

## NHS YORKSHIRE AND THE HUMBER

# LEASE CAR POLICY

### CONTENTS

<u>Section</u>	<u>Page</u>
1. Introduction	2
2. Eligibility	2
3. Financial Arrangements	2
Cost to the Employer	3
Cost to the Employee	3
4. Allocation of Lease Car – Terms of Hire	4
Period of Contract	4
Changes to Payments	4
Changes to Circumstances	4
Penalty Fines	4
Towing	4
Mobile Phone Hands-Free Kits	4
Insurance	5
Maintenance and Repairs	5
Replacement Vehicles	6
Breakdown Cover	6
Excess Mileage / Travel Allowances	6
Payment	6
5. Employees Responsibilities	6
6. Termination of the Lease Car Agreement	7
Early Termination of the Lease Agreement	7
Normal Termination of the Lease Agreement	8
Termination of the Lease Agreement by the Lease Car Company	8
7. Tax Implications	9

## **NHS YORKSHIRE AND THE HUMBER**

### **LEASE CAR POLICY**

#### **1. INTRODUCTION**

- 1.1 NHS Yorkshire and the Humber was established on 1 July 2006, following the merger of North and East Yorkshire and Northern Lincolnshire SHA, West Yorkshire SHA and South Yorkshire SHA. This Policy applies to new leases approved by the NHS Yorkshire and the Humber (referred to as the NHS Y&H in this document). Staff who, upon transfer to the NHS Y&H, have a lease car will be subject to the lease car policy in place with the NHS Y&H's predecessor bodies. This arrangement, particularly the basis of any offer, is not subject to transfer beyond their current lease car arrangement. Any new lease car arrangements entered into will be subject to this Policy.
- 1.2 The final decision for the approval of an application for a lease car will rest with the employee's Director. Eligibility is not to be regarded as an entitlement. When considering a decision the NHS Y&H will consider the following factors:
- a) value for money for the NHS Y&H
  - b) such other factors referred to in the Policy or amendments considered.

#### **2. ELIGIBILITY**

- 2.1 Employees may be eligible for a lease car under the NHS Y&H's scheme subject to having a business travel commitment of at least 4,000 miles per annum. All employees will require a current full driving licence, before an application may be made.
- 2.2 The final decision for approval will rest with the employee's Director. Eligibility to apply does not equate to an entitlement to be granted a lease vehicle.
- 2.3 This policy and the rights and privileges associated with it does not extend to any third party, and therefore the conditions of the Contract (Rights of 3<sup>rd</sup> Parties) Act 1999 do not apply.
- 2.4 It should be noted that this policy will apply to all employees of the SHA except those on VSM (Very Senior Managers) Pay and Conditions of Service who will be subject to separate arrangements as determined nationally by the Department of Health and locally by the SHAs Remuneration Committee.

#### **3. FINANCIAL ARRANGEMENTS**

- 3.1 The lease car scheme is costed on the basis of a base vehicle. The base vehicle is used to determine a rate for the calculation of costs to employees and NHS Y&H. For the period to 31 December 2007 the rate is £3383. This rate will apply to all employees except executive directors. The rate will be reviewed each December against the chosen base vehicle model. The rate applicable will be the rate in force at the time of delivery of the vehicle.

Where business miles exceed the contracted value significantly the NHS Y&H contribution will be increased for each extra 1000 miles travelled in line with the extra costs of such mileage. The cost of excess miles, per 1000 miles travelled, will be

identified in the agreement between the authority and the employee. These are determined by reference to the lease company rates applicable at the time the car is accepted by the employee. The employee will be required to pay additionally for private mileage above the contracted levels.

3.2 If an employee chooses a vehicle which costs less to lease, there will be no refund to the employee. Alternatively employees may choose a vehicle with a higher lease cost but they will bear the full excess cost. To offer scope for effective business use all vehicles chosen must have seating capacity for at least four adults. Vehicles selected should have at least an NCAP level three safety rating.

### 3.3 **Cost to the NHS Y&H**

3.3.1 **Contract Hire** - the NHS Y&H will be required to pay the contract hire company a regular payment. The amount to be paid to the contract hire company includes

- a) contract hire
- b) maintenance and repair
- c) AA Relay and Home Start (or equivalent membership)
- d) VAT should be added to all charges detailed in the agreement but can be reclaimed where permitted by HM Customs and Excise.

3.3.2 **Mileage Allowance** – the NHS Y&H will pay a mileage allowance to the employee for the business miles travelled to cover the cost of fuel. The allowance per mile will be based on Inland Revenue guidance for the appropriate costs per mile permitted. This mileage allowance is paid only for business mileage. The allowance reimburses the employee for the cost of fuel and minor incidental costs eg screenwash solution.

