

**DELEGATED**

## **Cycle to Work Scheme 2013**

**Report to: Elaine McLean  
Executive Director of Economy, Place and Skills**

**Portfolio Responsibility:  
Cllr Hibbert**

**29 May 2013**

**Officer Contact: Jennifer Holden  
Ext: 4370**

### **Purpose of Report**

To gain approval to run a Cycle to Work Scheme June - August 2013.

### **Executive Summary**

The report explains how Cycle to Work Schemes operate, summarises previous schemes and sets out the proposals for running another scheme in 2013.

### **Recommendations**

To approve the running of a Cycle to Work Scheme from June – August 2013 with Cyclescheme as the provider.

## **Cycle to Work Scheme**

### **1 Background**

- 1.1 Cycle to Work Schemes allow employers to enable their staff to lease bikes and equipment for travelling to work free of income tax and NI as part of a salary sacrifice scheme. Employees can save on the cost of bikes and equipment and employers also make a small profit through National Insurance Contribution (NIC) savings.
- 1.2 An annual Cycle to Work Scheme was run annually from 2007-2009 and again in 2011 and 2012 as part of the Oldham Council Travel Plan. The last scheme in 2012 resulted in 56 employees taking part, all making considerable savings on the cost of a bike. Savings made for the Council totalled £5,810 in reduced NI contributions. In addition to the financial savings, the scheme benefits employees' health and well being and contributes towards carbon reduction through reducing travel to work by car. The scheme also benefits local businesses through increased sales.
- 1.3 The scheme works by the Council selecting a provider to run the scheme on its behalf. From 2007-2009, Oldham Council used Cyclescheme as the provider of the scheme following a tender process in 2007. A tender process was again carried out prior to the 2011 scheme and Cyclescheme were selected to run the scheme. The conditions of this contract allowed Cyclescheme to be used for a further 2 years, subject to service delivery (see section 2.7). 2013 will be the third year of this contract.
- 1.4 Cyclescheme engage local bike shops to participate, set up the necessary systems for the Council and produce promotional materials to advertise the scheme. They will also carry out the majority of the administrative work. Employees can then visit a participating bike shop to select their bike and equipment. This information is submitted online and a voucher is released for the employee to collect their purchase. The cost is then split across 12 monthly deductions from the employee's salary.
- 1.5 Previous schemes have been financed by Chrystal Finance, however it is proposed that this year the bikes are purchased by the Council and offset through the employee salary deductions over 12 months, without involving a third party. There will be greater savings for employees as there are no interest costs added to their payments. The Council would remain the owner of the bikes until the final payments have been made.

### **2 Current Position**

- 2.1 There is a significant amount of investment being made across Greater Manchester in cycling initiatives following the successful Local Sustainable

Transport Fund (LSTF) Commuter Cycling Project bid to government. This initiative is providing opportunities around cycling to employees, employers and residents across GM, including within Oldham. Initiatives include free bike maintenance sessions across the region, free adult cycle training for all residents and a workplace cycle challenge with prizes on offer. This makes it a good time to run the scheme, and there is also demand from staff as numerous enquiries are received as to when a new scheme will be launched.

- 2.2 The scheme will be managed internally by the Transportation Policy Officer, with support from Payroll and Finance. The majority of the administrative work will be carried out by Cyclescheme at no cost to the Council.

Payroll's role in the process is to check employees' eligibility and set up the monthly salary deductions. Employees should not be participating in the scheme if it would take their earnings below the Lower Earnings Level for National Insurance as this would affect any statutory benefits they may become entitled to (e.g. an employee becoming pregnant during the period of the scheme would lose entitlement to Statutory Maternity Pay if earnings were below the Lower Earnings Level during the qualifying period of the pregnancy).

For employees on maternity leave, no reduction in their statutory payments can be made, however payments can be suspended until they return to work so there is no cost to the Council.

Employees also may not participate if:

- They have less than 12 months remaining on their contract
- They are not paid through Oldham Council payroll (i.e. Unity staff, although Mouchel have their own scheme that these staff can join).

- 2.3 If the scheme is approved, it could be set up in within two weeks.

- 2.4 There are short term financial implications for the Council's strategic transportation policy budget. Cyclescheme will invoice the Council on a monthly basis over the 3 month window, after which time the vouchers will be released to participants. The invoices will be paid from the salary deduction code. After 12 months all payments will have been deducted and the full cost of the bikes will be offset.

- 2.5 HMRC guidance states that at the end of the hire period, the bicycle may be purchased by the participant at the fair market value. The following valuation table illustrates the fair market value of the equipment after x number of years.

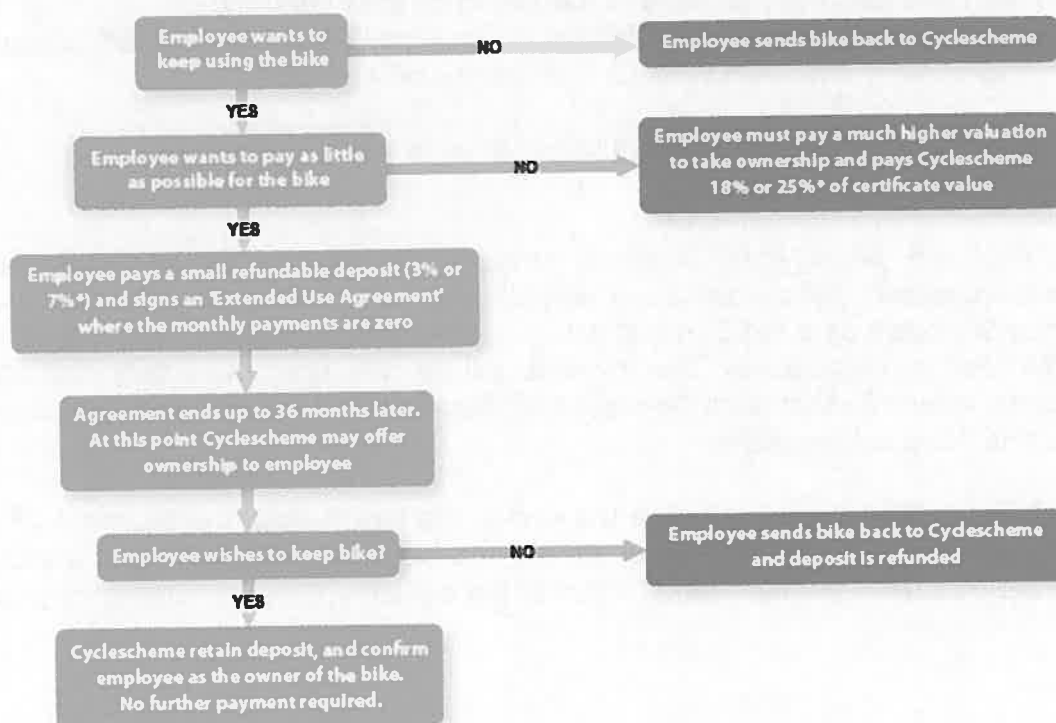
Age of cycle	Acceptable disposal value percentage	
	Original price of the cycle less than £500	Original price £500+
1 year	18%	25%

<b>18 months</b>	16%	21%
<b>2 years</b>	13%	17%
<b>3 years</b>	8%	12%
<b>4 years</b>	3%	7%
<b>5 years</b>	Negligible	2%
<b>6 years &amp; over</b>	Negligible	Negligible

In 2011 Cyclescheme introduced a new 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.

Cyclescheme extend the hire period with the employee for a further 3 years, after the initial 12 month period with the Council. Cyclescheme charge the employee a nominal fee to do so, which would be equivalent to either 3% or 7% of the bicycle and equipment cost, as shown in the table.

The employee makes no further payments and after 3 years the bike will transfer ownership to them with no extra charges. HMRC have approved this process and this means employees can still benefit from the same level of savings. This process is highlighted in figure 1 below. The Oldham Council scheme has used this method for the last 2 schemes with no problems.



- 2.6 Following the 2011 and 2012 scheme, a supplier review process was undertaken to assess Cyclescheme's suitability to run the scheme again for the Council. The review found that there were no issues with Cyclescheme's

handling of the scheme and the process was run to a good standard. A copy of the supplier review from 2012 can be found in appendix 1.

### **3 Options/Alternatives**

- 3.1 Option 1 is to run the scheme as described above, with the preferred supplier of Cyclescheme.
- 3.2 Option 2 is to not run the scheme at all.

### **4 Preferred Option**

- 4.1 Option 1 is the preferred option. Option 2 would mean that employees are not able to benefit from the government scheme and would miss out on the health and cost benefits. The Council would also miss out on the chance to boost employee morale, improve staff productivity, reduce carbon emissions and save make savings on NI contributions. Option 1 would result in a successful and efficiently run scheme that benefits staff, the Council and local businesses.

### **5 Consultation**

- 5.1 Prior to the preparation of this report, Payroll, Finance and Communications were consulted. No problems were foreseen with the running of another scheme.

