

<b>Title of meeting:</b>	Employment Committee
<b>Date of meeting:</b>	2 <sup>nd</sup> October 2012
<b>Subject:</b>	Proposal to bring pedal cycle mileage rate in line with HMRC rates
<b>Report by:</b>	Payroll and Pensions Manager and Senior Manager Human Resources
<b>Wards affected:</b>	None
<b>Key decision:</b>	No
<b>Full Council decision:</b>	No

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### 1. Purpose of report

To consider whether the Pedal Cycle Mileage rate should be brought into line with HMRC recommendations.

### 2. Recommendations

**That members agree to lower the Pedal Cycle Mileage rate from 36.9p per mile to 20p per mile in line with HMRC recommended rate.**

### 3. Background

The pedal cycle rate is currently set at 36.9p per mile. This value is above the recommended HMRC rate for pedal cycle mileage which is 20p per mile. The rate was set at the higher rate in part to encourage members of staff to consider cycling as an environmentally beneficial alternative to travelling locally by car whilst on council business.

Currently there are an average of 15 claims per month from PCC employees. Over a year the number of different claimants is 45.

The current value of pedal cycle mileage claims for the previous 12 months is £4642, if the rate were in line with HMRC rates, this would have been £2516 (a reduction of £2126 over the year).

Staff who claim 36.9p per mile are liable to payment of income tax and national insurance on the amount paid in excess of the HMRC rate i.e. 16.9p per mile .

The cycle mileage rate was originally introduced as part of the Green Travel scheme however recent discussions with the relevant officers and travel plan group have confirmed that the proposed change in the rate from 36.9p to 20p, to bring it in line with the HMRC [rate](#), will only have a minor impact on staff using sustainable travel options due to currently low levels of cycle mileage claims. Communications on the change in rate will be reviewed

by the Travel Plan Group to ensure that staff do not feel the change in policy is linked to a lack of council commitment around sustainable travel.

#### **4. Reasons for recommendations**

The current E-HR project, which forms part of the Better Performing Workforce transformation work stream, is currently implementing new functionality for the E-Business Suite (Oracle) which includes self-service tools for managers and employees.

The new i-expenses module will allow employees to claim travelling and subsistence expenses electronically through their work PC. However, there is an issue with claiming pedal cycle mileage through the system because it is currently above the HMRC rate.

The reimbursement of travel and subsistence expenses will be processed through i-expenses; via Accounts Payable as opposed to Payroll.

The Accounts Payable system cannot process a claim that includes a statutory deduction such as that required for income tax and national insurance and therefore cannot process pedal cycle allowance at its current rate, because any amount over the HMRC rate is subject to tax and national insurance. .

The administrative arrangements we are required to follow for collecting the tax/national insurance is as follows;

- With the tax element, we need to calculate the 'profit' and produce annual tax form P11d's and send a copy to the employee/HMRC. HMRC will then make arrangements to collect the underpaid tax retrospectively. The process of calculating and producing the P11d tax forms is administratively cumbersome relative to the few staff who claim the expense. It also means staff who claim this expense have to deal with HMRC directly and this leads to confusion and queries as to why they owe the tax.
- National insurance, deductions are made through the payroll.

None of the other mileage rates include a taxable element; unless certain uncommon conditions are met relating to claiming for "home to work" mileage. These occurrences are so few that they number less than 10 per year. It is proposed that these exceptional claims continue to be managed through a paper process.

Negotiations have been undertaken with the unions to explain the implications of this potential change

#### **5. Equality impact assessment (EIA)**

##### **Preliminary EIA Completed**

#### **6. Head of legal, licensing & registrars' comments**

6.1 There are no legal implications arising from this report.

**7. Head of finance’s comments**

7.1 There are no significant financial implications arising from the recommendations contained within this report.

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Signed by:

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by: