
Briefing to Overview and Scrutiny Board

Date: October 2020

Subject: Salary Sacrifice Cycle to Work Scheme For Discussion

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Summary of the issue:

Following the report to the Overview & Scrutiny Committee on 8th September regarding 'Tax Relief for Public Transport Travel', submitted by the Transport Policy team, the committee have asked for a follow-up brief from Human Resources of the Council's Cycle to Work scheme and outline the future intentions for this Salary Sacrifice initiative.

Recommendations to Overview and Scrutiny Board:

The Overview and Scrutiny Board is asked to review and note this brief with regard to their previous request for the current status of the council's Cycle to Work scheme.

1.0 Background – What is a salary sacrifice scheme?

- 1.1 Salary sacrifice schemes is when an employee agrees to give up part of their salary in exchange for getting extra benefits from their employer. These benefits are typically non-cash benefits or are increasing pension contributions. Salary sacrifice schemes have to have approval from HM Revenue & Customs (HMRC), particularly as the Government have limited the type of benefits that can be access through these schemes. Examples of these schemes are childcare vouchers, cycle to work and pension AVC's (Additional Voluntary Contributions).
- 1.2 The deduction for the benefit is taken from their gross salary, prior to their income tax and national insurance contributions are taken from their salary. The employee signs up to their salary being reduced the duration of the agreement, which could be time limited such as the Cycle to Work scheme or could be ongoing such as Childcare vouchers. In addition to the employee paying lower income tax and national insurance contributions, the employer will not have to pay their National Insurance on the part that the employee has 'sacrificed'.
- 1.3 There are other issues that need to be taken into account when running a salary sacrifice scheme such as the legal requirement to ensure that all employees are paid at least the National Minimum Wage for their ages after the deduction has been made for the benefit, and there needs to be protocols in place for events such as going on maternity leave, leaving the council and calculating redundancy payments.

2.0 Background – Salary Sacrifice Schemes at Oldham Council

- 2.1 The council has embraced previous salary sacrifice schemes when the Government has endorsed specific programmes, such as the Home Computers Initiative (HCI), which nationally came to an end in 2006. Therefore, our offer has been dependent on compliance with HMRC regulations, and we have been forced to make changes dependent on the current rules that exist at a point in time, e.g. the council had to change the salary sacrifice scheme for bus season tickets in April 2017 to a loan, due to a revision by the then Chancellor of the Exchequer in their previous Autumn Statement.
 - 2.2 The council has operated childcare vouchers for many years, with employees TUPE transferred to MioCare and Unity Partnership taking that benefit across with them. Due to the Government introducing an alternative tax-free childcare service, childcare voucher salary sacrifice schemes have been closed to new entrants nationally from October 2018.
 - 2.3 The Cycle to Work Scheme at the council has been in operation for over ten years, although the scheme has not run each year. Originally, the price of the bicycle was exclusive of VAT, but this was changed in 2012. When the scheme was launched, there was a limit of £1,000 for each employee. Employees who are eligible and wished to participate would then choose the bicycle from the provider contracted to the council. The employee is then sent a voucher (Letter of Collection) for that value to exchange for the bicycle. The employee is hiring the bicycle to undertake some/all of their work commute and/or work business on, and then at the end of the loan period of twelve months, the employee would either have to return their bicycle, or discuss with the provider regarding their options for "transfer of ownership".
 - 2.4 In addition to the purchase of a bike, the voucher can include additional spend on some cycling accessories, mostly associated with road safety, e.g. helmets and
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lights, plus locks. In June 2020, the eligibility for accessories has been increased, and can now include items such as pedals, saddles and tyres. The scheme can only be used for the benefit of the employee and is not transferable to their family or friends.

- 2.4 Oldham Council has always operated the Cycle to Work scheme in 'windows', where employees can apply only within a certain timeframe, typically six to eight weeks. Many councils operate in the same way, however some operate the scheme all year round, but there is a 'mix and match' approach at another council (East Sussex County Council), where they have a window for their salary sacrifice scheme and during the rest of the year, operate a regular loan scheme, i.e. based on net pay after tax and insurance.

3.0 Cycle to Work Scheme in 2018/19

- 3.1 When the Cycle to Work Scheme, in association with Halfords, was last promoted in December 2018, there were four applicants, with the amount requested being between £330 and £720 of the £1,000 maximum. Checks were undertaken to ensure that their monthly deductions would not put their earnings below the National Minimum Wage threshold. Promotional activities included posters, leaflets and a roadshow at the Civic Centre. Halfords also have an arrangements with other companies so bicycles can be purchased online through Tredz, or through 860 independent cycle retailers. Within Oldham, this supports two local companies, pone based in Lees and the other in Greenacres.
- 3.2 Only one window for Cycle to Work has been arranged while the A1 payroll system has been in place, due to the additional pressure of processing and checking non-standard payments while ensuring that other salary elements are not adversely affected. With the impending implementation of the new payroll system iTrent, HR are working with Procurement and Legal Services with regard to re-contracting the Cycle to Work Scheme for the future. There are ongoing discussions with the Finance Corporate Control team to determine the budget available in the first instance, which potentially could limit the number of applicants to support accurate financial planning, although there would be some savings generated at the end of the twelve month hire period, due to slightly lower payments for our Employer's National Insurance.

4.0 Future Developments

- 4.1 There will need to be further discussions with Finance, Procurement and Legal Services to determine the most efficient and economic way that the scheme can be extended to other areas of #TeamOldham, as the council cannot be left with a risk of losing payment through the scheme, if say a school employee was unable to pay back the loan. It should be noted that front line staff in MioCare Limited Services (MSL) earn the Foundation Living Wage, and so committing to a large monthly deduction could put them under the National Minimum Wage recommendations. During the spring/summer this year, MSL employees who were considering a bicycle purchase, were directed to Positive Cycles. Positive Cycles is an innovative initiative run by Positive Steps to refurbish older bikes and sell them for a discounted rate, plus support young people to gain additional skills and qualifications – and several of MioCare's employees took advantage of this offer.
- 4.2 A potential development for the future could be lifting the maximum cap to £3,000 per application, which is now allowed under the national rules. This would benefit
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employees who wished to purchase a more expensive bicycle, typically an electric bike or folding bike.

- 4.3 The council is also looking into re-establishing its Give As You Earn scheme (GAYE). Although not a salary sacrifice scheme, the donation is taken before the employee pays their tax, so it costs them less and the charity has no administration associated with Gift Aid. As well as national charities, other, more local charities could benefit from regular donations, such as the Coliseum Theatre, Oldham Mountain Rescue, Fatima Women's Association or Dr Kershaw's Hospice.
- 44 Finally, there are some initial plans to offer Salary Sacrifice Share Cost AVC's for employees to top up their pension. Employees would then be able to make National Insurance Contribution savings, on top of their tax relief for AVC's, plus the council would also be able to make Employers National Insurance Contributions. Once the new iTrent payroll is embedded, then HR and Unity will work together to progress this, as an opportunity to make savings.
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