

**29<sup>th</sup> October 2014**

**Finance and Resources**

**Cycling Provision for BBC**

**Report of:** *Jo-Anne Ireland, Acting Chief Executive*

**Wards Affected:** *N/A*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 A cycle to work scheme offers tax incentives that enable staff to enjoy savings on the price of a new bicycle and related accessories such as safety equipment. The Council purchases the bicycle and the employee leases the bicycle via a tax-efficient salary sacrifice scheme.

**2. Recommendation(s)**

- 2.1 To agree to the Council registering with Cyclescheme, offering employees the benefits of the scheme.**
- 2.2 To agree to the provision of cycle racks at the Town Hall and to the investigation of further provision of changing areas and/or showers as part of the Town Hall development.**

**3. Introduction and Background**

- 3.1 The Council is aware of its responsibilities both as an environmentally conscious organisation and a considerate employer.
- 3.2 Recent findings from both the Staff Survey and the LGA Peer Review indicate that more needs to be done to reward employees and allow them benefits for their commitment and hard work.
- 3.3 Offering a cycle to work scheme allows the Authority to provide benefits to staff whilst contributing to lessening the environmental impact.
- 3.4 A cycle to work scheme offers tax incentives that enable staff to enjoy savings on the price of a new bicycle and related accessories such as

safety equipment. The Council purchases the bicycle and the employee leases the bicycle via a tax-efficient salary sacrifice scheme.

#### **4. Issue, Options and Analysis of Options**

- 4.1 Offering employees the opportunity to access a bicycle and use it for travel to work is a good way of reducing our environmental impact whilst offering employees an opportunity to cycle work without having to pay for a bicycle themselves.
- 4.2 A full hire scheme would need to be in place. Cycle to work schemes, such as Cyclescheme, offer bicycles for work-related journeys and it is usual that the bike would be used 50% of the time for qualifying work related travelling.
- 4.3 The ownership of the bike rests with the Council until the end of the hire agreement. Ex-rental bikes will be sold at their then market value. In order to ensure savings are protected for employees, there can be no commitment in any agreement to sell to the hirer or their nominee. Any subsequent sale must be under a separate agreement entered into after the expiry of the hire agreement.
- 4.4 Options available to employees once the hire agreement ends are:
- Stop using the bike and return the bike to Cyclescheme,
  - Employee pays a percentage of the original bike value being the market value at the time of sale and obtains ownership of the bike,
  - Employee pays a small refundable deposit and signs an 'Extended Use Agreement' (usually for 36 months) where the monthly payments are zero. After 36 months the bike can be returned to Cyclescheme and the deposit returned or the deposit is kept and the bike becomes the possession of the employee.
- 4.5 Once signed the Hire Agreement is non-cancellable after an initial cooling off period. If an employee leaves or is made redundant where the hire period is eighteen months or less, the remaining salary sacrifice amount would need to be paid in full from net pay i.e. without any tax exemptions. The end of hire agreement procedures details above would then be put in place.
- 4.6 There are existing cycle to work schemes which allow the Council to offer this opportunity whilst undertaking all the administration and end of hire

process. The Council would need to register for the scheme and can then allow employees to register and use the scheme to choose a bike.

4.7 The Council pays the full cost of the bike and accessories (up to a maximum of £1,000). The balance is recovered from a reduction in the employee's gross salary over a specified period of time (usually 12 months).

4.8 The Council and individual employees make savings because of the tax benefits. The Council does not have to pay Employers' National Insurance and the employee receives savings through a salary sacrifice.

**Table 1- Employer Savings for a company of 100 people**

<b>Scheme take up</b>	2%
<b>Average equipment cost</b>	£700
<b>Financial saving</b> (based on 13.8% employers' NICs)	£193.20
<b>Employees' health benefit*</b>	4,212 calories burned each week
<b>Employees' environmental benefit*</b>	20 kg, CO2 offset each week
*figures based on average employee cycling 6.5 miles to work 3 times a week.	