### **6 Financial Implications**

- 6.1 There will be no overall cost to the Council other than temporary funding of the scheme until the money is received from the employees through payroll deductions spread over a 12 month period.
- 6.2 The initial outlay of funding will be met through the Economy, Place and Skills, Strategic Transportation budget (cost centre 40030).
- 6.3 To minimise any risk to the Council, the tendering exercise completed within 2011/12 and 2012/13 also included a check of the financial standing of the organisations that tendered to run the cycle to work scheme.
- 6.4 There will be no detrimental financial impact for the Council in running this scheme, which provides a benefit to staff.
- 6.5 Due to the decision by HMRC on VAT and salary sacrifices schemes, the Council is no longer able to offer the benefit of a VAT saving to staff. In the past this was one of the advantages of running a salary sacrifice scheme. However, there is now a requirement that VAT must be charged as part of the scheme. (K.Williams/M.Ward).

## **7 Legal Services Comments**

7.1 None (A Evans).

## **8 Cooperative Agenda**

8.1 The Cycle to Work Scheme forms part of Oldham Council's sustainable transport offer, allowing travel choices for all employees and as such links to the council's priorities and objectives under the Cooperative Agenda.

## **9 Human Resources Comments**

9.1 As an employer, Oldham Council values its employees and is currently undertaking a number of initiatives to support the health and wellbeing of staff.

This Cycle to Work scheme is another positive scheme to assist employees and to provide a bicycle to cycle to work at reduced personal expense/cost. (Stewart Hindley).

## **10 Risk Assessments**

10.1 None.

## **11 IT Implications**

11.1 None.

## **12 Property Implications**

12.1 None

## **13 Procurement Implications**

13.1 The Cycle to Work Scheme was tendered in 2011, the contract is for 3 years to be let on a year by year basis. If the option is to run the cycle scheme again for 2013 there are no procurement issues. (Elizabeth McKenna).

## **14 Environmental and Health & Safety Implications**

14.1 The introduction of a Cycle to Work scheme is part of the Council Travel Plan and supports the Council's environmental targets. Previous staff surveys have found that more employees would cycle to work if such a scheme were in place. The scheme will potentially reduce the number of staff travelling to work by car and reduce carbon emissions. The scheme also promotes a healthy and active lifestyle to staff, which can result in reducing obesity, absenteeism and stress and improving staff productivity and retention.

- 14.2 There are no health and safety implications for the Council relating to the scheme. Employers have a duty to protect the health and safety of employees while at work, but this duty does not extend to bicycle journeys to / from work, in the same way that an employer is not responsible for the safety of employees who drive to / from work. Any faults with the bikes themselves will be the responsibility of the bike shop, not the Council.

**15 Equality, community cohesion and crime implications**

- 15.1 The Cycle to Work Scheme will be available to all Oldham Council employees, subject to minimum wage criteria.

**16 Equality Impact Assessment Completed?**

- 16.1 No

**17 Key Decision**

- 17.1 No

**17 Forward Plan Reference**

- 18.1 N/A

**19 Background Papers**

- 19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref :

Name of File :

Officer Name :

Contact No :

**20 Appendices**

- 20.1 Appendix 1 – supplier review template.

DELETE IF CABINET DECISION	
Signed <u>Clair McLean</u> Executive Director	Dated <u>5/6/13</u>

## Appendix 1

### Supplier Review – Cyclescheme

Client:	Oldham Council
Date:	March 2013

#### **Review of the Cycle to Work Scheme 2012 run by Cyclescheme from July – September.**

The scope for extending the contract with Cyclescheme is dependant upon the performance during this scheme. The performance is judged on the 5 criteria below:

##### **1. The general quality of the service delivered**

Running the scheme with Cyclescheme was a simple process and resulted in no problems for the Council. The account manager appointed to us was helpful and dealt with all enquiries sufficiently. The scheme was straightforward to set up and all promotional materials and literature were provided as described.

##### **2. The number (if any) of complaints received and employee feedback**

There have been no complaints from employees regarding the service provided by Cyclescheme, or about any other aspects of the scheme. A number of employees have contacted Cyclescheme directly with various queries which were answered to a satisfactory standard.

##### **3. Feedback from any partner shops involved**

There have been no complaints or queries from any of the partner shops. All shops were satisfied with the running of the scheme.

##### **4. The level of administrative work for the Council**

The level of administrative work for the Council was minimal. The only input required from officers was approving or declining applications on a weekly basis, dealing with any specific enquiries, and setting up the employee deductions. There was no further administrative work required than that specified by the supplier in the tender document.

##### **5. The successful financing of the scheme**

Chrystal Finance were used to finance the scheme and Cyclescheme contacted Chrystal to discuss the lease arrangements and interest rates. Council input was



required to actually set up the lease at the end of the scheme; however Cyclescheme dealt with any correspondence prior to the launch.

