

JSEF 26 August 2008
Review of Mileage Rates
Prepared in June 2008.

Background

The National Joint Council (NJC) establishes current Cambridge City Council essential and casual mileage rates nationally. As part of the single status agreement, it was agreed that only the middle band of the NJC rates (1000-1199cc engine) would be used irrespective of engine size (Appendix B). This was with the objective to achieve fair and consistent application, and ensure sustainable overall costs of business travel in a manner that supports the Council's environmental policy (see Appendix A for full detail of Single Status travel allowances objectives).

The current NJC rates were increased in April 2008, in line with normal process utilising the cost of petrol at the pumps in the first two weeks of January 2008. In response to enquiries, the LGE indicated they had not received a formal request from the Trade Union Side for them to be reviewed (as at 16th June 2008) and indicated that the Employers' Side of the NJC has determined that there should be no review of the rates ahead, and in isolation of, the broader review of the National Agreement ('Green Book') that both Sides are committed to undertaking once agreement has been reached on this year's LGS pay award.

In May/June 2008 in response to increases in the cost of fuel, the matter of the current fuel rates was raised by employees and the Unions. At Joint Trade Union Group (JTUG) meeting in June the unions requested a review of the current mileage rates.

Mileage Rates – What is reasonable reimbursement?

Nationally HM Revenue & Custom's tax-free Authorised Mileage Allowance Payments (AMAP) rates are 40p per mile for the first 10,000 miles by car and 25p thereafter and have been unchanged since 2002.

According to a Emmerson Hill Associates (www.emmerson-hill.co.uk) report, the AA have indicated that the cost of driving a typical car has increased by 16.5% from 2002 to June 2008 (51.0ppm to 59.4ppm). They state that if the 40p rate had risen in line with this increase, it should now stand at 46p.

The AA website however does not quote this figure and shows running costs of car costing £10-13k new, undertaking an average 10,000 miles per year is 48.17 pence per mile, this reduces to 39.48 pence per mile for a car costing up to £10k (*Unleaded petrol 112.6p/litre).

The RAC Motoring Services 'illustrative vehicle running costs' April 2008 calculate the cost of running, from new, a privately owned 1200cc car for a period of three years with an annual mileage of 12,000 miles is 35.1 pence per mile (*109.9p/litre).

Comparing City Council Rates

Local/National Comparators

Locally there is some variation in the rates used (see table 1).

Organisation	Standard Scheme
Cambridgeshire County Council	HMRC rates + NJC Essential Users
South Cambs District Council	NJC Rates
Huntingdonshire District Council	NJC Rates
EEDA	HMRC rates

Nationally, it was recently reported that the NHS has responded to fuel price rises by increasing their mileage rates by 10% from July 2008. However, the new rates are now broadly equivalent to the NJC rates used for similar sized engines (Tables 2, 3 and 4).

Engine Capacity	Mileage	Rate
Up to 1000cc	up to 9000 miles per year	29.7
Up to 1000cc	over 9000 miles per year	17.8
1001 to 1500cc	up to 9000 miles per year	36.9
1001cc to 1500cc	over 9000 miles per year	20.1
Over 1500cc	up to 9000 miles per year	44
Over 1500cc	over 9000 miles per year	22.6

Engine Capacity	Mileage	Rate
------------------------	----------------	-------------

Up to 1000cc	up to 3500 miles per year	37.4
Up to 1000cc	over 3500 miles per year	17.8
1001 to 1500cc	up to 3500 miles per year	47.3
1001cc to 1500cc	over 3500 miles per year	20.1
Over 1500cc	up to 3500 miles per year	58.3
Over 1500cc	over 3500 miles per year	22.6

City Council Rates

Comparatively the City Council's selected band of the NJC mileage rates (1000-1199cc category; 46.9 pence per mile) compares reasonably with the NHS rates and the official AA and RAC cost of motoring figures (quoted on page 1). Likewise, in the 2002-2008 period the NJC rate for the 1000-1199cc category increased by a greater percent than the 16.5% highlighted by the Emmerson Hill report and the casual user mileage rate remains in excess of the 46p rate espoused by this report (see table 4).

Table 4: NJC Rates Increase 2002-2008				
NJC RATES - 1000 - 1199cc		2002	(2008)	% Change
Essential User Mileage:	pence per mile up to 8,500 miles	31.2	36.9	+18.3%
	pence per mile after 8,500 miles	11.1	13.6	+22.5%
Casual User Mileage:	pence per mile up to 8,500 miles	39.9	46.9	+17.5%
	pence per mile after 8,500 miles	11.1	13.6	+22.5%
Emmerson Hill	Typical car pence per mile	51.0	59.4	+16.5%

HMRC Rate	pence per mile first 10,000 miles		40.0	
	pence per mile after 10,000		25.0	

	miles			
RAC Rate (April 08)	vehicle running costs pence per mile		35.1	
AA Rate	Car (New cost £10-13k, 10,000 miles/year)		48.1	
	Car (New cost up to £10k, 10,000 miles/yr)		7 39.48	

Developing Alternative Options

Alongside, reasonable reimbursement, the Council is already undertaking substantial efforts to support employees with work related transport. This includes:

- the promotion of the use of alternative modes of transport (e.g. development of cycle facilities; pool bikes; generous cycle mileage rate);
- new schemes to reduce requirements for personal car use (e.g. streetcar); and
- information on how to drive more efficiently and cost effectively when driving is necessary (e.g. Employee Travel Launch material – Act on CO2;)
- investment in new technology to support remote and flexible work options (e.g. conference calling; online meetings).

Summary

Cambridge City council recognises that petrol and diesel rates have increased. However based upon analysis of motoring costs the current Casual User mileage rate at this time is considered to be reasonable reimbursement, while maintaining the organisations commitment to an affordable and sustainable cost of travel that supports the organisations environmental objectives.

Appendix A: Single Status Travel Allowances Objectives

Cambridge City Council's business travel scheme was agreed with the following objectives:

- To reduce the overall costs of business travel;
- To introduce a scheme that is applied fairly and consistently to all staff;
- To ensure that the new scheme is sustainable for the future in terms of cost;
- To ensure that staff are appropriately reimbursed for the cost of business travel;
- To minimise the impact of the change via a one-off travel protection scheme;
- To reinforce the Council's environmental policy, and.
- To ensure that travel allowances are not used as a market supplement or recruitment incentive in the future.

Appendix B: NJC Car Allowances 2008/09

Car Allowances - Part 3 Paragraph 6

Rates of Car Allowances revised with effect from **1 April 2008**. The new rates are set out below:

	<u>451 - 999cc</u>	<u>1000 - 1199cc</u>	<u>1200 - 1450cc</u>
<u>Essential Users</u>			
Lump sum per annum	£753	£849	£1,095
per mile first 8,500	34.0p	36.9p	45.8p
per mile after 8,500	13.3p	13.6p	15.8p
<u>Casual Users</u>			
per mile first 8,500	42.9p	46.9p	58.7p
per mile after 8,500	13.3p	13.6p	15.8p

These allowances are base on a price of 103.52p per litre (470.6p per gallon) for unleaded petrol (based on actual pump prices in the first two weeks of January [as surveyed by the Automobile Association on behalf of the Society of Motor Manufacturers and Traders] in

accordance with the jointly agreed formula for calculating allowances each year).