Bargaining Support Group

Bargaining on mileage rates

TOGETHER WE RISE

Introduction

This guide is designed to support negotiators seeking an improvement to mileage rates against the background of surging motoring costs, as one of the main features of the general cost of living crisis now hitting UNISON members.

It outlines the recommended government rates used by most employers, the rates used by specific parts of the public sector, the case that can be assembled in pressing for improvements, examples of increases achieved and the taxation issues that cover all forms of mileage compensation. Finally, the guide sets out UNISON's wider campaign on HMRC mileage rates and the background to the global surge in petrol prices.

The guide is structured as follows:

BUSINESS USE OF OWN VEHICLE

Negotiating appropriate mileage rates

For workers who use their own car for work journeys, the appropriate rate for compensation should take into account maintenance, depreciation, contributions to insurance, road tax and servicing, as well as fuel costs.

The government's implied estimate of these costs is carried in the HM Revenue & Customs (HMRC) approved Mileage Allowance Payment (MAP) rate, which has remained unchanged since 2011-12 and is set out below.

	First 10,000 business miles in the tax year	**Each mile over 10,000 miles in the tax year**
Cars and vans	45p	25p
Motorcycles	24p	24p
Bicycles	20p	20p
Passenger on work journey	5p	

Data collected by the Labour Research Department suggests that the MAP rates are the most commonly used rates used by employers for mileage allowances

However, the potential losses to staff using their own vehicles as a result of the freezing of the MAP rate since 2011 are demonstrated by the fact that:

- Total motoring costs have risen 18% since last year and by 39% since 2011;
- The cost of petrol and oil has risen by 45% since last year and by 43% since 2011;
- Vehicle maintenance costs have risen by 6% since last year and 38% since 2011.[1]

Therefore, a model letter is set out below that can be adapted to local circumstances in raising this matter with an employer and seeking urgent increases to rates in line with the costs actually faced by staff. Alternatively, where the employer is not part of a national pay claim (such as in the case of private contractors or community and voluntary organisations), it may be useful to raise the issue as part of a wider pay claim, placing the matter in the context of other major increases in costs facing workers. UNISON's general model pay claim is set out on this page - https://www.unison.org.uk/bargaining-guides/

[1] Office for National Statistics, Consumer Price Inflation Tables to July 2022 – rates quoted are for the Retail Prices Index

Model letter to raise mileage rates with employer

Dear [Name],

Staff mileage rates

I am writing in relation to [name of employer]’s scheme for compensating staff for the use of a vehicle in discharging their work duties.

As you will know, the cost of fuel has been rising extremely sharply over the last year and the costs of both fuel and vehicle maintenance have shown similarly huge jumps since [name of organisation]’s mileage rates were last raised in [year].

The latest data from the Office for National Statistics shows the following increases:

	Since last year	Since 2011
Total motoring costs	18%	39%
Petrol and oil costs	45%	43%
Vehicle maintenance costs	6%	38%

These increases are now leaving staff facing costs that [name of employer]’s mileage rate scheme simply does not cover and staff are effectively subsidising [name of employer]’s operations.

At this time of immense pressure on the standard of living of all staff, it is vital that this situation is remedied speedily and mileage rates are raised in accordance with the actual increase in motoring costs since [name of employer]’s mileage rate scheme was last adjusted.

Therefore, our claim is for an increase in mileage rates to the following levels.

[If the employer pays HMRC rates, those rates with a 39% uplift applied in line with general increases in motoring costs since 2011 are as below. Therefore, the claim can utilise this table to emphasise what the branch is seeking.]

	First 10,000 business miles in the tax year	**Each mile over 10,000 miles in the tax year**
Cars and vans	63p	35p
Motorcycles	33p	33p
Bicycles	28p	28p
Passenger on work journey	7p	

I look forward to hearing from you.

Yours sincerely

This letter references increases in costs since 2011, but if the employer's scheme was last raised at a different time, please contact the Bargaining Support Group via bsg@unison.co.uk for figures on increases over a different timeframe. Similarly, for assistance in calculating inflationary increases on a different baseline than the HMRC rates, please contact Bargaining Support.

