Agenda Item	11
Report No	RES/37/26

The Highland Council

Committee: **Corporate Resources**

Date: **27 August 2026**

Report Title: **Mileage Rate Revision**

Report By: **Assistant Chief Executive - Corporate**

1 Purpose/Executive Summary

1.1 HM Revenue and Customs (HMRC) announced in May 2026 an increase to its Approved Mileage Allowance Payments (AMAP) rates for the 2026/27 tax year. The standard rate has increased from 45p per mile to 55p per mile for the first 10,000 business miles, with the rate of 25p per mile thereafter remaining unchanged. Although announced in May 2026, HMRC guidance states that the new rate should be backdated to 1 April 2026.

1.2 The Council's current mileage rates are aligned with the previous HMRC rates and guidance and this is referred to in the Travel and Subsistence policy.

1.3 This report provides Members with information on the financial, operational and employee relations implications of adopting the revised HMRC rate and recommends that the new rate is adopted for both employees and Elected Members.

1.4 The report also recommends the backdating of the new rate to mileage claims relating to travel from 1 April 2026.

2 Recommendations

2.1 Members are asked to:

i. Agree that the Council should adopt the revised HMRC mileage rate of 55p per mile for the first 10,000 business miles.
ii. Agree that the change should be backdated to cover travel relating to 1 April 2026 onwards.
iii. Note that backdated claims will be calculated and paid by the end of the calendar year.
iv. Agree that any approved change should apply equally to both employees and Elected Members in order to maintain consistency across the organisation.
v. Agree to reinforce the requirements of the Council's Travel and Subsistence Policy and Travel Hierarchy to minimise avoidable travel and reduce reliance on private vehicle use.

3 Implications

3.1 **Resource** -
Implementation of the revised HMRC mileage rate would result in additional expenditure for employee and Elected Member mileage claims. There is no budget provision within the approved 2026/27 revenue budget for this increase, as HMRC's announcement was made after Council budgets had been agreed.

The estimated cost does not include any consequential review of associated mileage-related payments, including motorcycle mileage allowances and excess travel rates.

3.2 **Legal** –
There is no statutory requirement for the Council to adopt HMRC mileage rates. HMRC rates represent the maximum tax-free reimbursement levels available to employers but do not require employers to reimburse employees at those levels. The Council's Travel and Subsistence Policy is a locally agreed policy and not part of national terms and conditions of service.

3.3 **Risk** –
There is a financial risk associated with increasing reimbursement rates without corresponding budget provision.

There is also an employee relations risk if the Council chooses not to adopt the revised HMRC rates, particularly given that vehicle operating costs have increased significantly since the previous HMRC rate was established.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – There are no Health and Safety implications because of this report.

3.5 **Gaelic** - There are no Gaelic implications because of this report.

4 Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 **Integrated Impact Assessment - Summary**

4.3.1 An Integrated Impact Assessment screening has been undertaken on 14 July 2026. The conclusions have been subject to the relevant Manager Review and Approval.

4.3.2 The screening process has concluded that there are no identified adverse impacts on any protected characteristic groups at this stage.

The proposed changes are intended to promote fairness and consistency in the application of expense arrangements across the Council in line with nationally approved rates.

5 Background

5.1 HMRC has increased the Approved Mileage Allowance Payment rate from 45p per mile to 55p per mile for the first 10,000 business miles travelled during the tax year. Despite this change being announced in May 2026, the higher rate applies from the start of the 2026/27 tax year.

5.2 The previous HMRC mileage rate had remained unchanged for approximately 15 years.

5.3 The Council currently reimburses employee business travel in accordance with rates contained within the Travel and Subsistence Policy. These rates have historically mirrored HMRC rates.

5.4 Highland Council remains committed to reducing both the environmental and financial impacts associated with business travel. The Travel Hierarchy requires staff and managers to consider alternatives to travel wherever possible before approving journeys undertaken using private vehicles.

5.5 Benchmarking with other councils has shown that 21 out of 22 responders report using the HMRC mileage rate to reimburse SNCT staff. This figure includes those reporting the HMRC rate as the source used, or local policy tied to HMRC rate, or a local rate value which is the same as HMRC rate.

This survey was open when the HMRC rate changes and the figure includes both those reporting the previous rate (45p), and those who have confirmed they are adopting, or are considering/ reviewing adoption of, the new rate (55p). 11 of the 22 councils confirmed they are adopting the new rate and 6 confirmed they were reviewing or considering adoption of the new rate.

NHS Highland is implementing the new rate, backdated to 1 April 2026.

6 Financial Considerations

6.1 Estimated Cost of Implementing Revised HMRC Mileage Rate

The table below provides an estimate of the additional annual cost associated with increasing the standard mileage rate from 45p to 55p per mile. The estimates are based on current mileage claim levels and are intended to provide an indication of the likely financial impact.

Category	Estimated Additional Annual Cost
Employee mileage claims	£130,000
Elected Member mileage claims	£20,000
Total estimated annual cost	**£150,000**

Table 1 – Estimated annual cost of increasing mileage rate from 45p to 55p per mile
The figures shown above do not include any consequential costs arising from a review of other mileage-related allowances, including motorcycle mileage rates and excess travel payments, nor do they take account of any increase in business mileage undertaken following implementation of revised rates.

6.2 **Mileage Expenditure**

During 2025/26:

Mileage Type	Budget	Actual Expenditure
Taxable mileage	£16,036	£65,422
Non-taxable mileage	£707,361	£937,421

Table 3 – 2025/26 mileage expenditure
Included within the above expenditure is approximately **£85,199** relating to Elected Member mileage claims.

