

FINANCE PORTFOLIO DECISION RECORD

15 September 2006

Present:

Councillor Robbie Payne (Finance Portfolio Holder)

Officers: Mike Ward, Chief Financial Officer
David Cosgrove, Principal Democratic Services Officer

5. Assisted Car Purchase Scheme *(Chief Financial Officer)*

Type of decision

Non-key.

Purpose of report

To enable the Portfolio Holder to consider proposed changes for determining the interest rate payable on loans granted through the Council's Assisted Car Purchase Scheme.

Issue(s) for consideration by Portfolio Holder

The Council operates an Assisted Car Purchase Scheme for employees. The basis for determining the interest rate applied to the scheme was last reviewed in February, 1999. It was, therefore, appropriate to review this basis to ensure the scheme remained relevant in light of changing interest rates and the availability of other forms of car financing. The report proposed a new basis for determining interest rates for the Council's scheme.

Since the last review of the scheme's rate there had been significant increases in the availability of car loans from banks and alternative financing options. As a result, the number of Council car loans has reduced over the last five years from approximately 150 to 55. This reduction also led to the actual surplus earned on car loans being less than the budgeted surplus. The review was also necessary to encourage employees to use the scheme and thus address the ongoing shortfall in budgeted income.

The most appropriate way to meet the above objectives is to continue to apply a 1% plusage to a "fixed interest rate". Based on enquiries of other Council's the "fixed interest rate" is either a PWLB (Public Works Loan Board) rate or the Bank of England base rate. As car loans tend to be for longer periods, with a maximum loan period of five years, it is suggested that the most appropriate way forward is to apply a plusage of 1% to the five year PWLB

apply on 1st March and apply this rate to loans granted in the following financial year. The rate applicable to new loans will then be reviewed on an annual basis, although the rate on individual loans will be fixed. Owing to the volatility of interest rates earlier in the year the Chief Financial Officer suggested that the rate for the remainder of this financial year was set at 1% above the five year PWLB rate applying on 1st September 2006. This would give a new rate of 5.85%, compared to an existing rate of 7.28%.

The Portfolio Holder welcomed the proposal, though requested that changes to the interest rate be delegated to the Chief Financial Officer in conjunction with the Finance Portfolio Holder. Councillor Payne also suggested that the new revised scheme be advertised to all staff through 'Newsline'.

Decisions

1. That from 1st October, 2006, the interest rate for the Assisted Car Purchase Scheme be based on a 1% plusage to the PWLB (Public Works Loan Board) five year interest rate as at 1st September, 2006;
2. That authority to review the rate on an annual basis, to reflect the PWLB five year rate apply at 1st March each year, be delegated to the Chief Financial Officer in conjunction with the Finance Portfolio Holder.
3. That the changes to the scheme be advertised to all staff through Newsline and any other appropriate means.

J A BROWN

CHIEF SOLICITOR

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