

Car Purchase Assistance Scheme



Comhairle Ceantair
**an Iúir, Mhúrn
agus an Dúin**
**Newry, Mourne
and Down**
District Council

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1.0) Introduction

Section 41B of the Local Government Act (Northern Ireland) 1972 provides for a district council to make a loan to an officer for the purchase of a motor car or motor cycle, subject to such conditions as the Department of Environment, with the approval of the Department of Finance and Personnel may determine.

Part 3, section 6, paragraph 6.6 of the National Agreement of Pay and Conditions of Service (Green Book) makes provision for an authorised car user to apply for financial assistance to purchase a car.

The discretionary Car Purchase Assistance Scheme (CPAS) provides the opportunity for eligible employees to apply for a loan from the Council for the purchase of a car to be used in connection with their duties, the loan being repaid via a salary deduction agreement.

2.0) Scope

The CPAS scheme is open to Newry, Mourne and Down District Council employees who: are in roles which have been designated as Essential Car Users (see appendix 1), **and** have successfully completed their probationary period.

Employees on fixed term contracts, who meet the criteria above, are eligible to apply for a loan provided the loan repayment period does not exceed the known duration of the fixed term contract at the time of application.

3.0) Scheme Details

The CPAS can be used to secure a loan against either a new or second hand car for the qualifying employee to use in connection with their duties, with loan periods varying from 2 to five years depending upon the age of the car being purchased.

3.1 Loan Periods

Maximum loan periods are as follows:

Age of Vehicle Being Purchased (years)	Maximum Loan Period (years)
0 - 3	5
3 - 4	4
4 - 5	3
5 - 6	2
Over 6 years old	No Loan available

Any qualifying employee wishing to obtain a loan will need to complete a CPAS application form; applications can only be completed once a vehicle has been identified for purchase.

3.2 Vehicle Suitability

No loan application will be approved unless the Council is satisfied that the vehicle being purchased is suitable for the performance of the official duties of the post. For example a 2

seater sports car with limited boot space may not be suitable for an employee who is required to transport bulky equipment with them on a regular basis.

No application will be approved unless the estimated future life of the vehicle, having regard to the annual mileage the employee might reasonably cover on both private and official journeys, is at least equal to the period of the loan being applied for.

3.3 New Vehicles

If a new car is being purchased under the scheme the total value of the car is deemed to be the list price including delivery charges, number plates and tax. Dealer fitted extras, extended mechanical or paint warranties, optional extras, upgrades and vehicle excise duty (road tax) cannot be counted against the total value of the car.

3.4 Used Vehicles

If a used car is being purchased the Council reserves the right to ask for an independent valuation report to be provided, at the employee's expense, to satisfy the Council the vehicle is in good condition and suitable for a loan. Neither the Council nor any of its employees will accept responsibility for any such report or valuation. Valuation reports would be reviewed by an appropriate officer within the fleet section of the Council and the employee notified of their decision.

3.5 Insurance

During the period of the loan the employee must keep and maintain a Comprehensive Insurance Policy (including cover for business use) for the vehicle for as long as the liability under the car loan agreement exists.

3.6 MOT Certificate

During the period of the loan the employee must ensure, where applicable, the car has a valid MOT certificate for the vehicle for as long as the liability under the car loan agreement exists.

3.7 Disposal

During the period of the loan the employee must not dispose of the vehicle without the consent of the Council prior to full repayment of the loan and interest. If disposal is authorised, the balance of the principal owing and interest accrued to date shall immediately become repayable to the Council

4.0) Loan Application Process & Approval

A qualifying employee who wishes to apply for a loan will be required to complete a Car Purchase Assistance Scheme application form.

A Car Purchase Assistance Scheme application form must be signed by the employee and approval for the loan given by the employee's Director and the Director of Corporate Services¹.

Upon receipt of the completed application form and the associated documentation the application will be processed by the Council's Finance team, who will check and verify the eligibility of the employee's application and complete a loan agreement for signing.

¹¹ Applications made by employees within Corporate Services will be countersigned by the Chief Executive.

A loan agreement must be signed by the employee and approval for the loan given by the Council's Director of Corporate Services.

Payment of the loan will be via direct bank transfer from the Council to the vehicle seller from where the vehicle is being purchased. The Council reserves the right to charge an administration fee of up to £20 if the Council incurs any charges as a result of the bank transfer, any fee incurred will be deducted from the employee's salary.