6.3 **Budget Considerations**
The approved revenue budget already includes planned savings arising from reduced travel activity and reduced grey fleet usage. Any increase in mileage rates would therefore add further pressure to service budgets.

Members should note that implementation from 1 April 2026 would require retrospective adjustment of claims submitted during the current financial year.

6.4 **Payroll costs**

To allow Payroll to continue to prioritise business as usual, the work required to reconcile any backdating agreed will be allocated over a number of months, to be completed by the end of December 2026.

7 Employee Relations Considerations

7.1 Trade unions, including GMB and UNISON, have contacted the Council in support of adopting the revised HMRC rates and implementing the increase from the beginning of the 2026/27 financial year, as the increase reflects the increased costs associated with using private vehicles for business purposes.

7.2 Failure to adopt the revised rates is likely to result in employee relations concerns, particularly given that mileage reimbursement rates have remained unchanged for a prolonged period whilst vehicle operating costs have increased.

8.0 Travel Hierarchy

8.1 Regardless of the Committee's decision on mileage rates, it remains important that travel is only undertaken where necessary for service delivery.

8.2 Managers should continue to ensure that:

- virtual meetings are used wherever appropriate;
- the need for travel is challenged;
- public transport and shared travel options are considered;
- Council vehicles are used where available and appropriate; and
- private vehicle use is limited to circumstances where alternatives are not practical.

8.3 The Travel and Subsistence Policy should continue to be actively promoted to support the Council's environmental objectives and management of travel expenditure.

9.0 Conclusion

9.1 The increase announced by HMRC represents the first change to the standard mileage allowance rate for approximately 15 years.

9.2 Adoption of the revised HMRC rate would be in line with previous policy decisions and would provide increased reimbursement to employees and Elected Members using private vehicles for business purposes but would create an estimated unbudgeted annual cost pressure of approximately £150,000.

9.3 Any decision should balance the financial implications for the Council, the impact on employees and Elected Members, parity with other public sector organisations, and the need to continue reducing business travel wherever possible through effective application of the Travel Hierarchy.

9.4 The Committee is asked to agree to adopt the revised rate, backdated to 1 April 2026.

Designation:	Assistant Chief Executive - Corporate
Date:	6 August 2026
Author:	Ruth Fry - Chief Officer HR & Communications Louise McGunnigle - Strategic Lead HR
Background Papers:	None
Appendices:	Appendix 1 – Integrated Impact Assessment

Integrated Impact Assessment Screening

This Impact Assessment is marked as confidential or sensitive. If you intend to share this document please check with the Responsible Manager who this can be shared with.

About proposal

What does this proposal relate to? Policy

Proposal name: Review of Highland Council Mileage Rates

High level summary of the proposal: The report provides Members with information on the financial, operational and employee relations implications of adopting the revised HMRC rate and seeks a decision on the future application of mileage rates for both employees and Elected Members.

Who may be affected by the proposal? Employees and Elected Members

Start date of proposal: 17/07/2026

End date of proposal:

Does this proposal result in a change or impact to one or more Council service? No

Does this relate to an existing proposal? Yes

Provide details of the existing proposal: Current Travel and Subsistence Policy

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Responsible officer details

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Job title: Chief Officer HR and Communications

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Sign off date: 2026-08-03

Equalities, poverty, and human rights

Protected characteristics

Select what impact the proposal will have on the following protected characteristics:

Sex: No impact

Age: No impact

Disability: No impact

Religion or belief: No impact

Race: No impact

Sexual orientation: No impact

Gender reassignment: No impact

Pregnancy and maternity: No impact

Marriage and civil partnership: No impact

Protected characteristics impact details:

Poverty and socio-economic

What impact is the proposal likely to have on the following?

Prospects and opportunities: No impact

Places: No impact

Financial: No impact

Poverty and socio-economic impact details:

Human rights

Which of the below human rights will be affected by this proposal? Other human rights will be affected

What impact do you consider this proposal to have on the human rights of people? No impact

Human rights impact details:

Equalities, poverty and human rights screening assessment

What impact do you think there will be to equalities, poverty and human rights? No impact

Is a Full Impact Assessment required? No

Children's rights and wellbeing

What likely impact will the proposal have on children and young people?

Which of the below children's rights will be affected by the proposal? No children's rights will be affected

Explain how the children's rights selected above will be affected:

Children's rights and wellbeing screening assessment

What impact do you think there will be to children's rights and wellbeing? No impact

Is a Full Impact Assessment required? No

Data protection

Will your proposal involve processing personal data? Yes

Is any of this data already processed by the Highland Council? Yes

What is the purpose of the personal data being processed? expense claims

Is there an up-to-date privacy notice available on the Highland Council website? Yes

Data protection screening assessment

What change will there be to the way personal data is processed? No significant change to current processing

Is a Full Impact Assessment required? No

Island and mainland rural communities

Does your proposal impact island and mainland rural communities? No

Island and mainland rural communities screening assessment

What impact do you think there will be to island and mainland rural communities? No difference

Is a Full Impact Assessment required? No

Climate change

Does the proposal involve activities that could impact on greenhouse gas emissions (CO_2e)? No

Does the proposal have the potential to affect the environment, wildlife or biodiversity? No

Does the proposal have the potential to influence resilience to extreme weather or changing climate? No

Provide information regarding your selection above:

Climate change screening assessment

Have you identified potential impact for any of the areas above or marked any as not known? No

Is a Full Impact Assessment required? No