



# Office of the Police, Fire and Crime Commissioner for Cumbria

Cumbria Constabulary

Cumbria Commissioner Fire and Rescue  
Authority

## Salary Sacrifice Car Scheme Policy

April  
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## **1. Policy Aim**

- 1.1. The Salary Sacrifice Car Scheme Policy enables all officers and staff of the Office of the Police, Fire and Crime Commissioner (OPFCC), Cumbria Constabulary (CC) and Cumbria Commissioner Fire and Rescue Authority (CCFRA) who are permanently employed, and who meet the necessary criteria, to apply to lease a car through a salary sacrifice arrangement, i.e. agree to a reduction in their gross salary in return for the provision of a company car.
- 1.2. Effective pay and reward strategies, together with initiatives including flexible working, offers on goods and services, recognition of achievement and learning and development opportunities contribute to successful recruitment and retention.
- 1.3. This policy provides details of the Salary Sacrifice Car Scheme including potential savings for both employees who elect to join the scheme as well as some potential employer savings.
- 1.4. The choice of company car will be restricted to one that has emissions equal to or below 75g CO<sub>2</sub>/km. The employer may review this limit on an annual basis. Any reduction to this limit and resulting restriction to the range of cars available for officers and staff to choose from will be applied to new leases only.

## **2. Applicability**

### **2.1 Inclusions**

The Salary Sacrifice Car Policy is applicable to all Cumbria OPFCC staff, Cumbria Constabulary police officers, Cumbria Constabulary police staff (including PCSOs) and Cumbria Commissioner Fire and Rescue Authority operational and corporate fire employees, (including full time, part time). In this policy, the term 'employee' refers to individuals who satisfy the eligibility criteria (see section 3.1), and who are permanent or on a fixed term contract of employment where the contract term covers the lease period (as a minimum). Hereafter these groups will be referred to as the employee unless a distinction needs to be made between police officers, police staff, operational fire employees and corporate fire employees.

### **2.2 Exclusions**

The policy does not apply to the Special Constabulary, police service volunteers, Fire Service volunteers, Cadets, temporary staff, some fixed term contracts, agency workers, contractors, self-employed consultants and associates, ICV's and Panel/Committee members etc.

## 2.3 Definitions

- **The organisations** shall mean the OPFCC., Cumbria Constabulary and Cumbria Commissioner Fire and Rescue Authority
- **The employer** shall mean the organisation offering the scheme
- **The employee** shall mean an officer or staff member of the organisation entering into this agreement.
- **Scheme** shall mean the Police, Fire and Crime Commissioner for Cumbria, Cumbria Constabulary and Cumbria Commissioner Fire and Rescue Authority Salary Sacrifice Car Scheme.
- **Scheme Provider** shall mean NHS Fleet Solutions.
- **Salary Sacrifice** - Under this option the employee 'sacrifices' part of their salary in return for a non-cash benefit. As this sacrifice reduces the gross salary, the employee will pay lower tax, national insurance. Members of the Local Government Pension Scheme (LGPS) will see a reduction to their pension contributions (see section 3.4 below).
- **HMRC** – His Majesty's Revenue and Customs.
- **Family Friendly leave** – e.g. Maternity Leave, Paternity Leave, Adoption Leave.

## 3. The Policy

### 3.1 Eligibility criteria

The key eligibility criteria is that HMRC rules on the National Minimum Wage (NMW) must not be broken. This will include the cumulative effects of any other existing Salary Sacrifices.

Applications will be considered against this and rejected if pay would be reduced such that the NMW is not met. (This will mean that on-call firefighters may not be able to participate in the scheme). It should be noted that applications made whilst on reduced pay, due to for example Maternity Leave, Adoption Leave, Long Term Sick Leave etc will be calculated on the reduced rate of pay at the time and so be more likely to fail the NMW test. There is no restriction on employees reapplying when they have returned to full pay.

