

CYCLE TO WORK SCHEME

WDA/43/13

Recommendation

That Members approve;

1. The proposed Cycle to Work Scheme attached at Appendix 1.
2. The commencement date of 1st April 2014 for implementation of the proposed scheme;
3. The costs associated with the administration of salary deductions via payroll services.
4. That delegated powers be granted to the Chief Executive to determine the most appropriate third party provider.

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CYCLE TO WORK SCHEME**WDA/43/13****Report of the Chief Executive****1. Purpose of the Report**

- 1.1 To seek Members approval to a proposed Cycle to Work Scheme.

2. Background

- 2.1 To promote healthier journeys to work and to reduce environmental pollution, the 1999 Finance Act introduced an annual tax exemption, which allows employers to loan cycles and cyclists' safety equipment to employees as a tax-free benefit. The exemption was one of a series of measures introduced under the Government's Green Transport Plan.
- 2.2 The Authority can take advantage of this tax exemption to implement a Cycle to Work Scheme that encourages employees to cycle to work and allows the Authority to reap the benefits of a healthier workforce.
- 2.3 The Authority already has in place a Health and Wellbeing programme which provides employees with a number of initiatives which are aimed at improving their overall health and wellbeing.
- 2.4 The Authority recognises its responsibility to contributing towards climate change, carbon footprint and the promotion of green travel methods to all its employees.
- 2.5 Promotion of greener travel options through Cycle to Work Scheme had not previously been considered due to the lack of cycle storage facilities at the North House Premises.

3. Cycling to Work Policy

- 3.1 The Cycle to Work Scheme (attached at Appendix 1), allows employers to enable their employees to lease bikes and equipment for travelling to work or a part journey to work, free of income tax and NI (national insurance) as part of a salary sacrifice scheme. Employees can save on the cost of bikes and equipment and employers also make a small reduction in their National Insurance Contribution (NIC).

- 3.2 In order to maximise promotion and usage of the scheme it would be beneficial to engage a third party to undertake the bulk of the promotion and administration.
- 3.3 There are a number of organisations who can provide this service, and the Authority will seek to select a provider who is most compatible to its requirements.
- 3.4 The third party provider will partner with the Authority, free of charge, to provide a secure online facility to enable employees to participate in a cycle to work scheme. Their process will adhere to HMRC, Department of Transport (DfT) and the Office of Fair Trading (OFT) Cycle to Work guidelines.
- 3.5 The third party provider will engage local bike shops to participate, set up the necessary systems for the Authority and produce promotional materials to advertise the scheme. They will also carry out the majority of the administrative paperwork.
- 3.6 By entering an agreement with the Authority, employees can purchase a bike and associated safety equipment up to the maximum value of £1000.
- 3.7 Employees can visit a participating bike shop to select their bike and equipment, this information is submitted on line and a voucher is released for the employee to collect their purchase.
- 3.8 A loan repayment with no interest charged is then taken by the Authority from the employee's gross rather than net salary and is payable over a period of twelve months.
- 3.9 The payment forms part of a salary sacrifice system whereby an employee gives up the right to receive part of their contractual pay in return for the employer's agreement to provide some sort of non-cash benefit, in this case the loan of a bicycle and related equipment.
- 3.10 Employees therefore pay less income tax and NIC and their NET salary reduction is less than the GROSS salary reduction. The Authority's employer NIC liability is reduced and VAT paid on the purchase of the bike and equipment can be reclaimed.
- 3.11 HMRC guidance states that at the end of the twelve months hire period the employee can opt to buy the bike from the Authority for a Fair Market Value price or extend the hire period, the following table illustrates the fair market value of equipment:

Age of cycle	Acceptable disposal value percentage – Original price of the cycle <£500	Acceptable disposal value percentage – Original price of the cycle >£500
12 months	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%

- 3.12 In 2011, HMRC approved an additional end of scheme process, which ensures employees are not paying 18% or 25% of the cost of the bike at the end of the 1 year hire period. The process now allows the employee to pay a small refundable deposit (3% or 7% of the equipment value) and continue to use the bicycle for an extended period of up 36 months, during which time no additional payment needs to be made.
- 3.13 At the end of the extended hire period, the employee will either be refunded the deposit, if they do not wish to keep the bike or ownership of the bike will be transferred to the employee at no extra cost. This scheme has been approved by HMRC.
- 3.14 The scheme is available to all permanent employees of the Authority, but to take advantage of the tax breaks that result from the salary sacrifice scheme employees must be:
- A UK taxpayer
 - Over 18 years of age
 - Earn more than the National Minimum Wage after the loan payment has been deducted.

4. Risk Implications

- 4.1 To ensure equality of application, the Cycle to Work Scheme will be made available to all permanent employees of the Authority.
- 4.2 The Authority will engage with a third party provider who will adhere to HMRC, Department of Transport (DfT) and the Office of Fair Trading (OFT) Cycle to Work guidelines.

- 4.3 Under the terms of the scheme, it is not possible for the loan to be cancelled and therefore the employee is liable for the full payment of the agreement even upon termination of employment.
- 4.4 The agreement between the Authority and employee will include a provision to be made for the deduction from pay, for any outstanding balances owed if the employee leaves employment during the 12 month term.
- 4.5 The employee will be unable to enter into further or additional agreements with the Authority until the original agreement period has ended.

5. HR Implications

- 5.1 The Cycle to Work Scheme is a positive scheme to assist employees in helping support their health and wellbeing and reduce their carbon footprint by promoting green travel.
- 5.2 The schemes principle administration will be through a third party provider, however, appropriate controls will be needed within the process to ensure employee's eligibility and sanction the necessary salary deductions.
- 5.3 St Helens MBC are the Authority's current payroll provider and are equipped to make the necessary authorised deductions from participating employees' salary as they are currently considering running a similar scheme.

6. Environmental Implications

- 6.1 The environmental implications for each participant in the 'Cycle to Work Scheme' will result in their work travel being carbon neutral and over time, will significantly reduce the carbon emissions associated with their previous mode of transport (public transport, car)

7. Financial Implications

- 7.1 There will be no overall cost to the Authority in relation to purchasing bike and equipment other than temporary funding of the scheme until the

money is received from the employees through payroll deductions spread over the 12 month period.

- 7.2 Whilst over the hire period of the scheme the cost to the Authority is neutral, should all employees sign up to the scheme and purchase a bike and equipment up to the £1000 limit, initially in the order of £34,000 of temporary funding would be needed from 1st April 2014.
- 7.3 The cost associated with the administration for the salary deductions will be £15 per each employee who enters the scheme. If all employees participated in the scheme this would amount to £510.

8. Conclusion

- 8.1 The proposed Cycle to Work Scheme forms part of the Authority's Health and Wellbeing Programme.
- 8.2 A Cycle to Work Scheme would enable greater promotion of the associated health benefits to cycling as a form of exercise, and would also enable the Authority to recognise its responsibility in contributing somehow to climate change by allowing employees to consider a greener mode of travel.
- 8.3 Members are therefore requested to approve the proposed Cycle to Work Scheme and associated financial provision and to grant delegated powers to the Chief Executive to engage the most appropriate third party provider
- 8.4 Members are also requested to agree the commencement date of 1st April 2014 for implementation of the proposed scheme.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 – Nil.