Model survey questions to support claim

The case to put to an employer is always likely to be boosted where evidence can be gathered from members to support the claim for improvements.

This can be done as part of a general pay survey among members (UNISON's guidance on this link carries such a model survey in Appendix 3– https://www.unison.org.uk/content/uploads/2022/05/Pay-claims-0722.pdf) incorporating the questions below or as a very short stand-alone survey (Appendix 3 also carries advice on conducting the survey online).

UNISON
the public service union

UNISON SURVEY

UNISON [branch name] is currently assembling the case to put to [name of employer] for an improvement in mileage rates that cover the greatly increased motoring costs since rates were last set. In order to ensure this claim is firmly based on your experiences and views, we would greatly appreciate it if you could spare the time to complete this very short survey.

All responses to this questionnaire are anonymous and will be treated as confidential. It will not be possible to identify any individual from information used for the claim.

1. Do you use a vehicle in conducting your work duties?	
Yes, I use my own vehicle	
Yes, I have a company vehicle (sometimes referred to as a leased car)	
Yes, I use a company pool vehicle	
No	

2. If you do use a vehicle, do the current mileage rates cover your costs for work journeys	
Yes	
No	

3. If the current mileage rates do not cover your costs, please estimate the shortfall between the costs you incur and the compensation you receive **(ideally, please provide an estimate of the weekly shortfall, but an estimate for any timeframe or distance is of help)**

Possible interim measures

While an increase in mileage rates should be the central focus of bargaining for improvements, it may also be useful to consider interim measures that reduce the costs faced by staff.

These can include:

- Seeking an adjustment to compensation schemes so that the higher rate applies up to a higher distance threshold. For instance, the MAP rate falls after a 10,000-mile threshold. Local agreement can maintain the compensation rate to a higher threshold. Equally, variation can be sought to the sector specific schemes set out in the following pages of this guide. However, the taxation implications are also highlighted later in this guide;
- The provision of fuel cards so that payment initially comes directly from the employer rather than initially from the employee with later reimbursement of payments made by staff. The calculation of private use mileage on a fuel card would then allow for subsequent adjustment for appropriate salary and tax deductions. This option will be most feasible where business car usage is high;
- Moving to a system of paying expenses weekly rather than monthly or paying mileage expenses in advance where feasible;
- Reviewing the employer's allowances for public transport, such as offering subsidised travel passes, to reduce the pressure on staff to revert to vehicles in discharging their duties. The threat to revert to public transport in discharging all work duties has also been succseefully used by some branches to increase pressure on employers to raise mileage rates.

Sector specific mileage schemes

Outside of the HMRC rate, the main alternative benchmarks for public service workers in negotiating over mileage rates are those that apply to specific service groups, shown below.

Local government rates

The rates under local government NJC terms and conditions (covering England, Wales & Northern Ireland) have been set at the advisory levels below since 2010 (in Scotland, rates are decided by each local authority).

The NJC scheme makes a distinction between "essential users," who must have a car at their disposal whenever required, and "casual users," for whom it is desirable to have a car at their disposal when needed.

Essential users receive an annual lump sum in addition to the specified rate per mile.

Local Government NJC (England, Wales & Northern Ireland)			
Essential User Allowance			
Engine capacity	451 - 999cc	1000 - 1199cc	1200 - 1450cc
Lump sum	£846 p.a.	£963 p.a.	£1,239 p.a.
per mile first 8,500	36.9p p.m.	40.9p p.m.	50.5p p.m.
per mile after 8,500	13.7p p.m.	14.4p p.m.	16.4p p.m.
Casual User Allowance			
Engine capacity	451 - 999cc	1000 - 1199cc	1200 - 1450cc
per mile first 8,500	46.9p p.m.	52.2p p.m.	65.0p p.m.
per mile after 8,500	13.7p p.m.	14.4p p.m.	16.4p p.m.

