

## CHESHIRE FIRE AUTHORITY

**MEETING OF:** STAFFING COMMITTEE  
**DATE:** 30<sup>TH</sup> OCTOBER 2017  
**REPORT OF:** DIRECTOR OF GOVERNANCE AND COMMISSIONING  
**AUTHOR:** PHILL COOPER/JERRY FAULKNER

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**SUBJECT:** BLUE LIGHT EMERGENCY RESPONSE  
VEHICLE PERSONAL TAX CHANGES AND  
FUTURE OPTIONS

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### Purpose of Report

1. To inform Members about changes to the rules concerned with the calculation of taxable benefits for officers who are provided with Blue Light Emergency Response Vehicles.
2. To explain the impact of the changes and make recommendations aimed at providing affected officers with options for vehicle provision.

**Recommended:** That Members

- [1] Approve continuation of the current vehicle lease scheme for officers choosing to remain in the scheme;
- [2] Allow officers to 'Opt-out' of the lease scheme, instead providing their own vehicle for business use in accordance with existing 'Essential User' terms and conditions and subject to guidelines to be maintained by the Fleet Manager;
- [3] Allow officers to 'Opt-out' of the lease scheme, instead electing to be provided with a pool vehicle with no personal use permitted; and
- [4] Confirm that, given the circumstances, officers impacted by the tax change that decide to terminate their lease during the current financial year will not be required to pay any penalties for the early return of the vehicle.

### Background

3. Around 25 officers need a Blue Light Emergency Response Vehicle (ERV) for the purpose of fulfilling their operational cover and response requirements. They are currently required to lease an ERV through a scheme facilitated by the Authority.
4. Officers have access to the Government Fleet Portal, to lease a vehicle of their choice (subject to certain restrictions to ensure that vehicles chosen are fit for purpose and reflect the standards of the Service).

5. The provision of ERVs through the lease scheme is currently cost neutral to the Authority. Officers make a financial contribution equivalent to any excess of lease cost over the value of essential user allowance and mileage expenses that they would otherwise be entitled to claim had they provided their own vehicle.
6. The ERV is fitted with blue lights and is also available for private use by the officer and their family. It is therefore considered by HMRC to be a taxable asset/benefit of employment and as such officers incur a personal tax charge in respect of the ERVs.

### **Changes to Personal Taxation for Lease and Provided Vehicles**

7. HMRC have recently announced that from the start of the current 2017/18 tax year, ERV drivers who use Authority-provided vehicles for personal use will no longer be able to reduce their taxable liability by making a deduction for their business use. This is the case if there is any private mileage. Therefore all officers are now liable to be taxed on the full cost of the Authority-provided ERV.
8. HMRC did not publicise the change and it has caused consternation nationally with the National Fire Chiefs Council Finance Network and the Authority's professional tax advisors seeking to establish if the impact of the change was intentional. HMRC is adamant that a business use deduction will no longer be allowed and this has significant financial implications for officers.

### **Impact of Changes**

9. The table below demonstrates the difference between the taxation treatment in 2016-17 and under the new rules in 2017-18 using example values.

<b>EXAMPLE ONLY – Not specific to any individual officer</b>	<b>Previous Treatment to 2016-17</b>	<b>New Rules from 2017-18</b>
Cost of Providing Vehicle	£7,000	£7,000
Less employee contribution	£1,000	£1,000
Cash Equivalent taxable value	£6,000	£6,000
Deduction for business use proportion (est 60%)	-£3,600	Not Allowable
Benefit in Kind - subject to tax	£2,400	£6,000
Tax payable at 20% (Basic rate taxpayer)	£480 per annum / £40 per month	£1,200 per annum / £100 per month
Tax payable at 40% (Higher rate taxpayer)	£960 per annum / £80 per month	£2,400 per annum / £200 per month

10. Some analysis of existing officers shows that they face an increase in their personal tax liability of between £25 and £250 per month dependent upon their current vehicle and the number of business miles that they have normally undertaken.
11. Although this is a personal tax liability change, it clearly has a significant financial impact on our current officers which they cannot avoid as they are currently required to source an ERV through the Authority's lease scheme.
12. In view of this, all impacted officers have received two information emails making them aware of the change. In addition they have all been offered individual meetings with the Fleet Manager and a member of the Finance team to ensure that they understand the change and the financial impact for them personally.