**Table 2 - Employee Savings**

		Retail Price		
		£250	£500	£750
Basic Rate Taxpayer 20% Income tax 12% NI	Income Tax and NI saved	£80.00	£160.00	£240.00
	Net monthly payments	£14.17	£ 28.33	£ 42.50
	Total cost of bike package	£170.00	£340.00	£510.00
	Percentage saving over 12 months	32%	32%	32%
Higher Rate Taxpayer 40% Income Tax 2% NI	Income Tax and NI saved	£105.00	£210.00	£315.00
	Net monthly payments	£ 12.08	£ 24.17	£ 36.25
	Total cost of bike package	£145.00	£290.00	£435.00
	Percentage saving over 12 months	42%	42%	42%

**Table 3 - Payslip example based on a bike valued at £1,000**

	<b>Before Salary Sacrifice</b>	<b>After Salary Sacrifice</b>
<b>Gross Annual Salary</b>	£20,000	£20,000
<b>Gross Monthly Salary</b>	£1,666.66	£1,666.66
<b>Gross Cycle to Work contribution</b>	£0.00	£83.33
<b>Taxable salary</b>	£1,666.66	£1,597.22
<b>Tax – 20%</b>	£333.33	£319.44
<b>National Insurance – 12%</b>	£200.00	£191.67
<b>Net Cycle to Work contribution</b>	£0.00	£56.67
<b>Total take home pay</b>	£1,133.33	£1,076.66
<b>Difference in pay</b>		<b>£56.67</b>

4.9 Typically, employees can choose their bikes from a range of brands and local, independent suppliers, thus the Council will also be contributing to the local business economy.

4.10 The scheme also meets the requirement of the Government’s Green Travel Plan, endorsed by the Department for Transport and the Office of Fair Trading. This allows for tax benefits for employees choosing to use sustainable travel options.

4.11 Members receiving their allowance through PAYE would also be eligible as long as they meet the threshold for Income Tax in order to take advantage of the savings on offer. The Tax threshold must be above the minimum wage and Members will be affected individually and should therefore make enquiries if they are interested in joining the scheme.

## **5. Reasons for Recommendation**

5.1 Registering with a pre-existing cycle to work scheme is a quick and efficient way for the Council to meet a number of aspirations in terms of the environment and duty of care to staff.

5.2 Cyclescheme is a national scheme that has over 30,000 registered employers including 200 Councils and public sector employers locally.

- 5.3 Cyclescheme provides all the administration support for employees to register and also deal with the end of agreement administration. Once the Council has registered the scheme can be up and running in a matter of days.
- 5.4 There are 4 local suppliers registered with Cyclescheme, which allows employees to shop locally, thus investing in the local economy:
- B&M Cycles, Brentwood
  - Momentum Cycles, Shenfield
  - Discount Cycle Centre, Shenfield
  - Herongate Cycles, Herongate
- 5.5 Offering access to the use of a bicycle is only part of the solution. The Council will need to invest in secure bike storage at the Town Hall. There is currently no secure storage facility available and as such, employees who currently cycle to work are bringing their bicycles into the building which could raise health & safety issues in the long term. Indicative costs for 20 cycle racks at the Town Hall are in the region of £3,200. Consideration should also be given through the Town Hall redevelopment of providing changing and showering areas.

## **6. Consultation**

- 6.1 Feedback from recent reports such as the Staff Survey and LGA Peer Review has indicated that staff are looking for recognition of their commitment and loyalty. This proposal would provide an enhancement to the current employment offering.

## **7. References to Corporate Plan**

- 7.1 Becoming a Modern Council will involve offering staff access to a range of sustainable travel options.

## **8. Implications**

### **Financial Implications**

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- 8.1 The Council will need to provide revenue up front for the purchase of the bicycles and take repayment from the employee's salary. This can be accommodated within the General Fund working balance levels.
- 8.2 There will be some revenue savings in terms of reduced National Insurance contributions.
- 8.3 Capital expenditure of £3,200 will also be required to provide secure bike storage at Council locations. It is recommended that this can be met from the reallocation of the Capital Programme funding and expenditure as detailed elsewhere on this agenda.

#### **Legal Implications**

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- 8.4 The hire agreement will be a consumer hire agreement under section 15 of the Consumer Credit Act 1974 if it is not a hire-purchase agreement and is capable of subsisting for more than three months. Such an agreement is regulated.
- 8.5 The implications of being regulated are that certain obligations apply as to the provision of information, and the employee has statutory (non-excludable) rights to cancel and rights to terminate. The right to terminate under section 101 of the Consumer Credit Act 1974 does not apply to agreements of eighteen months or less. Any hire agreement documentation must be fully compliant with the legislative requirements and should cover relevant matters such as those regarding responsibility for insurance in case of theft or damage.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.6 Agreeing to these recommendations will enable the Council to further its sustainability credentials.

#### **9. Appendices to this report**

- None

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