The national local government scheme makes no recommendations for the appropriate payment rate for electric / hybrid vehicles. Different local authorities have therefore aligned them with different petrol engine rates. For copies of such agreements contact the Bargaining Support Group at bsg@unison.co.uk

These rates are a basis to work from and many branches have successfully negotiated improvements.

Examples of increases reported over recent weeks are as follows:

- Gateshead Council has agreed a three month increase in its casual car rate from 46.9p per mile to 52.2p per mile;
- Wakefield Council is implementing higher rates from 1 July until 31 December, which will see the casual car user rate rise from 45p per mile to 65p per mile, essential car user rate from 22.5p per mile to 32.5p per mile, and motorcycle rate from 24p per mile to 34p per mile;
- North Norfolk Council has announced that it Is raising the casual car user rate rises from 45p per mile to 60p per mile;
- Knowley Council agreed a 38% increase by paying mileage at the rate of the largest engine size for both essential and casual users until March 2023.

If you have further examples of agreed increases, please contact Bargaining Support via bsg@unison.co.uk as they can offer valuable benchmarks to quote for negotiators.

NHS rates

The rates agreed for NHS staff under the Agenda for Change terms have stayed the same since July 2014 and are set out below.

NHS Terms and Conditions of Service (Agenda for Change)			
Type of Vehicle / allowance	**Annual mileage up to 3,500 miles**	**Annual mileage over 3,500 miles**	**All eligible miles travelled**
Car (all types of fuel)	56p per miles	20p per mile	
Motor cycle			28p per mile
Pedal cycle			20p per mile
Passenger allowance			5p per mile
Reserve rate[2]			28p per mile
Carrying heavy or bulky equipment			3p per mile

[2] The circumstances for applying the reserve rate are set out at https://www.nhsemployers.org/tchandbook/part-3-terms-and-conditions-of-service/section-17-reimbursement-of-travel-costs, paragraph 17.7

More details of the scheme are carried at www.nhsemployers.org/tchandbook/part-3-terms-and-conditions-of-service/section-17-reimbursement-of-travel-costs

From 1 January 2015 a local agreement for the reimbursement of travel costs, linked to HMRC approved Mileage Allowance Payments has been in place in NHS Wales - more details at www.wales.nhs.uk/documents/NHSWalesSection17.pdf

A breakdown of how the vehicle allowances are calculated and reviewed is explained in the NHS Terms and Conditions of Service under Annex 12 - https://www.nhsemployers.org/publications/tchandbook

With the discontinuation of the RAC Motoring Costs Table, the only other common source for estimating motoring costs is the AA guidance at www.theaa.com/driving-advice/driving-costs. NHS Agenda for Change mileage rates are pegged to these AA calculations, but the AA Cost of Motoring Report has not been published since 2014.

For more information and advice specific to the NHS scheme, including the raising of reimbursement rates by the Government in Wales and Scotland by 5p per mile, go to this link https://www.unison.org.uk/health-news/2022/05/nhs-mileage-rates/

Improvements to the NHS rates in response to surging fuel costs have been agreed at a number of NHS trusts:

- Suffolk and North East Essex CCG (ICB) and West Suffolk Foundation Trust (Acute and Community Hospitals and Services) have extended the 56p rate to apply regardless of mileage;
- Newcastle Upon Tyne NHS Hospitals Foundations Trust has added 5p to the car mileage rates;
- North Derbyshire Mental Health Trust is increasing the rate for mileage up to 3,500 miles from 56p to 71p;
- Northamptonshire NHS Trust has agreed that from May to July it will raise by 20%:
  - The rate for miles up to 3,500 from 56p per hour to 67p per mile;
  - The locally negotiated enhanced mileage rate for those travelling over 3,752 miles per annum from 36.9 pence to 44.3 pence per mile
- Royal Cornwall NHS Trust and Cornwall Partnership NHS Foundation Trust have raised the rate for mileage between 3,501 and 10,000 miles to 45p per mile, alongside an increase in the rate for mileage over 10,000 miles to 25p per mile (bringing those payments in line with the HMRC AMAP rates)
- In August 2022, North Cumbria Integrated Care Trust agreed to pay a 10.9p increase per mile for the following three months

If you have further examples of agreed increases, please contact Bargaining Support via bsg@unison.co.uk as they can offer valuable benchmarks to quote for negotiators.