3.3.3 The method of calculating distance for business mileage will be in line with relevant guidance in the Agenda for Change Terms and Conditions handbook. This states that business mileage should be determined by “the distance which would have been travelled if the journey had started and finished at the designated headquarters, or the distance actually travelled if (this is) less.”

### 3.4 **Cost to the Employee**

3.4.1 The employee's contribution depends upon the choice of car, and the number of business miles travelled. The more business miles travelled then the less the contribution from the employee. (See section 3.1).

3.4.2 The costs of the vehicle for calculation purpose are to include:

- a) cost of the car lease
- b) road fund licence
- c) administration charge
- d) insurance payment

3.4.3 The elements of the cost to be funded by the employee are set out below:

- a) road fund licence (per annum) – nationally defined
- b) administration fee (per annum)
- c) insurance (per annum) – 50% fixed
- d) cost of private mileage
- e) additional costs of any extras
- f) penalty fines incurred

- g) excess mileage (see paragraph 4.19 below)
- h) VAT on a) to e) inclusive
- i)

These costs are payable by the employee on all cars, irrespective of the basic lease cost of the vehicle.

#### 4. ALLOCATION OF LEASE CAR – TERMS OF HIRE

4.1 **Period of Contract** - the employee will be committed to a 3-year agreement with the NHS Y&H and the car is contracted for a specific mileage per annum e.g. 12000 miles (8000 private, 4000 business).

4.2 **Changes to Payments** - when a car is supplied the gross sum contribution, based on agreed estimated mileage, is fixed for a 3-year period. The only changes to this will be

- a) variations in previously agreed estimated mileage (either to private or official business mileage)
- b) changes in VAT
- c) changes in the annual insurance premium
- d) increase in the road fund licence
- e) other changes as a result of legislation
- f) changes in administration fees

4.3 Such changes do not require the agreement of the employee. Mileage will be reviewed on an annual basis and where the estimated mileage is exceeded / decreased, the NHS Y&H may increase / decrease monthly charges accordingly. Employees will be advised of such changes. Changes will be actioned in the following year's charges. Where the employee is ceasing employment any refund or additional charges will be due immediately the car is returned.

4.4 **Changes to Circumstances** – the NHS Y&H will bear the implications to the end of the 3-year contract for any employee:

- a) who is promoted and whose official mileage reduces
- b) whose official mileage reduces as a result of the NHS Y&H altering their duties

Such an employee may keep the car allocated to them until the end of the 3-year contract in accordance with their duties. At the end of this period the NHS Y&H will apply the usual test in considering whether or not to allocate another vehicle.

4.5 **Penalty Fines** – all penalty fines will be the responsibility of the employee. Any fines passed on to the lease company by police / local authorities, in accordance with current or new legislation, will be passed to the employee for immediate payment.

4.6 **Towing** – towing by the vehicle is permitted subject to the instructions in the Driver's Handbook, but the cost of the necessary equipment will be borne by the employee. The permission of the hire company must be obtained for tow bars to be fitted after the vehicle has been delivered.

4.7 **Mobile Phone Hands-Free Kits** – such kits can only be fitted with the express approval of the NHS Y&H in accordance with its policy on use of mobile phones and completion / approval of the necessary business case (in which case the cost will be borne by the NHS Y&H). The permission of the hire company must be obtained for kits to be fitted after the vehicle has been delivered.

