GIG CYMRU NHS WALES | Partneriaeth Cydwasanaethau Shared Services Partnership

GIG CYMRU NHS WALES | Bwrdd Iechyd Prifysgol Caerdydd a'r Fro Cardiff and Vale University Health Board

fleet solutions

by the NHS for the NHS

Staff benefit car lease scheme

www.nhsfleetsolutions.co.uk

NHSFS 010918

The car lease scheme

Overview

The Scheme is designed to provide you with competitively priced and trouble free motoring. Under the Scheme, you lease a car using the Organisation's current lease car suppliers, normally for a period of three years.

There is no deposit required and the cost of providing the car is fixed for the duration of the lease. The car will be insured for yourself and up to four additional named drivers (assuming they are legally entitled to drive and meet the age and occupation requirements).

At the end of the Scheme you can return the car with no additional charge subject to the vehicle meeting the required return standards and having covered no more than the agreed contracted mileage.

Using a salary sacrifice scheme enables you to make savings subject to your salary not falling below National Minimum/Living Wage levels. The provision of the car will make you liable to a company car Benefit in Kind tax charge based on the car chosen and is taken from you via a change to your tax code.

The Benefit in Kind charge is calculated on the manufacturer's list price of the car and a percentage charge determined by the exhaust emissions of the car. The percentages are set each year by the Government as part of the Budget. The Benefit in Kind is outlined on your order form.

Note that with effect from 6 April 2017, HMRC introduced new legislation which applies where benefits are provided via salary sacrifice or other optional remuneration arrangements. Under the new rules the car benefit will be based on the higher of your gross salary sacrifice in relation to the company car or the usual calculated benefit based on the vehicle's list price and emissions. The car tax liability illustrated on your vehicle order form will reflect the applicable benefit.

a. Competitive prices

Competitive lease costs are obtained by working in partnership with the NHS and our combined buying power to secure car leases at the most competitive price. The savings through the use of a salary sacrifice means that the Scheme provides an attractive option to most employees.

b. No deposit

When comparing the Scheme with other types of vehicle finance or personal lease, it is important to remember that no deposit is required. Some commercial schemes show very attractive monthly payments but tend to require sizeable deposits.

c. Full maintenance included

All routine servicing and repair costs arising from normal usage of the vehicle are included in the charge. This includes normal wear of exhausts, replacement batteries, even puncture repair and the replacement of tyres as a result of fair wear and tear. Breakdown cover is also included.

d. Insurance cover

Fully comprehensive insurance cover is included within the Scheme. The vehicle may not be used for any non-NHS related business use. In the event that the vehicle will be used for any NHS business purposes other than that relating to your employer, NHS Fleet Solutions will require full details and may require alternative insurance arrangements to be made.

The standard insurance includes cover for the employee and up to four additional named drivers.

e. Trouble-free budgeting

Under the Scheme you will agree to a new reduced salary ("Revised Basic Salary") at the beginning of the Scheme following receipt of your signed variation of contract ("Variation of Contract"). This Variation of Contract will usually continue for the full term of the Scheme. This means that even if interest rates rise substantially or expensive maintenance is required on the car (excluding any repairs not covered by insurance or needed due to misuse or negligence), your Revised Basic Salary is not affected.

f. Easy ordering and high service levels

A dedicated lease car team work in conjunction with NHS Wales Shared Services Partnership to ensure the process of ordering and receiving your new car is as smooth as possible. The team will also advise and help you through the process of choosing, to receiving and on to using your new car.

Eligibility

Eligibility is subject to the following conditions:

- A permanent employee of the Organisation (and staff in fixed term contracts where a lease can be secured in line with the contract period).
- Entering into Salary Sacrifice arrangements.
- The chosen car does not exceed 140g/km Co2 emission
- Line Manager confirmation of employment status.
- No drivers who have any of the occupations listed in the Insurance section below can be insured on the car.

The Organisation and NHS Wales Shared Service Partnership reserves the right to decline any application.

Drivers

It is possible to have up to four additional named drivers insured for the car (drivers are required to complete a licence check mandate). No driver with any of the excluded occupations listed in the 'Insurance' section below can be insured on the car.

Young Drivers

As an employee you are entitled to be the main driver of your vehicle regardless of your age.

