

Extension of the temporary increase to mileage rates, due to the significant increase in fuel costs.

Summary: This report provides members with information in order to consider a medium term increase in mileage rates, due to the ongoing situation with respect to increased fuel costs. The medium term would be to the end of the 2022/2023 financial year.

Options considered:

- 1) To revert to the Council's mileage rates at 0.45p per mile for essential car users, and 0.52p per mile for casual users, therefore ending the temporary increase.
- 2) The temporary increased mileage rate is 0.60 per mile. Allow the Chief Executive to have the accountability to operate the temporary increase for the remainder of the 2022/2023 financial year. The Chief Executive Officer would review the rate each month, and if circumstances dictate, have the flexibility to reduce the enhance rate reflecting any significant fall in petrol and diesel prices.

Conclusions: Recognising the significant increase in petrol and diesel prices since the end of February this year Full Council is asked to consider providing additional financial support to Officers undertaking work-related travel.

Recommendations: Full Council is recommended to agree Option 2 – to support the increased mileage rates for the remainder of the 2022/23 financial year, subject to monthly review by the Chief Executive, with the increased rates being removed if there is a significant reduction in fuel prices over that period.

Reasons for Recommendations: This is intended to provide some increased financial support to Officers working out in the district, maintaining outward facing services.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

N/A

Cabinet Member(s) Cllr's Adams & Seward	Ward(s) affected N/A
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1. Introduction

- 1.1 On 24th February 2022, Russia invaded Ukraine, in a major escalation of the Russo-Ukrainian War that began in 2014. The invasion caused Europe's fastest-growing refugee crisis since World War II, with more than seven million Ukrainians fleeing the country and a third of the population displaced.
- 1.2 Aside from the humanitarian costs of this war, there have been further implications to the worldwide economy, both in terms of economic activity and the cost of commodities. This report is focused on the rising costs of petrol and diesel and the impact this is having on the provision of services by the District Council.
- 1.3 Data obtained from [Weekly road fuel prices - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/weekly-road-fuel-prices) on 9th June 2022 provided the average pump prices for a litre of petrol and diesel.

Date	Petrol	Diesel
Jan 31 st	145.74	149.68
Feb 28 th	149.22	153.36
Mar 28 th	162.65	176.44
Apr 25 th	161.84	176.33
May 30 th	168.96	181.56
Jun 6 th	175.55	185.31

- 1.4 An article published on the BBC news website [Petrol prices see biggest daily jump in 17 years - BBC News](https://www.bbc.com/news/business-61444444) on 9th June 2022 reports “*The price of petrol saw its biggest daily jump in 17 years on Tuesday with a rise of more than 2p a litre. The RAC motoring group said the average cost of filling a typical family car with petrol was now £99.40 and could exceed £100 as soon as Thursday. Soaring fuel prices have been driven by the war in Ukraine and moves to reduce Europe's dependence on Russian oil. With food and energy bills also surging, many households are under pressure. The average price of petrol rose to 180.73p per litre on Tuesday, the RAC said. Meanwhile, the average price of diesel rose by almost 1.5p to another record high of 186.57p per litre, making the cost of filling a 55-litre family car £102.61.*”

2. Main body of report

- 2.1 In March 2022, the Human Resources Manager (HRM) held one of his regular meetings with UNISON. One of the topics discussed was mileage rates, and that UNISON members and non-members were finding the ever increasing fuel costs difficult to absorb.
- 2.2 The HRM recognised this position and discussed with the Chief Executive Officer (CEX). A proposal for a temporary increase in the mileage rate to be paid to staff undertaking work-related travel to 0.60p per mile.

- 2.3 The proposal was initially for three months, and thereafter would be reviewed on a monthly basis, and could be removed by the CEX at any time.
- 2.4 The CEX indicated his agreement with the proposal, it was shared with Officers via an intranet article.
- 2.5 The temporary increase was approved through the delegated authority process, being signed by the S151 Officer, and copies shared with the Monitoring Officer and Democratic Services Officer on 24th March 2022.
- 2.6 North Norfolk District Council's employee terms and conditions are governed by the "green book" for Officers and NJC terms and conditions for Chief Officers. All of these are nationally negotiated terms and conditions. The Council is, on some matters, able to agree a "local arrangement" with the recognised union, which in this case is UNISON. In the case of the temporary mileage increase, this is what has occurred.
- 2.7 It is recognised that the increased mileage rates do place an additional cost on the Council's finances, and it was for this reason that initially a temporary three-month increase was proposed in order that the impact of the war in Ukraine on global oil prices and pump prices in the UK could be better understood.
- 2.8 However, as the price of petrol and diesel at the pumps has continued to rise, despite the Government providing a 5 pence cut in duty, the HRM is now recommending to Council that the increase in mileage rates be extended until the end of the 2022/2023 financial year, subject to monthly review by the Chief Executive, with the increased rates being removed if there is a significant reduction in fuel prices over that period.