Where an employee does not hold a valid UK/EU driving licence they are still able to apply for a vehicle under this scheme, where they would nominate for example their spouse, partner or close family members living at the same address to be the primary driver.

Officers and staff will not be considered for a company car under the scheme if:

- They are on Career Break
- They are suspended or under disciplinary action
- They are in the process of exiting the organisation.

- They have outstanding debt with the employer that is not in the processes of being repaid, including any unpaid charges associated with a previous lease car under this scheme.

### 3.2 Features of a salary sacrifice.

- An employee enters into an agreement with their employer to change their terms and conditions of employment, allowing them to receive a reduced salary.
- By receiving this reduced salary, the employee also pays less income tax and National Insurance (NI).
- A reduced salary would be used for any redundancy calculations so employees will need to carefully consider options with regard to this.
- In return for this reduction in salary, the employee receives a car, on which, under current tax rules, they will be required to pay:
  - Benefit in Kind (BIK) tax for cars with emissions up to 75g CO<sub>2</sub>/km,
  - HMRC guidance on BIK can be found at Tax on company benefits: [Tax on company cars - GOV.UK \(www.gov.uk\)](https://www.gov.uk/tax-on-company-cars).
  - The estimated cost of BIK is included in all quotes provided to employees (Tax is a personal liability and employees should always seek their own independent financial advice.)
- By adopting the scheme, the employer organisation will also generate a small amount of savings per vehicle per year.
- There is not an automatic right to change back to receiving a full salary before the end of the term of the lease arrangement, however this is allowed under certain circumstances – see 3.6 Change in Circumstances (lifestyle change) for further details.

### 3.3 Pension benefits.

In implementing the scheme, the employer has sought to minimise the potential impact on the pension benefits earned by employees. Due to differences in pension regulations and remuneration models this achieving this aim has differing impacts on employee groups as follows:

- For police officers, the Constabulary has exercised local discretion (in line with Paragraph 4 of Home Office Circular 12/2008 as agreed by Police negotiating Board) to calculate pensionable pay on the notional gross salary before salary sacrifice. Whilst this means officers will not make savings on pension contributions, there will be no reduction in their pension benefits upon retirement.
- For operational fire employees, CCFRA has exercised local discretion in line with Firefighter Pension Scheme (England) regulations 2014 Reg 17(1)(c) and FPS Bulletin 60 to calculate pensionable pay on the notional gross salary before salary sacrifice. Whilst this means officers will not make savings on pension contributions, there will be no reduction in their pension benefits upon retirement.

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- For staff the LGPS members regulations (LGPS Regs (2013) (20/2f – Pensionable pay) set out that pensionable pay is reduced by salary sacrifice and so staff will also save the cost of pension contributions on the salary sacrifice. This means staff will see greater savings on the cost of a car but will also **see a reduction in their pension benefits upon retirement**. Any death in service and ill health benefits would also be affected.

*It is important that employees thinking of joining the scheme who are concerned about the potential impact of salary sacrifice on their pension benefits should seek their own independent financial advice.*

Summary table of differences between Salary Sacrifice and Salary Deduction.

|   | Salary Sacrifice |              |       |
|---|------------------|--------------|-------|
|   | Police Officer   | Fire Officer | Staff |
| Change to contract of employment  | Yes              | Yes          | Yes   |
| Reduces Gross Pay   | Yes              | Yes          | Yes   |
| Reduced Tax and NI Payments   | Yes              | Yes          | Yes   |
| Reduced Pension Contributions   | No               | No           | Yes   |
| Impacts on Pension Benefits at retirement   | No               | No           | Yes   |
| Potential impact on earnings related benefits, contribution-based benefits and statutory payments. (e.g. redundancy pay, death in service, pension) | Yes              | Yes          | Yes   |
| Subject to benefit in kind (BIK) tax and NI payments  | Yes              | Yes          | Yes   |
| Potential reduction on gross earnings used by financial institutions to assess Mortgage and Loans etc.  | Yes              | Yes          | Yes   |
| Reduction in the level of business mileage allowance paid to align with HMRC Advisory Fuel/Electric Rates (AFR/AER).                                | Yes              | Yes          | Yes   |

The arrangement will be governed by the Terms and Conditions of the contract from the Lease Company.

