

Executive summary

Mileage rates were introduced to reflect the costs of using a vehicle for work and make reimbursement straightforward for staff who use their own cars for their job. But the rates operated by HMRC have not changed since 2011, despite significant increases in motoring costs.

New UNISON and RAC Foundation research highlights that public service workers are losing out because of out-of-date rates, and the negative impact on the vehicles they use.

UNISON's analysis shows one in five frontline public service workers is required to drive to do their job. The research found that these employees are often paid less than average wages, especially those working in social care.

They often drive significant distances and those clocking up the most miles can be left thousands of pounds out of pocket. UNISON's data explores the wider effect of the cost-of-living crisis on these workers, showing many are taking desperate measures, such as using foodbanks and taking out loans, just to keep their heads above water.

The RAC Foundation's research shows the typical vehicle used by a public service worker for their job is older, and is driven significantly further, than average. This increases the amount of servicing needed and the depreciation of their vehicle.

Using UNISON's data alongside measures of inflation and motoring costs, the RAC Foundation calculated that mileage rates today should be 63.4p per mile, not the HMRC's current approved mileage allowance payment (AMAP) of 45p.

This mileage gap – the difference between what workers can claim and what the RAC Foundation calculations suggest are the real costs – amounts to over £6,000 per year for the average local government or NHS employee who drives daily.

The report makes several recommendations for government and public sector employers.

The government should:

- Increase mileage rates now to 63.4p per mile, and commit to a quarterly review and recalculation to coincide with advisory fuel rate calculations, which are based on engine size and fuel type.
- Restructure AMAPs to remove the current 10,000-mile cap, and ensure mileage rate tiers are removed in local government and NHS pay scales.
- Take urgent action on public sector pay and low wages.
- Invest in a public sector electric vehicle (EV) fleet rollout, ensuring the funding is available to public bodies to offer all grey fleet drivers (where the car is owned by the employee but used for work) the option to use an EV to drive between clients or sites.
- Explore introducing a grey fleet scrappage scheme. This would be like the Mayor of London's ultra low emission zone (Ulez) scheme that supports low-income drivers to scrap the highest-polluting vehicles.

Employers should:

- Urgently increase local mileage rates and lend their voice to UNISON's campaign calling on the government to properly fund this.
- Adjust compensation schemes so the higher rate applies up to a greater distance threshold.
- Introduce fuel cards so fuel payments come directly from the employer rather than from the employee who has to be reimbursed later.
- Move to a system of paying expenses weekly rather than monthly, and paying mileage expenses in advance where feasible.
- Undertake a wider review of their grey fleets, looking at carbon emissions, health and safety and legal minimum wage rules. Employers should be ensuring that anyone required to use a car for their job can choose that their employer provides the vehicle.