Children and Families accounting for nearly 46% of claims, with Communities, Housing and Environments and Adults and Health following with approximately 19% of miles claimed in each directorate.

**Table 2 – Split across directorates in relation to cost and number of miles claimed**

Directorate	Sum of Travel flat rate	Sum of Miles Paid	Percentage of mileage claimed
Children & Families	£270,634.50	644,573	45.68%
Communities, Hsg & Environment	£115,651.15	268,043	18.99%
Adults & Health	£107,530.18	257,420	18.24%
Resources	£54,268.07	125,756	8.91%
City Development	£49,738.13	114,109	8.09%
Resources & Housing	£340.67	832	0.06%
Personal Service Companies	£190.80	424	0.03%
<b>Grand Total</b>	<b>£598,353.50</b>	<b>1,411,157</b>	<b>100%</b>

### Regional position

- Wakefield decided to increase the rate they pay for mileage by 44% in July 2022 and will review in December 2022 increasing the casual mileage rate from 45p to 65p per mile.
- Most other Local Authorities in the region have maintained existing rates in line with HMRC rates, some have offered advances (as we did within the SkILs Reablement team in Adults and Health), and others have been considering different option like those we have considered previously, including fuel cards, fleet vehicles, and hire cars.
- East Riding are now looking to increase their mileage rates by 10p with effect from the 1<sup>st</sup> September (this is just under the average fuel cost increase we have calculated above of 24.7% over the last 12 months).
- NE Lincs have confirmed that they will increase their rates with effect from 1<sup>st</sup> October to 60p for casual car users, 50p for essential car users and 28p for motorcycles which will be a temporary arrangement for six months.
- Some other authorities across the region are also starting to consider options.
- Some authorities have fewer frontline workers so are less exposed to this issue, with some already wrapping benefits up as part of single status negotiation.

- 3) The report sets out proposals to pay a one-off lump sum in response to a sustained increase in fuel prices and to support staff to continuing to use their vehicle for work.

### **Proposal to pay a one-off lump sum**

- 4) Based on the current level of fuel costs and the costs sustained to date it is proposed that we pay a one-off lump sum to all staff that have made mileage claims over the last 5 months. The payment will be calculated on the following basis:
- a) Equivalent to a 10p increase for casual car users or equivalent increase for essential car users (a 22.2% increase will be applied to all rates)
  - b) be based on the miles claimed over a five-month reference period
- 5) The payment of a one-off lump sum will allow BSC to process the payment quickly as it will require a small re-configuration in SAP that should be processed in December 2022 or January 2023 pending the lead time to make the changes in time for the payroll deadlines.

### **What impact will this proposal have?**

- 6) The proposals will support staff to continue to use their vehicle for work whilst fuel costs remain high. This will ensure services can maintain effective service delivery, for some services if staff stop using their vehicle for work and revert to public transport or active travel, this will have a negative impact on productivity, which could impact on increasing the cost to cover work if additional capacity needs to be brought in to cover visits. Some staff have already raised concerns that the increased fuel prices are impacting on their ability to continue to use their vehicle for work purposes as the cost-of-living increases.
- 7) Table 3 provides an overview of the service areas that have the highest mileage claims, there is the potential that these services would be adversely affected if staff stop using their vehicles and in turn their productivity levels reduce as they would not be able to complete as many visits.

**Table 3 – Summary of service areas with the highest mileage claims**

<b>Directorate</b>	<b>Sub area</b>	<b>Miles Claimed</b>	<b>Additional cost per month</b>	<b>Service areas included</b>
Children & Families	Social Care	57,490	£5,828.77	Social Work, CHAD
Communities, Hsg & Env	Housing Services	50,660	£5,384.82	Numerous
Adults & Health	Assess/Provis	43,667	£4,474.75	SKILs, Disability Services, Leeds Recovery Service
Children & Families	LA Children	39,843	£4,079.07	Looked After Children, Care Leavers, Fostering
Children & Families	Early Help	19,118	£1,968.86	Numerous
Children & Families	One Adoption WY	12,189	£1,306.32	nb- also some smaller sub groups
City Development	Planning & Sust Dev	11,904	£1,232.55	Planning, Building Control, Compliance

Resources	Leeds Building Services	10,868	£1,139.14	LBS
Adults & Health	Area Social Work	10,336	£1,080.12	Social Work, Adult Reviewing
			£26,494.40	

- 8) The processing of the additional mileage payment will be captured as part of the P11d process. Any payments over the HMRC tax free rate will be notified to HMRC, therefore tax codes will be amended the following year to ensure the appropriate taxes are applied.
- 9) The proposals will create an additional pressure within service budgets as the cost to cover mileage claims will increase. This will then need to be accounted for within savings proposals that are currently been considered in response to the in-year and future year service plans as part of the Medium-Term Financial Strategy as they have had to for other inflationary costs. It is suggested that services continue to review current practice in relation to planning visits to ensure all trips are necessary and planned effectively to minimise mileage costs as this will help both individuals and the Council reduce costs incurred. This also links strongly to the green agenda to reduce our carbon emissions.

