From:	Ben Watts, Deputy Chief Executive
To:	Personnel Committee
Date:	19 November 2026
Subject:	HMRC Mileage Rate for KCC Employees
Classification:	Unrestricted

Summary: This paper updates Personnel Committee on the revised HMRC-approved mileage rate and provides an opportunity for the Committee to discuss the decision to apply the new rate to employed KCC staff from 1 October 2026. It also sets out the financial and workforce context and introduces the officer working party to reduce business mileage and offset the additional cost.

1. Background

1.1 HM Revenue & Customs increased the approved mileage allowance payment for cars and vans from 45p to 55p per mile for the first 10,000 business miles in the 2026/27 tax year. The approved rate above 10,000 miles remains 25p per mile.

1.2 The HMRC rate is an approved tax-free ceiling rather than a mandatory employer reimbursement rate.

1.3 The matter was first considered by the Corporate Management Team in June 2026. At that point the Council was already operating in a challenging financial environment and the increased rate was not included in the allowances provided for in the 2026/27 KCC Budget. The Quarter 1 2026/27 monitoring forecast subsequently reported a £21.4m revenue overspend. This context has informed the careful consideration of an additional recurring employment cost.

1.4 Further work was requested on affordability, implementation and the practical ability of employees to recover Mileage Allowance Relief where an employer pays below the approved rate. Provision for the increased rate was not included when the budget was set in February 2026 because the rate increase was not known at that time.

1.5 KCC pays mileage where employees use their own vehicles for authorised journeys necessary to carry out Council duties. This is reimbursement of a business expense rather than additional pay: the allowance is intended to compensate for fuel and vehicle costs associated with business use, including wear and tear and servicing, with business-use insurance also reflected in the rate.

1.6 Ordinary travel between home and an employee’s permanent workplace is not reimbursed under the business mileage arrangements. Where an eligible business journey starts at home, KCC policy requires the normal commuting mileage to be deducted. Claims must be supported by sufficient journey details and approved by the manager; employees using their own vehicles must hold appropriate business-use

insurance. Before travelling, staff should consider whether the journey can be avoided and, if not, select the most cost-effective practical option, including public transport, car sharing and coordinated visits where suitable.

2. Decision, scope and impact

2.1 Following further consideration, investigation and discussion by the Corporate Management Team and in recognition of the impact on affected staff of the now continuing high cost of fuel, the improved financial position and mitigating steps to offset costs, the 55p rate will apply from 1 October 2026 for eligible business mileage undertaken by employed KCC staff.

2.2 CMT noted that increases in the cost of fuel were added to the immediate cost pressures facing employees who use their own vehicles for essential Council business and fell alongside servicing and other vehicle costs. Where an employer's mileage rate is below HMRC's approved rate, employees may claim Mileage Allowance Relief (MAR) from HMRC on the resulting shortfall but it was noted this does not give full recovery. This reinforced the importance of considering employee affordability as well as the Council's budget position.

2.3 Existing eligibility, authorisation and claims requirements will continue to apply. The change is limited to employed KCC staff. It does not automatically amend mileage arrangements for contractors, agency workers, volunteers, foster carers, service users, providers or other non-employed groups, whose arrangements are governed separately and will be reviewed as part of setting the 2027/28 budget.

2.4 Based on current mileage trends considered by CMT, the estimated additional full-year cost of moving from 45p to 55p is approximately £800,000. The indicative distribution is concentrated in Children, Young People and Education (£457,000, 57%) and Adult Social Care and Health (£253,000, 32%), with the balance across Growth, Environment and Transport (£59,000), the Chief Executive's Department (£21,000) and the Deputy Chief Executive's Department (£10,000).

2.5 A working group has been established by CMT to work through mitigations of the in-year cost of the increase and to fund any future element of the increase that fell outside pay negotiations. The work of the group will include improved management information, further challenge of avoidable journeys, further rollout of journey planning and sharing, public transport and active travel where practical, and service-specific action led by the directorates with the highest mileage.

2.6 The officer working party has been established to identify reductions in business mileage sufficient to offset, as far as practicable, the financial implications of the higher rate on the in-year financial position pending discussions as part of the budget setting for 2027/28.

2.7 The working party will ensure that reductions are not pursued in a way that compromises statutory duties, safeguarding, urgent operational response, employee safety or effective support to vulnerable residents. Progress and savings will be reported through established corporate financial and workforce governance.

3. Legal and governance implications

3.1 The revised HMRC rate is not itself a statutory requirement on KCC. The Council may determine the reimbursement rate for its employees subject to contractual, collective consultation, equality and employment law considerations with anything above the HMRC rate being taxable.

3.2 Personnel Committee is therefore invited to note the agreed implementation arrangements and comment on the accompanying approach to affordability, employee impact and mileage reduction.

3.3 Applying the 55p rate from 1 October 2026 restores alignment with the HMRC-approved rate for employed KCC staff and responds to significant employee concern. The majority of public sector bodies and all Councils in Kent have now adopted the rate which provides alignment in that regard as well.

3.4 However, the decision creates an additional financial pressure at a time when the Council is forecasting a material overspend. The officer working party will therefore seek practical and sustainable reductions in business mileage, with appropriate safeguards for statutory and frontline services.

3.5 Following the meeting of Personnel Committee, communication will be sent to staff setting out the detail of the change to arrangements.

Recommendations:

Personnel Committee is asked to:

- NOTE that the HMRC-approved rate of 55p per mile for the first 10,000 business miles will apply to employed KCC staff from 1 October 2026, with the rate above 10,000 miles remaining unchanged;
- NOTE that the change applies prospectively and to employed KCC staff only;
- NOTE the estimated financial implications
- NOTE the establishment of an officer working party to identify and deliver reductions in business mileage to offset those implications; and
- COMMENT on the proposed approach and the matters set out in this report.