For new vehicle orders you are entitled to add additional drivers under 21 years of age. The following conditions will apply:

- Drivers aged 17-18 can only be added to vehicles with an insurance group of 12 or below.
- Drivers aged 19-20 can only be added to vehicles with an insurance group of 16 or below.
- The driver has no penalty points on their licence (at the time of order).
- The driver has no previous 'at fault' insurance claims (at the time of order).
- An additional driver under 21 years of age cannot be the Primary Driver of the vehicle.
- Drivers under the age of 21 should be added to the insurance policy at the point of order. In certain circumstances you may be able to add a young driver prior to delivery, please contact Fleet Solutions in this instance to discuss.

Adding a young driver will incur an additional premium, this is based on the age of the youngest driver and will be applied throughout the full duration of your lease contract.

Once your order has been approved you will not be reimbursed for any additional costs agreed in relation to young drivers if you choose to remove them, this applies even if the additional driver no longer uses/has access to your lease vehicle. You are entitled to add additional drivers to your policy (up to four) throughout your lease; however, they cannot be younger than the youngest driver set at the point of order.

If your lease vehicle exceeds the agreed contract date (usually 24 or 36 months) the additional premium cost will still apply pro-rata until the vehicle is returned.

How do the arrangements work?

The proposal is as follows:

a. The Organisation will allow you the use of the car of your choice and you will agree to enter into salary sacrifice arrangements ("Salary Sacrifice"). In turn you will be liable for the company car Benefit in Kind income tax charge that arises out of the arrangements on the provision of a company car (taken via a change to your tax code).

b. A Salary Sacrifice is an arrangement where you agree to receive a Revised Basic Salary and the Organisation provides the use of the car (including all servicing, maintenance, road fund licence, and insurance premium). The Salary Sacrifice arrangements will last for an agreed period, specified in your Variation of Contract. At the end of the period, the Variation of Contract will come to an end and you will return to your original terms and conditions of employment and your original gross salary ("Higher Notional Pay").

c. These arrangements will only be available to employees who have a permanent contract of employment (and staff in fixed term contracts where a car can be secured in line with the contract period).

d. The Scheme, and the right to participate in it, is entirely at the discretion of the Organisation who may withdraw the facility at any time. If the scheme is withdrawn it will be to new participants, ensuring everyone currently within the scheme remains in until their agreement ends. If the scheme were to come to an end you will return to your original terms and conditions of employment and your original gross salary ("Higher Notional Pay").

Working Tax Credit ("WTC"), Child Tax Credits ("CTC") or Universal Credits ("UC")

From April 2003 the government introduced Credits, WTC and CTC and in 2013 UC.

It should be noted that quotations do not take into account the impact on WTC, CTC or UC which may mean that it may not be appropriate for some employees to participate in the scheme. WTC and UC are means tested and WTC affects the amount of CTC an employee may receive.
These credits consider the earnings and savings of both the employee and their spouse/ partner. If participating in the scheme were to alter the amount of credits

an employee could claim, any loss of credits may be greater than the tax and NIC savings that may be generated. In principle a company car Benefit in Kind is considered earnings for the purposes of these credits.

Consequently each employee's situation is different and it is necessary to take the spouse/partner's salary and savings into account in order to estimate the most realistic impact of participating in the Scheme. If you qualify for state benefits such as the Disabled Persons Tax Credit (DPTC) you may qualify for a higher level of credit.

If you are currently claiming WTC, CTC or UC you should consider very carefully the likely impact on your net disposable income before committing to any salary sacrifice.

How much can I save?

The exact savings will depend on individual circumstances and the car that is selected. The company car Benefit in Kind charge is calculated on the manufacturer's list price of the car and a % charge determined by the exhaust emissions of the car. This Benefit in Kind is then subject to income tax. The relevant % charges based on CO2 emissions as prescribed by HM Revenue & Customs can be found at www.vcacarfueldata.org.uk (please note that this tax will be recovered via a change to your tax code).

Note that with effect from 6 April 2017, HMRC introduced new legislation which applies where benefits are provided via salary sacrifice or other Optional Remuneration Arrangements (OPRA). Under the new rules the car benefit will be based on the higher of your gross salary sacrifice in relation to the company car or the usual calculated benefit based on the vehicle's list price and emissions. The car tax liability illustrated on your vehicle order form will reflect the applicable benefit.

How long do the Salary Sacrifice arrangements last?

The Variation of Contract will terminate and you will revert back to your Higher Notional Pay, at the end of the Salary Sacrifices - which usually lasts for three years to coincide with the car lease period. However, should you retain the car for a period beyond the Variation Period, for example should you retain the car pending delivery of your next vehicle, the Variation Period will be extended and further Salary Sacrifice reductions will be made. It is envisaged that for the majority of employees Salary Sacrifices will run continually throughout the life of the lease.

What is the general effect of reducing taxable salary?

Employees accepting this proposal may pay a reduced amount of tax and NIC and therefore in net salary terms might be better off each month. However, a number of state benefits are dependent on paying a minimum level of NIC, for instance Statutory Sick Pay and Job Seekers Allowance. You should consider the impact on such future benefits if the Salary Sacrifices means that your Revised Basic Salary falls below the starting level for paying NIC. For further information on the current starting level for NIC please contact Employee Services.

You should be aware that agreeing a Revised Basic Salary may affect other occupational and state benefits such as Statutory Maternity Pay, SSP, and your level of entitlement in the event of death. Agreeing a Revised Basic Salary might also affect more general financial matters such as mortgage applications, however the majority of high street lenders take into account the arrangements outlined in this brochure when making mortgage decisions especially since many of the banking institutions already have similar arrangements in place for their own employees.

Any other payments (i.e. over and above basic salary) such as shift allowances, overtime payments, and redundancy entitlements would continue to be calculated based on the Higher Notional Pay. Any annual salary increments will be stated both in terms of the Higher Notional Pay and Revised Basic Salary. It is important to note that percentage salary increases will be made by reference to the Higher Notional Pay.

National Minimum/Living Wage

The Salary Sacrifices cannot reduce your Revised Basic Salary to a rate below the prescribed National Minimum/Living Wage rates (i.e. so that your new rate of hourly pay would equate to less than the hourly legal minimum rate).

The Organisation is obliged to pay you the legal minimum wage you are entitled to and may opt you out of the salary sacrifice scheme. This will result in you returning to your higher notional pay and original terms and conditions of employment. You may be required to return the Vehicle and could be liable to pay an early termination charge as a result of voluntarily reducing your working hours or

leaving the scheme before the end of the Variation Period. The Organisation will contact you if you fall below the National Minimum/Living wage to discuss what happens next.

If your salary falls below the National Minimum/Living Wage rate once the deduction for the car has been taken out of your gross pay, the NHS Fleet Solutions quotation system will offer the same vehicle under a 'Net Deduction' scheme (ie; deduction taken from your net salary). It has been decided that employing organisations set a maximum percentage threshold to ensure that they protect the employee and provide a Duty of Care. These thresholds can be obtained by contacting the Salary Sacrifice Department: abm.salarysacrifice@wales.nhs.uk.

What about my pension arrangements?

The fact that your contractual pay is being varied means that your level of pension contribution will be reduced (i.e. the level of your pension contribution will be based on the Revised Pensionable Pay) and your take home pay will be different as a result. With regard to the NHS Pension Scheme, whether or not there will be an impact depends on what Scheme you are a member of (i.e. whether you are a member of the 2015 Scheme, or the 1995/2008 Scheme), and also, in respect of any accrued benefits in the 1995/2008 Scheme, whether the Salary Sacrifices runs into the period used to calculate your pension entitlement.

1995/2008 Scheme

If you are entitled to Full Protection in relation to the 1995/2008 Scheme (i.e. as at 1 April 2012 you were already over your Normal Pension Age (NPA) or 10 years or less from your NPA and in active membership on both 1 April 2012 and 31 March 2015), then there will be no impact unless the Salary Sacrifice runs into the period used to calculate your pension entitlement.

This is because your entire pension benefits will be determined by the income received in either:

- 1995 Scheme - The best of the last three years (usually the last year) prior to retirement
- 2008 Scheme - An average of the best 3 consecutive years in the last ten years prior to retirement

Accordingly, any Salary Sacrifices that are in place during the period that is used to determine on-going pension entitlement, will have an impact on the pension received.

If you are entitled to Tapered Protection in relation to the 1995/2008 Scheme (i.e. as at 1 April 2012 you were more than 10 years, but less than 13 years and 5 months from your Normal Pension Age and in active membership on both 1 April 2012 and 31 March 2015), your pension entitlement in the 1995/2008 Scheme will also be determined in the manner indicated above.

If you transitioned to the 2015 Scheme, you will have retained a final pay link for the purpose of your 1995 or 2008 benefits accrued to the point of transition. (ie: your pensionable pay when you retire will be used to calculate benefits and not your pensionable pay at the point of the transition)
Benefits you accrue in the 2015 Scheme will be reduced by the Salary Sacrifice arrangements.

If you are not entitled to Full Protection or Tapered Protection, your pension entitlement in the 1995/2008 Scheme as at 31 March 2015 will be determined in the manner indicated above i.e. you retain a final pay link for the purpose of those accrued benefits.

Please note that where an employee leaves the NHS Pension Scheme and freezes their pension entitlement in the 1995/2008 Scheme, the value of the deferred pension will probably be affected if you participate in Salary Sacrifice arrangements immediately prior to leaving the NHS Pension Scheme.

Salary Sacrifice arrangements in the 1995/2008 Scheme may also impact on the benefits paid in the event of early retirement due to Ill Health i.e a possible reduction to the pension and lump sum payable. In such circumstances the pension entitlement is determined by the income level as explained above and therefore may be impacted if salary sacrifice arrangements are in place.

Salary Sacrifice arrangements in the 1995/2008 Scheme may also impact on the benefits paid in the event of early retirement due to Redundancy i.e a possible reduction to the pension and lump sum payable. In such circumstances the pension entitlement is determined by the income level as explained above and therefore may be impacted if salary sacrifice arrangements are in place.

Salary Sacrifice arrangements in the 1995/2008 Scheme may also impact on the benefits paid to dependents in the event of death i.e a possible reduction to both the Death Gratuity Payment and Survivor benefits payable. In such circumstances the pension entitlement is determined by the income level as explained above and therefore may be impacted if salary sacrifice arrangements are in place.

2015 Scheme

If you are in the 2015 Scheme, given future service benefits will accrue on a Career Average Revalued Earnings basis, your pension in the 2015 Scheme will be based on your pensionable pay for each year you are in this scheme. Essentially this means that the pension you earn each year is based on pensionable pay in that year and is increased by a set revaluation rate, linked to inflation, for each year up to retirement or leaving. The final pension is then calculated by adding together the pension earned in each year of NHS Pension Scheme membership in the 2015 Scheme so it will not be limited to the period immediately before you leave as is the case under the 1995/2008 Scheme.

This basis of calculation for final pension entitlement in the 2015 Scheme means that any salary sacrifice arrangements that exists during membership of this scheme will have the effect of lowering your pensionable earnings each year and, therefore affecting your final pension entitlement in the 2015 Scheme. Death benefits will also be reduced ie; both the Death Gratuity Payment and Survivor benefits payable. The benefits payable for Early Retirement due to Ill Helath would also be reduced. The benefits payable for Early retirement due to Redundancy would also be reduced. It is therefore recommended that you obtain advice to understand the impact that any salary sacrifice arrangements will have on your specific pension entitlement before entering into the Car Lease Scheme. This advice can be sought from NHS Pensions on 0300 3301 346.

Long Term Sickness, Maternity Leave, Redundancy or Resignation

The Organisation recognises that employees who are unable to work because of illness or incapacity, or who take maternity leave during the period of the Salary Sacrifices, may have concerns. In these circumstances any employee who is unable to attend work due to sickness or incapacity, for a period exceeding 6 months, or who takes maternity leave will remain on their varied terms and conditions of employment and will retain the use of the car.

If you are expecting a baby and are considering joining our Car Lease Scheme, you must be aware that your Statutory Maternity Pay ("SMP") and Occupational Maternity Pay ("OMP") (where payable) could be affected.

SMP and OMP are calculated on the amount of average weekly earnings during the eight week period preceding the 15th week prior to the expected date of childbirth. A "salary sacrifice" arrangement (such as the Scheme) will result in you having lower average weekly earnings.

Therefore any "salary sacrifice" arrangements entered into during this eight week period may reduce your entitlement to SMP and OMP (where payable). If you are pregnant and expect to have a period of maternity leave you should think very carefully as to whether you should join the Scheme during this period (please contact your Payroll Officer for further details including advice on Adoption and Paternity Leave).

If you are receiving either SMP and Maternity, Adoption Pay, or Paternity Pay you should contact Payroll to find out whether you are eligible to enter into Salary Sacrifice arrangements and take part in the Scheme after taking into account your other financial commitments which are deducted at source whilst on maternity leave, adoption or paternity leave.

Early Termination Fee

Where the salary sacrifice agreements are terminated early as a result of resignation the termination fee, detailed in your Official Order Form, will be charged. Early termination of the agreement requires you to demonstrate a significant lifestyle change. Please note that the termination fee will be invoiced to you or deducted from your final salary upon leaving the Organisation.

If you were to retire on ill health grounds, die in service or have been made redundant the Organisation may pay, at their discretion, any associated early termination costs.

If you leave the salary sacrifice scheme early as a result of falling below the National Minimum/Living wage the termination fee will be charged. Depending on the circumstances of the early termination the Organisation, at their discretion, may decide not to charge the termination fee. You are liable to pay the early termination costs in all other circumstances.

Insurance

The car will have fully comprehensive insurance for business purposes of the Organisation and private use under the terms and conditions of the insurance held by the Organisation ("Insurance Terms and Conditions").

Up to four additional named drivers can be included on the insurance policy. We will not provide cover for any drivers who have one of the following occupations; professional gambling, sport or entertainment, hawking or general dealing, street or market trading under the standard insurance. . The Insurance Terms and Conditions are subject to change on an annual basis when the policy is renewed; such changes are outside the control of the Organisation.

You should note – the car is only insured for business purposes of your employing Organisation. If there is a requirement to use the car for any other NHS related business use, a formal application must be made to NHS Fleet Solutions and if this application is agreed may result in you needing to arrange alternative insurance.

The insurance cover provided gives cover for up to five named drivers (including you). In the event of a claim an insurance excess is payable by you.

The excess rate levied depends upon the individual circumstances of the driver, factors such as; age, previous convictions and accidents. Outlined below is the system our insurers use to calculate the excess amount. For further advice please contact NHS Fleet Solutions on 0344 811 8228. The excess rates shown within this table are levied at the point of claim, not upon inception of the policy.

Please note: for any driver under the age of 23, the point's matrix will increase by 50%.

Insurance Excess Policy

Conviction Codes	Points
CU10-66, LC20-56, MS10-46 & 60-96, MW10-16, PC10-36, PL10-PL56, SP10-66, TS10-76, Z006	1
CU80-86 , CD10-76, Z009	3
AC10-36, BA10-36, E001-E018, IN10-16, MS50-56, NA01-NA03, TT99, XX99	8
DR10-96, UT10-56, CD40-71, DD10-86, Z001-Z005, Z007-Z008	10

Accidents	
No. of fault accidents (within 3 years)	**Points**
1	1
2	3
3	8
4 or more	10

Excess Rates				
Points	**Driver aged 17 - 24**	**Driver aged 25 and over**	**Driver aged 25 and over (held licence less than 1 year)**	**Notes**
Standard Rate	£500	£250	£400	
3 - 4	£700	£450	£600	
5 - 6	£900	£650	£800	
7 - 9	£1,100	£850	£1,000	
10 - 12	£1,100	£850	£1,000	Driver training also required at a cost of £349. Additional named drivers cannot be covered with a points score of 10 - 12
12 +	Requires referral to insurer	Requires referral to insurer	Requires referral to insurer	Additional named drivers cannot be covered with a points score of 12+

Any additional excess imposed due to the accumulation of points will remain in force of a minimum of 3 years

Servicing, repairs and breakdowns

All routine servicing and repairs arising from normal usage are included within the Scheme. You must ensure that weekly checks such as tyre pressures, oil and coolant levels, brake fluid levels, windscreen washer level and a visual inspection of lights, bodywork and windscreen are carried out (at your expense).

You have a duty to ensure the car is properly and regularly maintained in accordance with the manufacturers and the lease company's instructions. Only approved agents must be used. You must co-operate with all reasonable requests by the Lease Company (notified to you in your Drivers Handbook) or NHS Fleet Solutions to ensure maintenance and servicing is properly and swiftly carried out.

For repairs, contact NHS Fleet Solutions for advice. Damage caused by misuse, negligence or excessive wear and tear will be charged to the employee. All cars will have breakdown cover.

The following are exclusions from the Lease Company (notified to you in your Drivers Handbook) breakdown cover and will result in a charge to the employee:

- Non – mechanical breakdowns that could have been avoided by the driver
- Contaminated fuel
- Running out of fuel
- Lockouts
- Wheel change – when the spare is not available
- Second call out for a battery that has been previously condemned by a patrol

(This list is not exhaustive)

Please note that due to data protection and control of in-life events, in car features such as 'connected services', 'apps', 'subscriptions' or multicity connect may have limited or withheld capabilities. These reduced or time limited services are outside the control of NHS fleet solutions. Connected services are not considered to be a fundamental part of the vehicle that affects its operation.

Contract mileage

At the end of Salary Sacrifice if the average annual mileage (pro rata) exceeds the agreed mileage (pro rata) over the course of the lease, you will be liable to an additional charge based on a cost per additional mile. The excess mileage (pro rata) charge rate depends on the specific car but is likely to be around 7p per mile (plus VAT) for petrol and diesel cars only. Plug in electric and electric cars could be substantially more. It is important that you consider this, when estimating your annual mileage rate (pro rata) on the application/quotation form. At the end of the leasing period if the average annual mileage (pro rata) is less than the agreed annual mileage (pro rata) you will not be eligible for a rebate.

Payments

Any charges levied against the Organisation in respect of the car will be recovered from your net salary, for example:

- Excess mileage costs
- Termination fees
- Lease Company admin charges associated with speeding or parking fines or any other admin duty carried out
- Uninsured damage charges
- Costs incurred through neglect, abuse or poor maintenance of the car Insurance Policy excess
- Parking and congestion charge fines (please note that your details will be passed on to Local Authorities and Governing Bodies as necessary)
- Upon leaving the Organisation, any outstanding charges relating to Early Termination Charge or any of the above, will be deducted from your final net salary

(This list is not exhaustive)

Business Use

If you use the Lease Car for the business of the Organisation you will be reimbursed at Standard User Rates (current rates can be found on the HMRC website - https://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax)
Due to HM Revenue & Customs guidelines, you will be liable to pay tax on the difference between the prevailing HM Revenue & Customs Company Car mileage rates and the actual rate paid. (Details of current Company Car Mileage Rates can be found at www.gov.uk/government/publications/advisory-fuel-rates.)

Fuel scale charge

Travel from home to your permanent workplace (including excess mileage as a result in change of base) is defined under HMRC rules as private use of the car and the car fuel benefit would apply. This in effect means that anyone claiming home to work mileage for any reason would be subject to additional tax charges arising from the fuel benefit charge.

Some examples of home to work mileage include excess travel, on-call travel, overtime travel, recalled to work travel, emergency return to work.
(This list is not exhaustive)

The End of the Agreement

At the end of the Salary Sacrifice the car should be returned to NHS Fleet Solutions. Assuming there is no damage (over and above fair wear and tear) and the contract mileage hasn't been exceeded there will be no further charge. You will be free to arrange a new Salary Sacrifice prior to the termination date in order to ensure that delivery of the new car coincides with the date for returning the existing car. At the end of the Salary Sacrifice arrangements you will return to your original terms and conditions of employment and your Higher Notional Pay.

Data Protection (GDPR)

For information on how NHS Fleet Solutions use your data please refer to our Privacy Policy at www.nhsfleetsolutions.co.uk/pages/privacycookienotice.

Conclusion

It is the Organisation's aim to pass onto employees the commercial advantages offered to it by the motor trade, which will allow employees the use of company cars in a cost effective fashion. For most employees the arrangements under a salary sacrifice will further reduce the effective cost of funding the use of car in what could be considered, "Hassle-free motoring".

Next Steps

If you wish to take up this option, wish to discuss this further, or find the extensive range of cars available under these arrangements please contact NHS Fleet Solutions by email at **enquiry@nhsfleetsolutions.co.uk** or by telephone on:
0344 811 82 28 or visit our website at: **www.nhsfleetsolutions.co.uk** - you will be required to register on our website using **VPD 001.**