Other service group rates

The rates for police staff have been set in line with NJC for essential users and the HMRC MAP rates for casual users since 2017. More details of the scheme are set out in the Police Staff Council handbook found at www.local.gov.uk/our-support/workforce-and-hr-support/police/police-staff/police-staff-council-handbook

In many other bargaining groups covered by UNISON, the rate is left to local negotiations.

Examples of improvements to mileage rates achieved in 2022 for employers outside of local authorities / the NHS are as follows:

- Wheatley Homes raised the annual mileage rate (for all engine capacities) to 66p per mile up to 1,000 miles, 54p per mile up to 7,500 miles, and set the passenger mileage rate after 8,500 miles at 16p per mile.
- Beyond Housing uplifted their mileage rate temporarily by 5p per mile from the HMRC rate for the first 10,000 miles from 1 April 2022. All other mileage remained at HMRC rates. They intend to review the rate based on fuel costs and affordability every three months. They are minded to leave it at the higher rate for now to recognise the increased costs for individuals but anticipate it will reduce back to the HMRC rate at some point.
- Nottingham Community Housng Association agreed to increase mileage rates from 1 August 2022 (though subject to change if the cost of fuel comes down). The increase added 9p per mile to the basic HMRC rates, raising payments to 54p per mile for the first 10,000 miles and 34p for miles above 10,000 miles.

If you would like examples of local agreements on rates relevant to your sector, contact Bargaining Support at bsg@unison.co.uk as we may be able to provide examples.

Obtaining tax relief on mileage payments

If mileage payments to employees are above the HMRC Mileage Allowance Payment threshold set out above, employers have to report the excess to HM Revenue and Customs (HMRC) for deduction of tax.

Further details can be found at www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax.

If the employer pays lower rates, the employee will be able to obtain tax relief (called Mileage Allowance Relief, or MAR) on the unused balance of the approved amount.

To reclaim tax relief through Mileage Allowance Relief (MAR), it is vital that a worker maintains accurate records of business trips and reimbursement payments.

The procedure for claiming MAR can be found at https://www.gov.uk/tax-relief-for-employees#4.

Negotiating appropriate mileage rates

HMRC publishes Advisory Fuel Rates (AFRs) for company car users (often referred to as leased car users) at https://www.gov.uk/guidance/advisory-fuel-rates

These rates apply where employers:

- Reimburse employees for business travel in their company cars
- Require employees to repay the cost of fuel used for private use.

Unlike MAP rates, the AFR has seen increases and rates applicable to journeys as of 1 September 2022 are as shown in the table below

Engine size	Petrol – amount per mile	LPG – amount per mile
1400cc or less	15p	9p
1401cc to 2000cc	18p	11p
Over 2000cc	27p	17p
Engine size	**Diesel**	
1600cc or less	14p	
1601cc to 2000cc	17p	
Over 2000cc	22p	

Hybrid cars are treated as either petrol or diesel cars for this purpose. The Advisory Electricity Rate for fully electric cars is 5 pence per mile.

These rates can be improved upon by negotiation, but are frequently adopted as the rate payable by employers because of the tax implications set out below of varying the rate.

Taxation on company cars

If a company car is provided to an employee, a portion of its value is taxable to take account of the private benefit from owning the car.

The taxable value is principally calculated on the basis of the list of the price of the car and accessories, multiplied by a percentage based on the level of carbon dioxide emissions it generates and the fuel the car uses.

