

AGENDA 14b, Enc viii) Salary Sacrifice EV car scheme

Executive Summary:

This report examines the key aspects of implementing a salary sacrifice electric vehicle (EV) car scheme for the Council's employees. The scheme offers potential benefits for both the Council and its employees, such as tax savings, cost-effectiveness, and environmental advantages. However, it also involves some administrative overhead and considerations. The report covers the scheme's mechanics, tax implications, cost analysis, public sector adoption, and other relevant factors to aid decision-making.

Recommendation

The Full Council is asked to approve the implementation of the salary sacrifice electric vehicle (EV) car scheme, following the Personnel Committee's recommendation to proceed. The scheme provides financial benefits, reduces the Council's carbon footprint, and enhances employee satisfaction.

The Council will play a leadership role in sustainability, while the administrative burden is minimal, as Northumberland County Council (NCC) will handle payroll deductions. Approval will allow the Council to move forward with offering this benefit.

How Salary Sacrifice EV Car Schemes Work:

Agreement: The employee agrees to a reduction in their gross salary, which the employer uses to lease or purchase an EV.

Tax Savings: The reduced gross salary results in lower income tax and National Insurance contributions (NICs) for both the employee and the employer.

Leasing/Purchase: The employer typically leases or purchases the EV using the employee's sacrificed salary amount and may contribute additional funds.

Employee Usage: The employee gets to use the EV for both work and personal purposes, often with additional benefits like insurance and maintenance included.

Tax Implications and Cost Analysis:

Employee Tax Savings: Lower gross salary means reduced income tax and NICs, potentially offsetting the benefit-in-kind (BIK) tax on the EV.

Employer Tax Savings: The employer saves on Employer NICs due to the reduced employee gross salary, helping offset the scheme's costs.

Cost Neutrality: While there is no direct monetary cost, the scheme involves administrative overhead and potential opportunity costs for the employer.

Cost-Effectiveness: The tax and NIC savings, combined with potential environmental benefits, often make these schemes financially attractive for employers and employees.

Environmental Impact and Sustainability

Adopting electric vehicles (EVs) for the employees will significantly reduce the Council's carbon footprint and greenhouse gas emissions. By embracing sustainable transportation

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choices, we demonstrate our commitment to environmental stewardship and set an example for the community.

Public Sector Adoption and Considerations:

Public Sector Popularity: Salary sacrifice EV car schemes are quite popular in the UK public sector as a cost-effective way to offer a valuable benefit to employees.

Administrative Effort: The scheme requires administrative effort from the employer, including payroll adjustments, record-keeping, and potentially hiring third-party providers. In the Council's case this is negligible as NCC run payroll.

Employee Impacts: Employees should consider the reduced gross salary's impact on factors like mortgage applications and pensionable pay.

Environmental Benefits: Offering EVs aligns with environmental goals and corporate social responsibility initiatives.

Financial Considerations and Cost Savings

EVs offer long-term cost savings through lower fuel and maintenance expenses. Additionally, government incentives, tax benefits, or subsidies for EV adoption could offset initial costs. The salary sacrifice scheme allows employees to potentially save on income tax and National Insurance contributions, making it an attractive financial benefit.

Employee Satisfaction and Retention

Offering an EV scheme aligned with sustainability values can positively impact employee satisfaction and retention. The convenience and cost-effectiveness of EVs for daily commutes and work-related travel enhance the overall employee experience.

Reputation and Leadership

As a community leader, adopting an EV scheme will bolster the Council's reputation and public image. This initiative demonstrates our dedication to sustainable practices, fostering public trust and support.

Monitoring and Evaluation

We could plan to monitor the success of the EV scheme, including metrics for tracking emissions reductions, cost savings, and employee satisfaction. Propose regular evaluations and adjustments to ensure the scheme remains effective and aligned with the Council's goals.

Payroll

NCC operate the administration of our payroll and have confirmed that they would simply need a start and stop date for salary sacrifice. They have also confirmed that the company they use for this is [Fleet solutions \(nhsfleetsolutions.co.uk\)](https://www.nhsfleetsolutions.co.uk) as well as operating payroll for other agencies that use fleet.

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They would not do any of the actual administration. It would be incumbent on the Town Council to ensure we checked things like min wage requirements and to authorise contracts. They would simply need the deduction stop/start info from the Town Council.

NCC highlighted a risk that they had someone recently who accrued a lot of Tyne tunnel fees and then then left. NCC had to pay NHS for these fees and were unable to contact the individual to recover the money.

By understanding the mechanics, tax implications, cost analysis, and public sector adoption of salary sacrifice EV car schemes, the Council can make an informed decision on whether to implement such a scheme for the Executive Officer and other staff. By adopting this EV scheme, the Council will contribute significantly to reducing the impact of climate change while realising financial benefits, enhancing employee satisfaction, and solidifying our position as a community leader in sustainable practices.

Conclusion

This report has provided a comprehensive overview of salary sacrifice electric vehicle (EV) car schemes, including the mechanics, tax implications, cost analysis, and public sector adoption. The Council can make an informed decision on whether to implement such a scheme for the Executive Officer and other staff. By adopting this EV scheme, the Council will contribute significantly to reducing the impact of climate change while realising financial benefits, enhancing employee satisfaction, and solidifying our position as a community leader in sustainable practices.

The potential benefits of adopting a salary sacrifice EV car scheme are substantial. It offers tax savings for both employees and the Council, long-term cost-effectiveness through reduced fuel and maintenance expenses, and a positive impact on employee satisfaction and retention. Moreover, embracing sustainable transportation choices through EVs aligns with the Council's commitment to reducing its carbon footprint and contributing to the fight against climate change.