**How does this proposal impact the three pillars of the Best City Ambition?**

- Health and Wellbeing       Inclusive Growth       Zero Carbon

- 10)The proposals will support the delivery of the People Strategy that will help support the delivery of the Best City Ambition by ensuring we have the best people that have the best employee experience including great pay and benefits.

**What consultation and engagement has taken place?**

Wards affected:
Have ward members been consulted? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

- 11)Conversations have been on-going with Trade Union colleagues for some time whilst we have considered various options to respond to the increased cost of fuel over recent months. This is in response to Trade Union colleagues raising concerns that their members are struggling to continue to use their vehicle for work, particularly affecting frontlines workers. Proposals have been put to the Trade Unions and they have been welcomed but did raise concerns that by the time tax is deducted the offer is not as good as they would have preferred, but acknowledged it was better than the current position, so were generally supportive that we proceed.
- 12)A couple of meetings have taken place with the HR Directors from across the region to consider collectively what options are available to help support staff to continue to use their vehicle for work. All areas across the region are grappling with the same issues particularly those that have high numbers of front-line workers that need to use their vehicle for work to maintain service delivery, including Leeds. As mentioned above a number of Councils have now moved to paying an increased rate, with more looking at options.

- 13) Collectively Councils in the region have flagged the issue with the Regional Employer representative. The Leader of the Council wrote to the political leadership within the Local Government Association to ask that they lobby the HMRC to consider increasing the current tax-free mileage rates payable.
- 14) Regular meetings have taken place with the Executive Member of Resources to monitor, review and consider options in response to the points raised via Trade Unions colleagues and services.
- 15) Finance colleagues have assisted with various modelling and have been kept up to date with developments. BSC and the SAP development team have advised how different proposals could be managed and monitored.
- 16) CLT have acknowledged that the additional support is needed particularly in areas where we have lower paid frontline staff, as if they stop using their vehicles due to costs this will have a negative impact on service delivery.

### What are the resource implications?

- 17) Based on the analysis of mileage claims over the last five months the costs will be just over £166k plus employers NI contributions. The 5-month period has been proposed based on when proposals have been put forward, considering the lead time for processing and the period left until the end of the financial year.

**Table 4 – Additional costs per directorate, per month based on an indicative 22.2% increase in mileage rates before Employers NI applied**

Per Directorate	Additional cost per month	Additional cost for 5 months
	<b>22.2% increase in mileage rate</b>	
Children & Families	£15,020	£75,100
Communities, Hsg & Env	£6,419	£32,095
Adults & Health	£5,968	£29,840
Resources	£3,041	£15,205
City Development	£2,760	£13,800
<b>Total</b>	<b>£33,208</b>	<b>£166,040</b>

- 18) The SAP development team and BSC will need to create a new expenses code within the system to enable the payment to be made and managed through the P11D process. This will have a lead time but should enable payments to be made within December 2022 or January 2023.

### What are the key risks and how are they being managed?

- 19) Managing a fair and equitable process – currently mileage payments are made to those that use their vehicle for work. Consideration has been given as to who should receive an uplift in the mileage rates. However, when considering across the workforce there are no obvious factors that can be used to distinguish any of the groups that would warrant different treatment so all staff that have claimed mileage will receive the proportionate lump sum payment.

- 20) The lump sum payment will take the fuel reimbursement payments over the tax-free allowance. Payroll controls will be put in place to ensure any payments made above the HMRC rates will be subject to P11D reporting and ensure tax codes will be updated.
- 21) Further impact on service budget pressures – services to monitor spend locally, review approach to planning visits and consider other options that could help reduce overall costs as part of the budget review process to accommodate the increased costs.

### **What are the legal implications?**

22) None

## **Options, timescales and measuring success**

### **What other options were considered?**

- 23) Various options were considered. In response to the SKILs reablement service experiencing issues with staff threatening not to use their vehicle due to increasing fuel prices. An agreement was made to pay a double mileage payment one month based on average claims to ensure that the staff within the team had the cost paid up front (rather than in arrears) to enable them to continue to use their vehicle. Due to the administration requirements of this it was not seen as a solution that could be offered across the council and was a targeted intervention to respond to an acute issue.
- 24) Other options were then considered, all creating additional administration, additional costs in excess of the current option, not an option that could be offered to all staff due to limited availability.

### **How will success be measured?**

- 25) Success will be measured by the effective implementation of the additional lump sum payment ensuring all staff are paid the lump sum correctly.
- 26) Any late submissions in mileage claims will not be taken into account in relation to the lump sum payment. However, if there are exceptional circumstances than individual cases will be considered.

### **What is the timetable and who will be responsible for implementation?**

- 27) Following approval to pay the lump sum as noted within this report, the SAP development team and BSC will then need to reconfigure SAP with the new expenses code, complete testing and process the payment. This will ensure the correct payments will be made and the appropriate process will be applied, so the payment in excess of the HMRC mileage rates will be recorded through the P11D process.
- 28) Communications will then be issued by the HR team to notify staff of the changes

## **Appendices**

- N/A

## **Background papers**

- N/A