- 4.8 **Insurance** – all cars are to be fully comprehensively insured. As vehicles will be used for both private and business purposes, the NHS Y&H will contribute 50% of the cost of the insurance with the employee contributing 50% of the cost. The cost of insurance for the employee will be recalculated each year on the anniversary of delivery.
- 4.9 Loss or damage to personal effects is not covered by insurance. An employee is responsible for providing adequate insurance cover for any personal property fitted to or left within the vehicle.
- 4.10 Only the employee and other named drivers approved by the NHS Y&H, through their agent Leeds Mental Health Trust, will be allowed to use the vehicle. All authorised drivers must hold a current full driving licence valid in the UK. Employees will be required to evidence their driving licence each year and immediately advise of any change of status to their licence.
- 4.11 In the event of a claim being met by the insurance company, all the £250 excess will be chargeable to the employee unless the incident leading to the claim took place on official business. If the incident took place during official business NHS Y&H will pay the £250 excess. In the event of an accident, where the driver holds a provisional licence the excess applicable will be increased to £500.
- 4.12 If the NHS Y&H does not receive settlement of the excess within a period of time which is determined as reasonable, then the employee is deemed to have agreed to the amount being deducted from the employee's salary over a period not exceeding 6 months.
- 4.13 In the event of the vehicle being written off, the employee will be required to enter into a new 3-year agreement upon final settlement by the NHS Y&H's insurance brokers at the financial rates prevailing at the time of the new application. It may be possible to replace with a vehicle of a similar age to that written off but this option is not guaranteed. The employee will receive a replacement car for 7 days, any subsequent period until a new lease vehicle is received will be the employees own responsibility.
- 4.14 Where the employee has more than one "at fault" accident during a period of five years the authority reserves the right to require further driver training, at the expense of the authority.
- 4.15 **Maintenance and Repairs** - vehicles are covered for maintenance by the lease company. This includes the cost of all servicing in accordance with the manufacturer's schedule of repairs specified as fair wear and tear, replacement of tyres subject to fair wear and tear, batteries exhausts, etc.
- 4.16 The cost of repairs and replacement due to wilful neglect or deliberate abuse are recharged to the employee e.g. filling a diesel engine with petrol, or tyres having to be replaced due to damage before reaching their legal limit.
- 4.17 Servicing and repairs will be carried out at service agents of the vehicle manufacturer, convenient to the employee, which have been specifically approved by the lease car company. A driver's pack will be issued with each vehicle that will detail how repairs and servicing of the vehicle will be arranged. All costs will normally be settled directly between the service agent and the lease car company. Should emergency repairs be required the driver should contact the lease company,

they should not ask for repairs to be carried out without the authority of the lease company.

- 4.18 **Replacement Vehicles** – a replacement vehicle may be supplied when any repairs, other than normal routine servicing, to the vehicle are anticipated to take longer than 24 hours. However in all circumstances, employees should make use of courtesy cars available during servicing from the supplying dealer, when booked in advance. Replacement vehicles in the case of write off, theft or significant mechanical breakdown are available for 7 days. In circumstances where replacement takes longer the member of staff is responsible for their own arrangements. For example where a car is stolen and not recovered, the members of staff will be required to make payments for the car as normal until the insurance company settles the claim. The insurance cover does not provide a replacement car. The member of staff would be required to make their own arrangements.
- 4.19 **Breakdown Cover** – the cost of AA Relay and Home Start services, or equivalent, are included in the scheme at no cost to the employee.
- 4.20 **Excess Mileage / Travel Allowances** – normally such allowances are payable, in accordance with national guidance and an employee's terms and conditions of service, where an employee is required by the NHS Y&H to move base which incurs excess mileage. Such mileage is classified as private mileage by the HM Revenue & Customs. However for the purpose of the lease these are to be treated as business miles when obtaining quotations etc as they are reimbursed at leased car rates.
- 4.21 **Payment** – employee contributions will be made through the payroll

## 5. EMPLOYEES RESPONSIBILITIES

- 5.1 Lease charges are determined by the lease car company on the assumption that cars will be kept in a good condition and to the same high standard as of employees owned the car. It is therefore in the interest of all parties that this standard is maintained, particularly ensuring that the vehicles retain their book value when returned at the end of the lease contract.
- 5.2 The employee has specific responsibility for the following:
- a) keeping the car in a clean condition, at the employee's cost
  - b) checking the oil, water, battery, brake and other fluid levels at regular intervals
  - c) observing the recommended running-in speeds
  - d) reporting defects promptly to the lease car company / manufacturer's servicing agent
  - e) ensuring that servicing and maintenance are carried out at intervals recommended by the lease car company (normally the manufacturer's recommendations)
  - f) obtaining approval for repairs above any cost specified by the lease car company and ensuring invoices are submitted, if required, as instructed by the lease car company
  - g) reporting to the NHS Y&H, prior to the first and secondary anniversary of the contract, should actual mileage be in excess of or under the total contracted mileage
  - h) ensuring that Road Fund Licences are received from the authorities chosen agent Leeds Mental Health Trust and displayed by the due date

- i) ensuring the reasonable security of the vehicle at all times, including garaging where available
  - j) conforming to all instructions and recommendations in the manufacturer's handbook and all other instructions and advice given by the lease car company or the NHS Y&H
- 5.3 The employee should bear in mind that they will be personally liable for the vehicle's road-worthiness in accordance with legal requirements as if they were the owner of the vehicle. Employees should not service, repair or adjust the vehicle themselves (other than as previously mentioned) and, in particular, must not interfere with the mileage recorder.
- 5.4 The employee is under duty to report all damage or defects within 14 days. Where an employee has damaged the vehicle due to failure to maintain or due to neglect of maintenance or non-reporting of defects then they are liable to pay for the resulting repairs. In the event of a dispute, independent assessors may be consulted. The NHS Y&H's decision will be final.
- 5.5 The employee must not remove or replace any items of equipment from the vehicle which are included in the agreement with the lease car company.