3. Financial and Resource Implications

- 3.1 No additional resources are required to operate the temporary increase, as mileage claims are processed through the Council's HR and Payroll management software.
- 3.2 The HMRC mileage rate of 0.45 per mile is not subject to tax or national insurance deductions. When an Officer receives a mileage rate in excess of the HMRC rate, they are deducted tax and national insurance on the difference. So in this case there would be deductions on the additional 0.15, being the difference between the HMRC rate, and 0.60 per mile being the temporary increase (if approved).
- 3.3 Since the increase in the mileage rates was implemented in March, the average costs to the Council have increased. The following commentary should provide further clarity.

Pay Month	Total Miles	@ 60p per mile			@ old rates			Difference
		Total Pay	ER's NI	Total Cost	Total Pay	ER's NI	Total Cost	
Apr-22	15898	£9,538.80	£358.90	£9,897.70	£7,442.03	£43.33	£7,485.36	£2,412.34
May-22	14649	£8,789.40	£330.70	£9,120.10	£6,890.92	£44.98	£6,935.90	£2,184.20
Average	15273.5	9164.1	344.80	£9,508.90	£7,166.48	£44.16	£7,210.63	£2,298.27

- 3.4 The above table shows the actual mileage paid in April and May 2022, at the increased rate of 0.60 per mile, with a comparison based on the original mileage rates of 0.45 / 0.52 per mile. The “difference” figure shows the additional costs associated with the increased rate.
- 3.5 Based upon the total average mileage rate per month of 15273.5 miles calculated for the current financial year, this would equate to 183,282 miles per year. Whilst the above average mileage amounts are based only on two months, they are broadly in keeping with previous months of the latter part of the COVID pandemic, although at that time consideration must also be given to the fact that the Council was receiving increased mileage claims due to (at its peak) ten Covid Marshall’s working across the district, prior to the 31st March 2022.
- 3.6 Based upon a projected annual mileage of 183,282 miles at the enhanced mileage rate, the annual cost, including the additional Employers National Insurance contributions is expected to be £114,106. This would be an increase of £27,579 above the amount which would be paid by the authority at 0.45 pence per mile which would be estimated to cost £86,527. This is an average increase of approximately £2,300 per month
- 3.7 Following the COVID pandemic the Council continues to benefit from its hybrid working policy with staff able to work from home for up to three days a week. This has seen a number of efficiency savings (including against mileage costs) and increases in productivity.
- 3.8 In the financial year 2019/20, prior to the Covid-19 pandemic, the Council saw staff work-related mileage claims totalling 264,298 miles. This equated to a total spend of £124,008, including employer National Insurance contributions.
- 3.9 Although increasing the mileage rate to £0.60 per mile does increase the current financial spend of the Council, the total spend on mileage claims for the 2022/23 financial year is expected to be £9,902 less than the pre-pandemic costs.
- 3.10 The proposed increase in mileage allowance for work-related travel needs to be seen in the wider context of the Council’s pay and remuneration package and the rising cost of living / inflation. The Council needs to retain a competitive position in terms of pay and conditions and recognising the high cost of fuel in the context of staff using personal vehicles for work-related travel across our large rural district is considered to be a small gesture relative to wider pay demands and pressures in the wider economy at the present time.

4. Medium Term Financial Strategy

- 4.1 The temporary increase in mileage rates proposed reflect rising fuel prices, but with new hybrid ways of working, holding of some virtual meetings and management of work-related travel it is anticipated that the total mileage costs to be met by the authority will be lower than before the pandemic.

5. Legal Implications

None have been identified. Whilst the Council's employee terms and conditions are governed by the "green book" for Officers and NJC terms and conditions for Chief Officers, the Council has some local discretion around the operation of staff benefits and it is considered appropriate in the context of service provision across a large rural district that staff are properly reimbursed for work related travel costs. Unison is supportive of the proposal.

6. Risks

- 6.1 There are risks to service delivery if staff seek to manage their workloads to minimise travel costs through delaying site visits etc. if it is felt that they are not being reimbursed fully or are subsidising work-related travel costs

7. Sustainability

There are no direct sustainability issues raised by the temporary increase in mileage rates, as this travel is work-related and required in any event. Staff and managers should seek to minimise travel as appropriate, but some travel to provide services in a large rural district cannot be avoided.

8. Climate / Carbon impact

See comments made at point 7 above.

9. Equality and Diversity

There are no Equality and Diversity issues raised by this report.

10. Section 17 Crime and Disorder considerations

There are no Section 17 Crime and Disorder issues raised by this report

11. Conclusion and Recommendations

The District Council has a vast number of duties that must be completed out in the district, with many of these duties being statutory. The Council does not have a fleet of pool vehicles with fuel cards, meaning that Officers are required to use their own vehicles.

Whilst this fact has always been known, and accepted, the substantial increase in fuel costs at the present time is impacting negatively on Officers who undertake work-related travel on behalf of the Council supporting its residences and businesses.

There is no silver bullet, or quick resolution to this, but one area where the council can demonstrate that it wishes to support its Officers is to have the agility to react in a swift but measured manner, and this is one example of this. Therefore the HRM advice is that recommendation two is approved by Full Council.