If it is not possible to make use of the bank transfer system a cheque can be raised made payable to the vehicle seller which will be posted directly to them at the registered business address as shown on the sales invoice.

Following the purchase of the vehicle the employee will be required to submit a copy invoice to the Council showing the cost of the vehicle and the amount of credit provide by the CPAS to assist with the purchase.

5.0) Loan Amount

The maximum amount of any loan will not exceed the lesser of:

90% of the value (as defined in paragraph 3.3) of the vehicle being purchased; or
60% of the employee's gross salary at the time of application; or
£10,000.

The minimum loan amount is £3,000.

An employee can only apply for one loan, for one car at a time, and existing loans must be repaid in full before a further loan can be approved.

6.0) Interest Rate

The interest rate charged is will be the Bank of England (BoE) base rate (on the date the loan is approved) plus 1.5%.

The interest calculation is as follows:

Loan amount plus interest charges for each year of the loan

Example

Loan Amount of £10,000 borrowed over 4 years for a car that was 3 ½ years old at time of purchase:

<i>2% interest charge* of loan amount (£10,000)</i>	<i>= £200</i>
<i>£200 x loan period (4 years)</i>	<i>= £800</i>

<i>Total amount of loan (including Interest)</i>	<i>= £10,800</i>
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<i>Repayment over 48 months via salary deduction</i>	<i>= £225 per month</i>
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**assuming BoE of 0.5%*

Depending upon the HM Revenue and Customs (HMRC) average official rate of interest, loans may be a reportable benefit and an employee's tax code may be adjusted by HMRC to take this into account.

7.0) Repayment Method

Repayment will be made over full one year intervals i.e. 24, 36, 48 or 60 months. Repayment will be via automatic salary deduction from the employee's pay following the usual deductions for income tax, national insurance, pension and so on.

In the event that the whole loan amount has not been repaid to the Council by the employee and the employee shall:

- die; or
- cease to be employed by the Council, for whatever reason; or
- fail to observe any term or terms of the loan agreement; or
- sell, assign or change the motor car or part with its possession; or
- fail to insure the motor car in accordance with the loan agreement; or
- become bankrupt; or
- commit any act resulting in the seizure of the vehicle

the outstanding balance of the loan shall become repayable to the Council by the employee or their personal representatives.

The Council shall in addition to exercising all other legal or equitable rights and remedies be entitled to deduct any outstanding loan balance from any sum that may be or become due from the Council to the employee whether by way of salary, redundancy payments etc.

7.1 Repayment of Loan During Periods of Less Normal Pay

The employee will in the event of any period of unpaid leave/reduced pay continue to make regular monthly repayments in accordance with the repayment schedule. Arrangements must be made with the Payroll section to cover any such shortfall in payment. Should an employee be unable to continue with the monthly repayment schedule the Council reserves the right to deduct payment arrears from an employees pay upon their return to work.

7.2 Early Repayment

At any time during the loan agreement an employee may repay the entire amount by requesting a redemption figure from the Payroll Section.

7.3 Loss of Vehicle

In the event of a vehicle damaged beyond economic repair as a result of an accident, stolen and not recovered or for any other reason written off by an insurance company, the outstanding balance of the loan will become payable to the Council.

The provision of a loan under the scheme is secured on the vehicle being purchased. If the vehicle is damaged beyond economic repair and is written off, the outstanding loan amount must be repaid by the employee to the Council upon receipt of the insurance settlement. A loan cannot continue to be repaid without a vehicle to which the original loan was attached.

It should be noted that where the insurance write off value is less than the outstanding loan amount the shortfall will need to be made up by the employee.

Example

Loan Amount of £10,000 borrowed over 4 years for a car that was 3 ½ years old at time of purchase:

11 months into the loan agreement the car is written off and the insurance company pay out £7,000 for the loss of the vehicle.

£10,000 loan amount minus payments to date of accident (11 months x £225) = £7,525 outstanding loan amount at time of accident.

*£7,525 minus £7,000 insurance payout (which must be paid to the Council) = **£525** shortfall to be made up by the employee.*

In this situation the shortfall amount can be added to a new loan agreement taken out for a replacement car.