## **6. TERMINATION OF THE LEASE CAR AGREEMENT**

6.1 A lease car agreement can be terminated in one of the following ways:

- a) prior to the expiry of the 3-year lease agreement
- b) the end of the 3-year lease period
- c) by the lease car company

### **6.2 Early Termination of the Lease Agreement**

6.2.1 An employee's right to a car under this Policy will automatically be terminated on the termination of their employment with the NHS Y&H. The employee's right to a car may be terminated by the NHS Y&H at its discretion in the following circumstances, each case being considered on its merits:

- a) by the employee's breach of any on the conditions of this Policy and the lease car agreement
- b) in the event of the prolonged absence of the employee from normal duties
- c) when the employee's contributions cannot be recovered from their salary
- d) when, in very exceptional circumstances, it is agreed by the NHS Y&H that an employee may terminate participation
- e) any other very exceptional circumstances not provided for in a) to d) above

6.2.2 When an employee's participation or right to participate in a lease car agreement is terminated in the circumstances set out above, the employee may be required to reimburse the NHS Y&H for any payment due to the lease car company because of the premature termination of the agreement between the NHS Y&H and the employee. The NHS Y&H may consider whether such payments are required from employees in the following situations:

- a) retirement
- b) transfer to another post not eligible for a lease car within the NHS Y&H

- c) transfer to another post within the NHS where the employee's new employer is prepared to have the lease agreement transferred to them (subject to the approval of the lease car company)
  - d) other very exceptional circumstances not provided for in a) to d) above
- 6.2.3 The NHS Y&H will not pursue payment for the private use of a lease car from the employee, or their estate, in respect of the lease car agreement which is prematurely ended due to the:
- a) employee's death in service
  - b) early termination of employment on the grounds of ill-health
  - c) early termination of employment due to redundancy
- 6.2.4 An employee may however have the option of buying the vehicle at the current value, including settlement of the lease agreement, for the remainder of the lease period.
- 6.2.5 In the event that the employee is absent from work for an extended period on maternity leave, sick leave or approved training, whilst continuing to be employed by the NHS Y&H, the employee, who has contracted for private use of a lease car, may choose to continue the private use at the lease agreement charge. Alternatively at the commencement of their absence they may return the vehicle to the NHS Y&H. In the latter case, there shall be no penalty for termination of the lease agreement.

### 6.3 **Normal Termination of the Lease Agreement**

- 6.3.1 At the end of the 3-year agreement, the following procedures apply:
- a) the vehicle will be appraised for condition by the lease car company and an officer from the NHS Y&H in the presence of the employee
  - b) the employee may be required to reimburse the NHS Y&H the cost of any repairs considered to be needed to bring the car to good condition, taking fair wear and tear into account. In the event of any dispute, independent assessors may be consulted on costs and repairs involved. The NHS Y&H's decision, based on this assessment, will be final
  - c) the contract of hire will then be terminated for the allocated vehicle
- 6.3.2 Employees who want to be allocated another vehicle will need to apply under this Policy. The previous entitlement to a lease car does not provide automatic eligibility for a new lease agreement.
- 6.3.3 The older vehicle may be available for resale to the employee at the end of the 3-year period based on a valuation agreed directly between the employee and the lease car company. This is a private transaction and the NHS Y&H shall not be involved in any such sale.

### 6.4 **Termination of the Lease Agreement by the Lease Car Company**

- 6.4.1 In the event of the lease car company terminating the lease agreement for any reason, the NHS Y&H shall be entitled to terminate this agreement forthwith and without notice, whereupon the employee will, without hindrance, permit and enable the NHS Y&H of the lease car company to repossess the vehicle.

## 7. TAX IMPLICATIONS

- 7.1 HM Revenue & Customs regards the provision of a company car, including lease cars, as a 'benefit in kind' – i.e., part of an employee's income – and therefore it is taxable as income. The amount of tax payable is based upon the vehicle's list price and carbon dioxide emissions.
- 7.2 Although an **estimate** will normally be provided to enable an employee to consider their income tax liability with each quote, it is the employee's responsibility to clarify their tax liability with HM Revenue & Customs or their own financial advisor. Further information, including a tool to calculate your tax liability, are available from HM Revenue & Customs website at <http://www.hmrc.gov.uk/calcs/cars.htm>.
- 7.3 As a simple rule, the lower the list price of the car and the lower the emission level, the lower will be an employee's tax bill.