



Date 05/11/2014

**LNCT/14/17**  
**Car Allowances**

Dear Colleague,

The following documents were agreed at LNCT in September 2014 and replace the previous LNCT/14/05 Car allowances.

Following a report on HMRC rates and "average AA" rates, the LNCT has agreed to amend the trigger from a single year of the "average AA" rate being 10% higher than HMRC rate to using a three year running average to avoid potential volatility (e.g. in 2013 the average AA rate was 8% higher than HMRC rate and in 2014 HMRC was 7% higher than average AA rate). This amendment overtakes the planned review in 2017.

The reasons for the changes remain as set out in the circular covering the original agreement below.

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Aberdeenshire LNCT has agreed changes to the Car Allowances to be implemented from the 1<sup>st</sup> June 2014.

The principles on which the new agreement is based are:

- that both essential and casual car users will receive the same rates for the same mileage. Hence the removal of essential car user allowance and the application of HMRC mileage rates for **all** staff.
- that travel rates reflect the cost of motoring. The HMRC tax free rates are to be applied but an assessment method will be introduced based on the AA's calculation of vehicle running costs. If these are 10% or more above the HMRC rates, the AA rate will apply. This will ensure that rising costs of running a vehicle will be reflected in the rates.
- a five year protection period for current essential users unless they opt into the car lease scheme. A separate letter will be sent to all current essential users to notify them of the options.
- a "salary sacrifice" car lease scheme is available to all employees.

It should be noted that this scheme is "unapproved" by SPPA in terms of pensions. This means that the reduced salary (after deduction of car lease payments) is used to calculate both reduced contributions and the pensionable salary. This may have implications for final salary pension calculations if salary is reduced in the last 10 years of service and will impact on career average pensions when these are introduced on 1<sup>st</sup> April 2015. Calculation of in-service benefits such as ill-health retirement and death

benefits are also impacted by a reduction in salary. **You are advised to take advice on potential financial and pension implications before entering into a salary sacrifice scheme.**

Details of all the benefits schemes are available by clicking the My Benefits tab on Arcadia Lite at

<http://arcadialite.aberdeenshire.gov.uk/>

Yours sincerely

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## CHANGES TO CAR ALLOWANCE SCHEME FOR TEACHERS & ASSOCIATED PROFESSIONALS

As of **1<sup>st</sup> June 2014**, the mileage rates detailed below will replace the current casual mileage rates<sup>1</sup> claimed by teachers and associated professionals.

Travelling expenses reasonably incurred whilst travelling on authorised business shall be reimbursed by the authority in line with Aberdeenshire policy.

Teachers and associated professionals who use their personal cars in the service of the authority will receive a mileage allowance in accordance with the provisions below (replacing Section 14.5 of the SNCT Handbook).

### Aberdeenshire Rates

On the 1<sup>st</sup> April each year, Aberdeenshire user rates will be set at the HMRC approved mileage rates for car, motor bike and cycle usage in operation for the forthcoming tax year. From 1<sup>st</sup> April 2011 these were set at:

	<b>First 10,000 business miles</b>	<b>Each business mile over 10,000 in the tax year</b>
<b>Cars vans</b>	45p	25p
<b>Motor cycles</b>	24p	24p
<b>Bicycles</b>	20p	20p

In order to ensure that the above mileage rates reflect vehicle running costs, where the three year “average AA Rate” is 10% higher than the HMRC approved rate for the first 10,000 miles of car use, then the rate for the first 10,000 miles of car use will be set at the “average AA rate” for car use at 10,000 miles. The same percentage increase will be applied to car mileage over 10,000 miles and to the rates for motor cycles (percentages and rates rounded to one decimal place).

When the AA publish their rates, then the three year average % difference between AA and HMRC will be calculated. If AA rates are 10% or more higher then the rates will be automatically increased by the three year average and applied from 1<sup>st</sup> August for three years.

Once the AA rate is used (year 1) then the rates will remain at that level for three years in total. The trigger is tested again in year 1,4,7,..... to set the new rate at HMRC or AA rate if still 10% higher.

Where HMRC change the tax free allowance that would be applied from 1<sup>st</sup> April of the year of that tax year and the above 3 year cycle stopped.

### Example only

If the three year average AA rate for cars is 50.5p which is 12.2% higher than the HMRC rates then the following rates will apply:

12.2% uplift	First 10,000 business miles	Each business mile over 10,000 in the tax year
<b>Cars vans</b>	50.5p	28.1p
<b>Motor cycles</b>	26.9p	26.9p
<b>Bicycles</b>	20p	20p

The “average AA rate” is defined as the latest Automobile Association (AA) running costs for petrol available at [http://www.theaa.com/motoring\\_advice/running\\_costs/](http://www.theaa.com/motoring_advice/running_costs/) with the rate being that of, as at 1<sup>st</sup> April 2013, a car with purchase price of £13,000-£18,000 doing 15,000 miles per year (e.g. 1<sup>st</sup> April 2013 “average AA rate” is 48.62p per mile. The same average rate point will be applied each year taking into account AA uprating of purchase price

### **Salary Sacrifice Car Lease Scheme**

A salary sacrifice Car Lease Scheme (‘myCar Scheme’) is provided as part of the implementation of a corporate Employee Benefits Scheme. The myCar Scheme will be open to all teachers and associated professionals, subject to the agreed eligibility criteria being met. Details of the car lease scheme is available by clicking the My Benefits tab on Arcadia Lite at:

<http://arcadialite.aberdeenshire.gov.uk/>

### **New Appointments**

All teachers and associated professionals appointed on or after the 1<sup>st</sup> June 2014 will receive car allowance payments based on Aberdeenshire user rates.

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<sup>1</sup> Casual user rates are currently:- 53.65p for the first 1,000 miles, 43.65p for the next 7,500 miles and 12.6p after 8,500 miles

## **Existing Essential Users**

In respect of how the above changes will be implemented for teachers and associated professionals currently designated as **Essential Car Users**<sup>2</sup>, the following options are provided:

- i) voluntarily opt out of the Essential Car User scheme and claim the Aberdeenshire user rates as defined above
- ii) lease a vehicle under the mycar Scheme, which will entail opting out of the Essential Car User scheme and claiming Aberdeenshire user rates.
- iii) retain Essential Car User status and continue to receive current mileage rates and annual lump sum payments for a period of five years. Five years is specified as being a reasonable period where current Essential Users will plan replacement of their vehicle and so be in a position to take advantage of the car lease scheme.

If the car lease scheme is withdrawn, then the following Essential User criteria and rates will be reintroduced. In this case, both new and existing employees, where they meet the criteria for Essential Users, can opt for either the Aberdeenshire rates above or the Essential User lump sum and rates.

**Essential Users** - teachers and associated professionals whose duties are of such a nature that it is essential for them to have a car at their disposal to fulfill their duties (e.g. timetabled at different schools in the network) shall be entitled to receive the following lump sum allowance and mileage rates.

The allowances payable to essential users shall consist of an annual lump sum plus a mileage rate. With effect from 1 April 1999, the car allowances are as follows:

Annual lump sum	£822
Mileage rates -	
First 8500 miles a year	35.1p
After 8500 miles a year	12.6p

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<sup>2</sup> Essential user scheme pays an annual lump sum of £822 and mileage rates of:- 35.1p for the first 8,500 miles and 12.6p per mile thereafter.