### 3.4 Change in Circumstances (lifestyle change)

To satisfy HMRC requirements that a salary sacrifice scheme is effective there is no automatic right for the employee to switch remuneration back to salary before the completion of the lease term. However, HMRC state a 'lifestyle event' is required to change the terms of a salary sacrifice arrangement. A lifestyle change significantly alters an employee's financial circumstances and examples would include marriage, divorce and a partner becoming redundant or pregnant.

The following table sets out a range of scenarios that may result in the early termination of the arrangement and who bears the cost in each.

**Scenario:** A significant reduction in gross basic salary plus shift allowance (greater than 25%, excluding variable payments such as overtime). After which the minimum working wage requirements are still met.

| Cause | Action / Option   | Cost borne by |
|-------|---|---------------|
| Any   | The employee may choose to continue the use of the car under salary sacrifice, should the employee wish to return the vehicle and terminate the agreement, they would be liable for a financial penalty and can call Fleet Solutions to discuss in more detail. | Employee      |

**Scenario:** Reduced gross salary plus shift allowance. After which the minimum working wage requirements are **no longer** met. (This includes reduction to nil salary).

| Cause   | Action / Option  | Cost borne by |
|---|--|---------------|
| <ul style="list-style-type: none"><li>• Voluntary reduction in working hours or change to a lower paid role.</li><li>• Disciplinary Process</li></ul> | The employee will need to terminate the salary sacrifice arrangement through early termination. There may be the possibility to enter into discussion with the leasing company for purchase of the vehicle with Fleet Solutions making an introduction, once the salary sacrifice has been early terminated. The | Employee      |

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|  |   |          |
|--|---|----------|
|  | <p>employee will be liable for a financial penalty, on account of early termination of the contract.</p> <p>NB: purchasing a vehicle is not a guaranteed option from the leasing company.</p>   |          |
| <p>Family Friendly<br/>Leave /<br/>Sick Leave</p>                                    | <p>The employee may choose to continue the use of the car making payments under salary sacrifice where possible.</p> <p>Where salary sacrifices are unable to be taken due to low or no pay, any missed payments may be recovered upon your return to work after the lifestyle event following discussions with the employer.</p> <p>If the employee chooses to return the car, they can call Fleet Solutions to discuss this in more detail. They will be liable for a financial penalty, on account of early termination of the contract.</p> | Employee |
| <p>Career Break / other<br/>prolonged absence.</p>                                   | <p>The employee will be required to return the car and meet any early termination charges.</p> <p>There may be the possibility to enter into discussion with the leasing company for purchase of the vehicle with Fleet Solutions making an introduction.</p> <p>NB: purchasing a vehicle is not a guaranteed option from the leasing company</p>   | Employee |
| <p>Accepting a lower<br/>graded role, as a<br/>result of a change<br/>programme.</p> | <p>The employee will need to terminate the salary sacrifice arrangement through early termination.</p> <p>There may be the possibility to enter into discussion with the leasing company for purchase of the vehicle with Fleet Solutions making an introduction, once the salary sacrifice has been early terminated.</p>  | Employee |



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|--|--|--|
|  | The employee will be liable for a financial penalty, on account of early termination of the contract.<br>NB: purchasing a vehicle is not a guaranteed option from the leasing company. |  |
|--|--|--|

**Scenario:** Exit the Organisation

| Cause                                | Action / Option  | Cost borne by |
|--------------------------------------|--|---------------|
| Resignation / Retirement / Dismissal | Lease Terminated / car returned.<br>There may be the possibility to enter into discussion with the leasing company for purchase of the vehicle with Fleet Solutions making an introduction.<br>NB: purchasing a vehicle is not a guaranteed option from the leasing company. | Employee      |
| Redundancy / Death in Service        | Lease Terminated / car returned.<br>There may be the possibility to enter into discussion with the leasing company for purchase of the vehicle with Fleet Solutions making an introduction.<br>NB: purchasing a vehicle is not a guaranteed option from the leasing company. | Employee      |