The percentages applicable to the various levels of carbon dioxide emissions in 2022-2023 run from a low of 2% to a high of 37%. An extra charge of 4% (up to a maximum of 37%) is applied to diesel cars that are not certified to the Real Driving Emissions 2 (RDE2) standard. Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the diesel supplement.

The government guidance for employees on conducting the tax calculation is set out at https://www.gov.uk/calculate-tax-on-company-cars

Company cars are exempt from tax where they have been adapted for a disabled employee (and if the only private use is for journeys between home and work or to work-related training).

Where an employer pays for all fuel, the taxable value payable by an employee is calculated by taking a fixed sum specified by the HMRC, which is currently set at £25,300 for 2022-2023, and multiplying this sum by the same percentage applicable to emission rates noted above used for the taxable value of cars.

Since this results in a fixed value rather than a value dependent on usage, the less a company car is used, the more likely it is that tax payments will outweigh the actual cost of fuel consumed for private use.

Where an employer pays for fuel used on business journeys as they are incurred, any payment higher than the advisory rate is likely to be treated as earnings and subject to tax and National Insurance.

An explanation of how advisory fuel rates are calculated is set out at www.gov.uk/government/publications/advisory-fuel-rates/how-advisory-fuel-rates-are-calculated

A fuller explanation of the rules on car and fuel benefit is set out at www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim23000

HMRC provides a quick calculator of car and fuel benefit at http://cccfcalculator.hmrc.gov.uk/CCF0.aspx

Salary sacrifice arrangements

A salary sacrifice arrangement is an agreement to reduce an employee's entitlement to cash pay, usually in return for a non-cash benefit.

It has been commonplace for company car schemes to operate through salary sacrifice arrangements where the cost of a company car is spread over a number of years by a reduction in salary. These arrangements allowed the tax and National Insurance exemption of the reduction in salary.

However, company cars lost their tax-free status when salary sacrifice rules were revised by the government in 2017. Existing schemes remained exempt until April 2021, but all new schemes starting from 6 April 2017 became liable.

The only type of vehicles that retain salary sacrifice tax advantages are ultra-low emission vehicles. The type of vehicles that qualify under this category are cars classified as emitting 75g/km CO_2 or less and further details can be found at www.gov.uk/guidance/salary-sacrifice-and-the-effects-on-paye .

Cycle to work schemes also remain a legitimate salary sacrifice form of benefit, allowing an employee to purchase a bike and associated safety equipment at reduced cost.

Further guidance on salary sacrifice schemes is available on this link https://www.unison.org.uk/bargaining-guides/

CAR ALLOWANCES

As an alternative to providing a company car, some agreements establish car allowances for staff who require a car as part of their work.

Allowances are taxed at the same rate as the employee's salary. Allowances usually offer the employee greater choice in the type of car acquired than a company car system. However, they also mean that the employee carries responsibility for the servicing, maintenance and insurance costs, which rest with the employer under a company car system.

UNISON'S WIDER CAMPAIGN AND BACKGROUND TO THE CRISIS

Why don't mileage rates cover my travel costs?

Many public service workers cannot fulfil their jobs without driving. So, it seems common sense that if petrol costs rise, then the rates that workers using a vehicle for work are paid would rise in line with those costs. However, this isn't the case. Instead, in the face of skyrocketing fuel prices workers are being left to pay the difference.

Approved mileage rates are set by HMRC, but rather than updating these in line with prices, they have been left untouched for over a decade. They have not been updated since 2011/12 and despite pressure from UNISON there have been no assurances that they will be reviewed now in the face of rising costs. NJC rates for local government workers haven't changed since 2010 and NHS rates haven't been updated since 2014.

What this means is workers are essentially subsidising their employers and returning home at the end of each day out of pocket. This is wrong, and UNISON are campaigning hard to get mileage rates reviewed. We have written to many MPs, from across the political spectrum, asking for their support to get rates changed. The General Secretary, Christina McAnea, has been highlighting the issue of mileage payments in the media, including recently in the Guardian and on BBC's Newsnight. We worked with MP Dan Jarvis to secure a debate in Parliament to raise the issue, ensuring the need to update mileage rates for public sector workers was raised directly with a Treasury Minister. Mileage and the costs of working are a core plank of our cost-of-living campaign and we will continue to make the case for rates to be updated to reflect real life prices, and to put money back into public service workers' pockets.

