

REPORT TO:		Management Review Committee	
DATE:		23 April 2026	
PORTFOLIO:		Councillor Vanessa Alexander - Resources and Council Operations	
REPORT AUTHOR:		Martin Dyson, Executive Director (Resources)	
TITLE OF REPORT:		Car Allowance Review	
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	Not applicable	
KEY DECISION:	No	If yes, date of publication:	

1. Purpose of Report

- 1.1 The report sets out the proposal options for reviewing employee Car Lease and Car Allowances as part of the budget growth proposals for 2026/2027.

2. Recommendations

- 2.1 That the committee note the report and approve the recommendations:
- 2.2 That the committee agree to amend the employee terms and conditions to remove the option to provide future car loans to employees.
- 2.3 That the committee agree to increase the car lease allowances and select their preferred option from the three proposals contained in section 4 of this report.
- 2.4 That if the committee agree to increase the car lease allowances pursuant to recommendation 2.3, the car lease allowances are then increased annually in line with any agreed pay awards.

3. Reasons for Recommendations and Background

- 3.1 The Council operates options for both Car Loans and Car Lease Allowances for eligible staff and the procedures and rates for these have largely not been reviewed in almost 20 years.

3.2 These schemes are staff benefits that aid the Council in recruitment and retention of staff and without inflationary increases these benefits become less appealing in attracting or retaining staff in Hyndburn.

3.3 The Council included a growth item in its 2026/2027 revenue budget of £70,000 to address the issue that these rates had not been reviewed or increased in most cases for 20 years

4. Car Loans

4.1 Currently there are 2 employees who have staff have loans, rates are much higher than bank rates, with the rate being around 5% above the Bank of England Base rate.

4.2 These loans currently cost the Council £1.841k ? per annum as a contribution is made towards the cost by the Council.

4.3 These loans prove timely to administer and there is no requirement to undertake credit checks, as employees have a duty to repay any amounts outstanding upon termination of their employment. However, recent experience has shown difficulties in recovering outstanding monies from former employees.

4.4 It is recommended that the Council should cease providing staff car loans going forward, due to the lack of uptake, the burden of administration and recovery issues experienced in recent years.

5 Car Leases

5.1 There are currently 47 posts that are entitled to a car lease with various allowance rates as shown below:

Current Rates paid per annum

10% Salary – Chief Executive – CEO – Lease or cash value
£5,800 – Executive Directors - SD1&2 – Lease or cash value
£2,365 – Chief Officers – CO1&2 – lease or essential user allowance
£1,650 - Service Managers Grades – lease or zero allowance
£1,650 – Casual User posts scales – lease or zero allowance
£2,365 – Higher rate Essential Users – lease or essential user allowance

5.2 The allowances for most employees have not increased in the last 20 years even though car lease prices have significantly increased.

5.3 The cost of car leasing has more than doubled in that period, which has reduced the number of staff taking the option for lease from 35 down to 14 in recent years.

5.4 The Council operates the lease car scheme through a government procurement portal to ensure it can obtain the most competitive rates.

5.5 Currently, if no lease is taken up the following applies:

- Chief Executive and Directors receive respective allowances as a cash equivalent,
- Chief Officers receive the essential user payment of £1,239 per annum,
- all other staff receive no allowance.

5.6 The Council budgets for all posts that are entitled to a car lease and the annual budget for this is circa £120,000. Over the past few years, as the leasing costs have significantly increased, the reduced take up has resulted in the Council underspending against this budget.

6. Essential Users

6.1 The Council also pays an essential user allowance to an additional 35 employees who are in designated posts, the rate is £1,239. These posts would not be affected by the rate change above. Changes in essential user rates are part of the NJC annual pay agreements.

7. Proposals

7.1.1 Proposal 1

7.1.2 The table below reflects the inflationary increases and % options that would need to be applied to the current rates shown at 5.1 above.

Proposal 1 - New Rates

No change - 10% Salary – Chief Executive
£5,800 to £7,000 – Executive Directors - 20% increase
£2,365 to £4,300 – Chief Officers – 81% increase
£1,650 to £3,600 - Service Managers – 218% increase
£1,650 to £2,850 – Casual User posts scales – 72% increase
£2,365 to £3,600 – Higher rate Essential Users – 52% increase

7.1.3 For most members of staff (excluding the chief executive contracted 10%), the new rates equate to 7.5% of the top salary grade.

7.1.4 The new allowances would ensure that all staff who take up the lease car option get an increased allowance.

7.1.5 Some of these allowances have significant increases, however this is largely because they have not been increased in around 20 years.

7.1.6 This proposal would save the Council around £101,000 per annum based on current take up of the scheme, including the growth item of £70,000 included in the 2026/2027 budget.

7.2.1 **Proposal 2**

7.2.2 This option is based upon using the same rates as Proposal 1, with the addition that essential user posts that currently receive the allowances towards a lease car have the alternative to receive the amount towards a lease car or as a cash amount towards providing a vehicle available for business use.

7.2.3 Other posts that are designated as casual users who do not take up the lease option and currently receive no allowance are proposed to receive the essential user allowance, currently £1,239, rather than nothing as is the current practice. This would enable a further 24 posts to receive an allowance.

7.2.4 This option would increase the Council's costs by approximately £25,000 per annum and this cost would be covered by the growth item of £70,000 put in the 2026/2027 budget to address this issue.

7.3 **Proposal 3**

7.3.1 This option is based upon using the same rates as Proposal 1 with all staff receiving their full new rate, regardless of them taking up a lease car or not

7.3.2 This option would cost the Council £70,000 per annum and this option was the basis for the inclusion of the growth item included in the 2026/2027 budget.

7.3.3 It is recommended that any increases in the car lease allowances would be increased annually in line with any agreed pay awards.

7.3.4 It is recommended that any increases or amendments will be changed in the employee terms and conditions and backdated to 1st April 2026.

8. **Alternative Options considered and Reasons for Rejection**

8.1 The Council could choose to not select any of the proposals in the report and this would utilise a saving against the budget of approximately £140,000 including the growth item.

8.2 In choosing not to amend the allowances in the report, there may be a negative impact upon the Council's ability to recruit and retain staff during its last 2 years of existence. This may increase the need for the use of expensive agency recruitment to fill key posts during this period.

9. **Consultations**

9.1 To date there has been no discussions with the Trade Unions although it is seen that any increases to the current allowances would be seen as a positive.

9.2 If the committee agree any changes to the employee terms and conditions, Trade unions will be advised of the increase in benefits.

10. Implications

Financial implications (including any future financial commitments for the Council)	As outlined in the report.
Legal and human rights implications	None
Assessment of risk	None except for those outline in the report above
Equality and diversity implications <i>A Customer First Analysis should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	None identified

11. Local Government (Access to Information) Act 1985: List of Background Papers

11.1 Medium Term Financial Strategy 2026/27 to 2028/29

11.2 General Fund Revenue Budget 2026/27

12. Freedom of Information

12.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.