Typical early termination charges will apply as follows:

Year 1 – 5 months rental

Year 2 – 3 months rental

Year 3 – 1 month's rental

In addition, to the above, at the end of the contract hire period, or on early termination of the contract, the employee may have the opportunity to purchase the car at a rate agreed with the leasing company and subject to an administration charge by the scheme provider.

### 3.5 Pay Implications

By accepting a company car, employees agree for the employer to reduce their pay through salary sacrifice (gross pay), until the full cost agreed under the terms of the lease, including any agreed deferred amount, ad-hoc charges and early termination charges are paid. On-going salary reductions for the above will be made so that the full recovery is made over the remaining term of the lease. The Scheme Terms and Conditions are detailed in the brochure.

### 3.6 Exiting the organisation.

When an employee is exiting the organisation and has outstanding charges due under the scheme the employer will look to deduct these in total against any remaining salary due or other payments such as redundancy.

Where an employee exits the organisation and has not fully repaid all charges due under the scheme an invoice will be issued for the full amount due and be payable by the employee immediately. If this debt is not paid within the agreed term the employer reserves the right to use all available means to recover the outstanding amount including the use of debt recovery agencies and action through the courts.

### 3.7 Business Mileage

Employees would be responsible for ensuring any lease arrangement covers an appropriate level of mileage in order to undertake their required role and expectations around travel. There are no limitations around annual mileage, but leasing rates will reflect the mileage chosen.

Regulations set out that mileage allowance follows the prevailing HMRC rates. For company cars these are the HMRC Advisory Rates which are currently lower than the rate paid to employees for casual business use of their own car. The lower rate reflects that HMRC allows for an element of wear and tear when an employee uses their own car but only the cost of fuel for a company car. The current rates can be found at: [Advisory fuel rates - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/hmrc-advisory-fuel-rates).

*Any employee utilising this policy to lease a vehicle will be expected to use that vehicle for business mileage and will be reimbursed business mileage at the HMRC Company Car Advisory rates.*

### 3.8 Insurance

Insurance will be provided as part of the lease hire agreement, there is not an option to opt out of this mandatory requirement.

*Employees should therefore be aware that they will be joining a company car scheme insurance policy which may have an impact upon leaving the scheme, on any personal no claims bonuses built up prior to joining this lease scheme.*

The employer will allow the employee and up to four further additional drivers, for example their spouse, partner or close family members to use the car provided they are over the age of 21 years, have held a full UK/EU driving License for at least two years and pass the license requirements also applied to employees by the scheme manager.

Employees will not allow other drivers to use their vehicle without express consent from the scheme manager, charges for additional drivers may apply.

Employees should note that the car will only be insured for business purposes of the Authority. If there is a requirement to use the car for any other business use, a formal application must be made to NHS Fleet Solutions (scheme provider) and if this application is agreed it will result in the employee needing to arrange alternative insurance.

At the end of the contract hire period, or on early termination of the contract, the employee may be given the opportunity to purchase the vehicle at a rate agreed with the leasing company and subject to administration charge by the scheme manager.

### **3.9 EV Charging**

Where the employee leases an Electric or plug in hybrid vehicle, there will be no provision of 'free' charging facilities by the employer. Provision of a Home EV charger can be included in the lease arrangement for a vehicle.

## **4. Associated Documentation (Legislation/ National Guidance)**

- Data Protection Act 2018.
- General Data Protection Regulation 2018.

Associated Documents.

- Employee Terms and Conditions as detailed in the car scheme brochure

## **5. Who to Contact About This Policy**

Cumbria Constabulary HR & Central Services Departments

Cumbria Fire and Rescue Authority HR Department / Finance Department