In the meantime, we can all take action locally. Some UNISON branches have secured important wins on mileage – for example following representation from local government workers in the Gateshead UNISON branch, the council has agreed that current car mileage rates will be temporarily increased in the light of the cost-of-living crisis and the rising costs of fuel.

Why does it cost so much to fill up at the pump?

Since the Russian invasion, drivers in the UK have been hit by some of the highest prices in 14 years. This is because Russia is one of the biggest traders to Europe and is also one of the largest energy producers and oil exporters in the world. While the UK only imports about 8% of its crude oil from Russia, with plans to reduce this to zero by the end of 2022, the conflict has had an impact on the worldwide wholesale price. There are also concerns that Russia may react to the sanctions imposed on them and further limit oil supplies.

But while it is undeniable that the Russian invasion of Ukraine created economic shockwaves that have been felt across the UK, over two thousand miles away from the front line, high prices at the pumps are not a short-term blip.

Rising fuel costs are a feature of a long-term trend, exacerbated by government policy. Price increases really started at the beginning of the Covid pandemic as the demand for energy rose. Since then, the price of oil has continued to rise significantly. Oil and gas companies are also struggling for investment which is pushing up global prices. This has been a ten-year trend as investors are reluctant to put their money into a dying fossil fuel industry, with oil and gas companies still too slow to adapt, innovate and develop alternative products.

Another factor is the exchange rate – crude oil is paid for in US dollars. Britain's decision to exit the EU has caused the British pound to be worth less than it once was, leaving it weak against the dollar and therefore making fuel more expensive.

In addition to crude oil costs, wholesale prices are only part of the equation. Wholesale costs only make up about around 33% of the price of a litre of petrol – this moves in line with oil prices so can be very volatile. Government policy makes up a significant portion – 35% is fuel duty and 20% of the price is VAT. 8% is the retailer's profits according to the RAC and about 1% is spent on the cost of distributing and transporting fuel around the country, with the remaining 7% on biofuel content.

In the Spring Statement in March, the Conservative Chancellor announced a 5p cut in fuel duty – however this is a drop in the ocean given the pace of inflation. The 5p cut was wiped out in days after the announcement, with petrol and diesel prices rising by 13p and 21p a litre respectively in the month after its announcement.

How about the climate crisis?

At UNISON, we recognise that the climate emergency means reliance on fossil fuels and cars is going to have to shift to greener alternatives. However, public transport systems across the country suffer severe underinvestment and the costs of using them to travel have risen drastically. The Campaign for Better Transport shows that rail fares have risen even faster than fuel costs and bus fares have risen twice as fast.

And for many public service workers who rely on using a vehicle to do their job, the public transport routes simply don’t exist. In a UNISON survey of hospital staff in Yorkshire and Humberside, around a third of staff who used a car to commute to work do so because there are no reasonable public transport options available. Similarly, 38% of staff who use a car to travel during the working day to other work locations, such as visiting patients in their homes, say there are no public transport options available and another quarter choose to drive because it is faster, so could not visit as many patients if they didn’t use a car.

In terms of global oil prices, the reluctance by big industry to adapt and innovate is playing a role in pushing up prices. With investors reluctant to invest in a dying fossil fuel industry – including many public sector pensions funds who have rightly divested their money from oil and gas and pushed for investment in alternative green technologies – production and exploration is down. The number of oilfield discoveries between 2016 and 2020 fell to a record low.

Shifting capital from hydrocarbon production is crucial for a successful transition, and oil and gas giants should have been spending the last decade developing sustainable alternatives. And our government, as well as other governments around the world, are to blame too. Demand for fossil fuels will only drop if governments take serious steps to improve energy efficiency and invest in green transport.