

EMPLOYMENT MATTERS COMMITTEE

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ELECTRIC CAR MILEAGE RATE

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Summary

Back in April 2020, under urgency powers, a claimable mileage rate, for those using their own electric vehicle for work purposes was agreed to allow employees to be reimbursed their business related travel costs when driving their own vehicle. No electric vehicle rate existed at that time in HR Policy.

1. Budget and policy framework

1.1. Mileage rates are detailed in the National Joint Council (NJC) terms and conditions that form part of the contractual terms of employment for Medway Council employees.

2. Background

2.1. Mileage rates are a method of compensating employees for the business mileage they undertake, considering not only the cost of the fuel but wear and tear on the vehicle.

2.2. Updated mileage rate tables have not been provided by the NJC since 2010 with advice given to follow HMRC guidelines. The Council are still applying the rates as detailed in the NJC and this gives no guidance on electric vehicles. HMRC do not distinguish electric cars from petrol and diesel cars i.e., they all attract the same pence per mile rate.

2.3. In April 2020 an urgency powers paper on car mileage rates for electric cars and essential car user amount was considered and approved to allow employees with privately owned electric cars to claim business mileage undertaken whilst carrying out their council duties (Appendix 1).

2.4. The rationale for setting the mileage rate for privately owned electric cars in Medway was based on HMRC company car rates for electric vehicles which is approximately 1/3 of the average petrol fuel rate, option A (Appendix 1).

- 2.5. This methodology was applied to the electric car mileage rates for employees who used their private cars, not company cars, whilst carrying out their council duties.
- 2.6. If applied consistently to all private car types, as per HMRC guidance, the mileage rate would not differentiate between electric, petrol and diesel cars. HMRC advise mileage rates of 45p per mile for the first 10,000 miles and 20p per mile thereafter.
- 2.7. In Medway Council we apply the NJC 2010 mileage rates for petrol and diesel cars, and these rates vary dependent on size of engine (Appendix 2). The decision was made to pay electric car users a 1/3 of the lowest fuel emission rate per mile of petrol and diesel cars. Following HMRC guidance for private car rates it could be argued that the HMRC company car rate rationale was wrongly applied to private car user employees in Medway.
- 2.8. There have been some queries and questions raised by employees as to why electric car mileage rates are significantly lower than for petrol and diesel cars and concern that this does not support the Council's climate change agenda.

3. Options

- 3.1. Option 1: Do nothing.
- 3.2. Option 2: Apply the lowest fuel mileage rate of private petrol and diesel cars to electric cars so that the private mileage rates are more equitable as per HMRC guidelines.

4. Advice and analysis

- 4.1. If option 1 is adopted this may lead to further concerns and queries raised by employees and may lead to formal grievances. It does appear to be in contradiction to the Council's climate agenda action plan and could be argued to be a factor in dissuading employees to switch to an electric vehicle.
- 4.2. If option 2 is adopted, it could be argued this would be more equitable in relation to petrol and diesel cars as the mileage rate is not just about reimbursement of fuel, but rates also compensate for wear and tear of the vehicle. This would also be more in line with HMRC guidance of private vehicles used for business which does not differentiate between car types.
- 4.3. Option 2 may also further support favourably employees' considerations in switching to electric vehicles, thereby supporting the climate change agenda.

5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Poor employee relations	Employees raise complaints	Communications will address the positive aspects of the policy; Informal stage of the grievance procedure would facilitate resolution.	D4

6. Consultation

6.1. Trade Unions have been advised of this proposal.

7. Climate change implications

7.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers, and has set a target for Medway to become carbon neutral by 2050.

7.2. Adoption of option 2 may result in a positive climate change/carbon emission outcome if more employees switch to a electric car vehicle as they see it as a more viable option.

8. Financial implications

8.1. Costs for this would be met from existing budgets set for the reimbursing of mileage allowances.

8.2. The number of current employees, who claim private mileage expenses, who have an electric car is low so in the short to medium term the financial cost of this change is low. In the short to long term, if employees switch from petrol and diesel cars to electric car, the mileage rate they would claim would, in most cases, be lower than the mileage rate they claim now as many petrol and diesel cars used by employees currently are above 451-999cc.

9. Legal implications

9.1. In setting mileage rates the Council is signed up to applying NJC mileage rates as part of contractual terms and conditions of employment. NJC are not explicit in rates for electric car vehicles but since 2010 have advised Councils to adopt HMRC guidelines.

10. Recommendations

10.1. The Committee is asked to agree the adoption of Option 2 as set out in 3.2 of the report.

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Appendices

Appendix 1 Urgent Powers Report – Car mileage rates for electric cars

Appendix 2 NJC 2010 mileage rates for petrol and diesel cars

Background papers

<https://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax>