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**The hassle-free way to  
lease your dream car!**



# **Employee Benefit Car Lease Scheme**

[www.nhsfleetsolutions.co.uk](http://www.nhsfleetsolutions.co.uk)

# 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 Authority's current lease car suppliers, normally for a period of two or 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.

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 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.

- **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.
- **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.
- **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.
- **Insurance cover**  
Fully comprehensive insurance cover is included within the Scheme. In the event that the car will be used for business purposes other than that relating to your employer, NHS Fleet Solutions will require full details and will require alternative insurance arrangements to be made. The standard insurance includes cover for the employee and up to four additional named drivers.
- **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.
- **Easy ordering and high service levels**  
A dedicated lease car team is employed by the Authority, and they will work hard 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 Cumbria Commissioner Fire and Rescue Authority (and staff in fixed term contracts where a lease can be secured in line with the contract period).
- Payment to be via Salary Sacrifice.
- No drivers who have any of the occupations listed in the Insurance section below can be insured on the car.
- Where an employee does not hold a valid UK/EU driving license 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.
- Employees can have up to one vehicle via the scheme at any time.
- Only cars with CO2 emissions of 75g/km or less are available under the Scheme.

The Authority 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 to additional drivers:

- The additional drivers aged 17-18 can only be added to vehicles with an insurance group of 12 or below. Electric Vehicles = Maximum Vehicle Insurance Group is 16.
- The additional drivers aged 19-20 can only be added to vehicles with an insurance group of 16 or below. Electric Vehicles = Maximum Vehicle Insurance Group is 22.
- The additional driver has no penalty points on their licence (at the time of order).
- The additional 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 Authority will allow an employee the use of the car of their choice and the employee will agree to enter into salary sacrifice arrangement ("Salary Sacrifice"). In turn the employee will be liable for the company car Benefit in Kind income tax charge that arises out of the arrangement on the provision of a company car.
- b. A Salary Sacrifice is an arrangement where an employee agrees to receive a Revised Basic Salary and the Authority provides the use of the car (including all servicing, maintenance, road fund licence, and insurance premium). The Salary Sacrifice arrangement will last for an agreed period, specified in your Variation of Contract. At the end of the Salary Sacrifice, the Variation of Contract will come to an end and the employee will return to their original terms and conditions of employment and their original gross salary ("Higher Notional Pay").
- c. This arrangement will only be available to employees who have a permanent contract of employment (and staff in fixed term contracts where a lease 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 Authority 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 the employee will return to their original terms and conditions of employment and their original gross salary ("Higher Notional Pay").

## Working Tax Credit (“WTC”), Child Tax Credits (“CTC”) and Universal Credit (“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 [Select a search : Directgov - Car fuel data, CO2 and vehicle tax tools \(vehicle-certification-agency.gov.uk\)](https://www.direct.gov.uk/en/Car-fuel-data/CO2-and-vehicle-tax-tools/vehicle-certification-agency.gov.uk)

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 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 does the Salary Sacrifice last?

The Variation of Contract will terminate, and employees will revert back to their Higher Notional Pay, at the end of the Salary Sacrifice - 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 Sacrifice 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 Sacrifice 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.

Employees should be aware that agreeing a Revised Basic Salary may affect other occupational and state benefits such as Statutory Maternity Pay, SSP, and their 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 arrangement 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 Sacrifice cannot reduce an employee's Revised Basic Salary to a rate below the prescribed National Minimum/Living Wage rates (i.e. so that their new rate of hourly pay would equate to less than the hourly legal minimum rate). The Authority 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 leaving the scheme before the end of the Variation Period. The Authority will contact you if you fall below the National Minimum/Living wage to discuss what happens next.



## What about my pension arrangements?

### Fire Fighter Pension Arrangements:

A salary sacrifice arrangement has no effect on a Firefighter pension.

### Staff Pension Arrangements:

There were changes to the Local Government Pension Scheme with effect from April 2014. Members of the scheme with service prior to April 2014 will effectively have two pension benefits:

- one based on a final salary scheme.
- one based on the new career average scheme.

This will mean that any member who has already taken or in the future takes out a non-pensionable salary sacrifice, such as the Car Lease Scheme, and has pre-April 2014 service will have to consider the implications to their pension benefits earned under both schemes.

### Pension earned before 1 April 2014

Under a non-pensionable salary sacrifice scheme such as the Car Lease Scheme, your contractual pay is being reduced and this means that your level of pension contribution will be reduced.

There will be no impact on the pre-April 2014 pension scheme, unless your salary sacrifice contract runs into the period used to calculate your pension entitlement. For the majority of Authority staff it is the income earned in the last year of pension scheme membership that determines ongoing pension payments after retirement. If this is the case, any salary sacrifice in the last year of membership will have the effect of lowering pension scheme benefits due.

For example

Pay before the Salary Sacrifice is applied: £15,000

Pay after the Salary Sacrifice is applied: £12,000

If your pay is at the reduced level at the date you leave, your pre 2014 pension will be based on the reduced amount. The effect of this can be seen in the figures below:

Pre 2014 service 20 years

Based on full pay of £15,000 this would equate to a pension of £5,000 Based on the reduced pay of £12,000 this would equate to a pension of £4,000

Pre-April 2014 Pension benefits are determined by the income received in either:

- One of the last three years (usually the last year) prior to retirement or
- If your pay has been reduced or restricted (after 1 April 2008), within ten years of leaving or retiring, you can choose to have your pension benefits calculated using the average of any three consecutive years in the last thirteen, ending on 31 March. This, however, only applies in the following circumstances:
  - (a) if the member chooses to be employed at a lower grade or with less responsibility,
  - (b) for the purpose of achieving equal pay,
  - (c) as a result of job evaluation,
  - (d) a change to a member's contract resulting in the cessation, restriction or reduction of a pensionable emolument, or
  - (e) any increase in the member's rate of pay has been restricted so that it is likely to adversely affect the rate of pension.

In addition, this does not apply if the pay reduction is because a temporary increase in pay has stopped and only applies where pension scheme members have been continuously employed by the same employer following the pay reduction, unless members have been transferred to a new employer under a TUPE arrangement.

In such circumstances a salary sacrifice that is in place during the period that is used to determine ongoing pension entitlement, will again have an impact on the pension received. Where an employee leaves the Authority pension scheme and freezes their pension entitlement, the value of the frozen pension may be affected if an employee participates in the salary sacrifice arrangement immediately prior to leaving the pension scheme.

Pension earned after 1 April 2014

As the LGPS 2014 is a Career Average Revalued Earnings scheme (CARE), your pension benefits are built up each year based on the pensionable pay you have received in that financial year. This amount is then banked and will not change, apart from being increased in line with the consumer price index.

For example

Pension benefits accrued during a three year period based on an actual pensionable pay received of £15,000 in each year, are as follows:

Year 1  $£15,000 \times 1/49\text{th} = £306.12$

Year 2  $£15,000 \times 1/49\text{th} = £306.12$

Year 3  $£15,000 \times 1/49\text{th} = £306.12$

Total pension benefits built up £918.36

However, by participating in a non-pensionable salary sacrifice scheme you will effectively reduce the amount of pay that is used in the calculation of your benefits and therefore it will result in a permanent reduction in the amount of pension benefits you will receive.

For example

Pension benefits accrued during a three year period based on an actual pensionable pay received of £12,000 in each year (£15,000 less the sacrificed pay of £3,000).

Year 1  $£12,000 \times 1/49\text{th} = £244.90$

Year 2  $£12,000 \times 1/49\text{th} = £244.90$

Year 3  $£12,000 \times 1/49\text{th} = £244.90$

Total pension benefits built up £734.70

- It is important to remember that the longer your salary sacrifice contract, the more years of pension benefits will be affected.
- If you are taken seriously ill and are required to take medical retirement, or you sadly die in service, this can have an impact on your on-going pension entitlement or that of your nominated recipient. In such circumstances, the pension entitlement is determined by the income level in the preceding 12 months and, therefore, may be affected if a salary sacrifice is in place.
- If you are made redundant while you are still participating in a car salary sacrifice scheme then your retirement (if age 55 or over) or deferred (if under age 55) benefits will be calculated using the reduced pay figure for the year you are made redundant. All previous pension benefits will still be paid out as they have been calculated during those years.

## Long Term Sickness, Maternity Leave, Redundancy & Resignation

The Authority recognises that employees who are unable to work because of illness or incapacity, or who take maternity leave during the period of the Salary Sacrifice, 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" arrangement 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 arrangement 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 agreements requires the employee to demonstrate a major lifestyle change. Please note that the termination fee will be invoiced to you.

If you were to retire on ill health grounds, die in service or have been made redundant the Authority may pay 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 Authority, 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 Authority and private use under the terms and conditions of the insurance held by the Authority ("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. 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 Authority.

You should note – the car is only 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 and if this application is agreed will result in you needing to arrange alternative insurance.

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

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
CU10-50, LC10-56, MS10-30, MS60 - 80, MW10-16, PC10-36, PL10-PL56, SP10-66, TS10-76, Z006	1
CU80-86 , CD10-36, Z009	3
AC10-36, BA10-60, E001-E018, IN10-16, MS50-56, MS90 - 96, NA01-NA03, TT99, XX99	8
DR10-90, DG10-60, UT10-56, CD40-90, DD10-90, MR09-59, 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 - 20	Driver aged 21 - 24	Driver aged 25 and over	Driver aged 25 and over (held licence less than 1 year)	Notes
Standard Rate	£500	£400	£250	£400	
3 - 4	£700	£600	£450	£600	
5 - 6	£900	£800	£650	£800	
7 - 9	£1,100	£1,000	£850	£1,000	
10 - 12	£1,100	£1,000	£850	£1,000	Driver training also required at a cost of approximately £300. 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	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 for a minimum of 3 year



## Servicing, Repairs and Breakdowns

All routine servicing and repairs arising from normal usage are included within the Scheme.

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, the employee will be liable to an additional charge based on a cost per additional mile - see below. It is important that employees consider this, when estimating their 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) the employee will not be eligible for a rebate.

### Excess Mileage Charges:

- Petrol - 6p per mile
- Diesel - 6p per mile
- Full electric - 12p per mile
- Hybrid (Petrol/Diesel) - 12p per mile
- Plug-in Hybrid Electric Vehicle (PHEV) - 18p per mile

## Payments

Any charges levied against the Authority 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  
(This list is not exhaustive)

## Mileage Amends

You will have one opportunity during the term of your salary sacrifice agreement to amend your contract mileage. Please refer to the terms and conditions of this option, which can be found in the Amend Mileage section of your online Fleet Solutions account.

## Business Use

Employees should be aware that due to HM Revenue & Customs guidelines, staff using a Lease Car for the business of the Authority will only be able to claim business mileage at the prevailing HM Revenue & Customs mileage rates. For any business mileage reimbursements, you will be liable to pay tax on the difference between the rate you receive and HMRC's prevailing Advisory Fuel Rate. Further details of the AFR rate can be found on HMRC's website. Vehicles leased through the Car Lease Scheme will not be eligible for standard or regular user allowance.

## 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. Employees 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 arrangement, you will return to your original terms and conditions of employment and your Higher Notional Pay.

## Conclusion

It is the Authority'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 arrangement 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](mailto:enquiry@nhsfleetsolutions.co.uk)

or by telephone on: 0344 811 82 28

or visit our website at: [www.nhsfleetsolutions.co.uk](http://www.nhsfleetsolutions.co.uk)

You will be required to register on our website using VPD P20 (Fire Staff and Officers).



0344 811 8228

[www.nhsfleetsolutions.co.uk](http://www.nhsfleetsolutions.co.uk)

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