8.0) Documentation Required

Before a loan can be approved an employee will need to provide the following documentation:

8.1 CPAS Application Form

A completed application form authorised by an employee's line manager and Human Resources.

8.2 Supplying Dealer Invoice/Quotation/Independent Inspection Report

An invoice or quotation for the vehicle being purchased from the car dealer which includes the make and model, registration number and the total cost of the vehicle must accompany the application form.

If a vehicle is being purchased privately, the Council may request an independent inspection report detailing the condition of the vehicle.

Within **3 working days** after purchase of the vehicle the following documentation will be required by the Finance Section:

8.3 Insurance Documentation

Insurance documentation, for the policy holder, in relation to the vehicle being purchased, the documentation must include business use by the policy holder.

8.4 MOT Certificate

If required a copy of the vehicles current MOT certificate must be provided.

8.5 Receipt of Purchase

A completed receipt of purchase which shows the purchase price of the vehicle and which is marked 'paid' by the supplying dealer must be provided.

As soon as possible after purchase the following documentation will be required:

8.6 Vehicle Registration Certificate (V5C)

A copy of the V5C stating the vehicle is registered in the name of the employee must be provided.

9.0) Vehicle Use and Maintenance

During a loan agreement a vehicle on which a loan has been approved must be available for official duties as and when required. A comprehensive insurance policy (with cover for business use), as well as a valid MOT certificate (if required) must be maintained at all times; copies of current insurance and MOT certificates should be provided to the Payroll Section annually. Insurance documentation must be in the name of the employee named on the loan agreement.

If for any reason the vehicle is not available for use it is the employee's responsibility to ensure suitable alternative arrangements are in place.

Any vehicle being purchased under the scheme must be registered in the name of the employee on the Vehicle Registration Certificate.

During the loan period the vehicle should be maintained and or repaired in accordance with the manufacturer's recommendations; the employee being responsible for any such repairs or maintenance.

During a loan agreement an employee cannot use the vehicle as security for any other loan agreement, or a finance agreement secured on the vehicle.

During a loan agreement an employee should not sell, transfer title or dispose of the vehicle without consent of the Council. In the event this occurs repayment of the outstanding loan including interest becomes immediately payable to the Council.

10.0) Misuse of the Scheme

The scheme is provided as a benefit to eligible employees. Any attempt by either an applicant or recipient of a loan considered by the Council to be an abuse of the scheme will prevent future participation in the scheme. Where necessary disciplinary action up to and including dismissal may be instigated for the employee applying for the loan if following a suitable investigation it is determined the scheme has been misused by an employee.

11.0) Policy Owner

Director of Corporate Services

12.0) Authorisations

SMT:	05 July 2016
SP&R:	15 December 2016
Council:	09 January 2017

13.0) Review

The policy will be reviewed on a four yearly basis, or sooner as necessary, to ensure that it remains up-to-date with any legislative changes etc.

14.0) EQIA

This Policy has been "screened out" for Equality Impact Assessment. A copy of the equality screening is available from Human Resources.

Appendix 1

Essential User Designation

At minimum of 1 out of the following 3 statements must be met before a post qualifies for an ECU allowance:

- 1) Is there a statutory obligation, or specific requirement to respond to matters relating to public safety or health?
- 2) Is the officer in post subject to immediate call out to respond to emergency situations?
- 3) Is it expected that the officer will exceed 8,000* business miles (pro rata for part time employees) per annum?²

* Business mileage exceeding 8,000 miles per annum averaged over the previous 2 years. New posts cannot be considered for essential user status until business mileage of 8,500 has been submitted for any given year.

Business mileage will be reviewed annually to ensure compliance with these procedures.

Approval Process

ECU applications are approved via the Corporate or Senior Management Team.

Applications made below Assistant Director level should first be agreed with the relevant Assistant Director. Following Assistant Director approval the application must progress for approval by the CMT.

Applications made at Assistant Director level should first be agreed with the relevant Director. Following Director approval the application must progress for approval by the SMT.

² If an officer is employed as one of a group of employees in the same role and simply by reason of geographical area they are unable to meet the 8000 mile threshold their ECU will not be removed. For example they are based in Monaghan Row and the majority of their business miles are within the City of Newry, their caseload while being comparable to their colleagues would not require large amounts of travel between appointments and therefore they may not reach the business miles limit. In this example they would not be treated differently to their colleagues and would continue to receive their ECU allowance.