### **Future Vehicle Provision for Flexi Duty Officers**

13. Officers believe that the Authority should no longer insist that officers be required to take a leased vehicle. Officers have been consulted in order to inform and determine a way forward. The following paragraphs outline what are believed to be viable options for officers to consider.

#### ***Option 1 – Remain in the current lease scheme***

14. Officers may choose to remain on the current lease scheme accepting the increased personal tax liability.
15. Feedback suggests that this will continue to be the preferred option for many officers.
16. There would be no operational or financial impact on the Authority in respect of any officers choosing this option.

#### ***Option 2 – Allow Flexi Duty officers to provide their own vehicle***

17. Officers could return their current leased vehicle and arrange to provide their own vehicle (with restrictions on age, vehicle type and with mandatory Fleet Service inspections).
18. Feedback suggests a significant minority of the officers are likely to consider this option as their preference in order to avoid future vehicle related tax liabilities.
19. This option would have no operational impact as officers would be required to have the vehicle available to fulfil their role. There will however be some impact on our Fleet Services team who will be required to regularly inspect officer-provided vehicles to ensure that they remain roadworthy and suitable to be used on Service business.
20. Officers will be responsible for all running costs including insurance, repairs and maintenance. They will also be required to give permission for blue lights to be fitted to their vehicle and to accept any implications for their vehicle on removal.

21. Officers providing their own vehicle will be entitled to an essential user lump sum allowance and additional mileage payments. This option would, however, be cost neutral for the Authority.
22. The Fleet Manager would need to establish and maintain suitable written guidelines, which would include requirements relating to age, vehicle type and a requirement to allow regular inspections.

### ***Option 3 – Provision of Pool Vehicles with no personal use permitted***

23. Officers could be given the option of using a pool vehicle which would only be made available when on duty. The terms of use would specify that no private mileage would be allowed except where it is incidental to a period when they are on call. The ERV would then be exempt from a tax charge.
24. This is the least popular option with officers as they would have to travel to/from their work base to pick up/drop off the vehicle whenever they started or finished a duty/on-call period. Many have identified that this would impact on their efficiency and some believe that it would be impractical in their current roles.
25. Officers in temporary positions who are not eligible for the existing lease scheme are already given this option and for some it works well. It is therefore recommended as an additional approved option for officers.
26. This option would have no additional financial impact on the Authority as a suitable marked vehicle could be provided with the cost of the essential use lump sum/mileage allowance (which would no longer be payable for those choosing the pool car) option.

### **Termination Costs**

27. When officers commit to a vehicle lease they understand that, except in exceptional circumstances, they will be required to pay any termination penalty as a result of returning the vehicle before the end of the contracted lease term.
28. In view of the significant additional financial burden that officers are now facing as a result of these unexpected personal tax changes, it is recommended that should officers impacted by the tax change decide to terminate their current lease within the current tax year then no termination fee will be levied by the Authority.
29. It is estimated that the termination penalty cost of returning all current leased vehicles early would not exceed £20k. Indications are however that around 70% of officers will retain their current leased vehicle, and the Fleet Manager is confident that through pro-active management of any returns through our current pool car fleet, it will be possible to avoid most return penalties.
30. The benefit to impacted officers will be freedom to take action to mitigate their personal tax position immediately without any financial penalty. For

the Authority it will assist in a speedy and co-ordinated transition from the current arrangements by the end of the current financial year.

31. It is therefore recommended that the Authority covers any early termination costs.

### **Financial Implications**

32. There should be no additional financial implications for the Authority resulting from the alternative vehicle provision options recommended in this report.
33. If Members confirm the options outlined in the report it is possible that lease vehicles will be returned early and that there will be charges, but every effort will be undertaken to minimise these.

### **Legal Implications**

34. The recommended options will need to be considered by officers and their choices documented. It is not anticipated that there will be any adverse legal implications for the Authority.

### **Equality and Diversity Implications**

35. There are no equality and diversity implications from this report.

### **Environmental Implications**

36. There are no direct environmental implications from this report. Future operational guidelines on appropriate vehicles to be used on Cheshire Fire and Rescue Service business can however be used to encourage more environmentally friendly vehicle choices in the future.

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**BACKGROUND PAPERS: NONE**