



REPORT

To: JOINT CONSULTATIVE COMMITTEE FOR LOCAL GOVERNMENT EMPLOYEES		Subject: EMPLOYEE SALARY SACRIFICE SCHEME - CYCLE TO WORK
From: ACTING HEAD OF BUSINESS (ORGANISATIONAL & PEOPLE SOLUTIONS)		
Date: 10 February 2017	Ref: AB/FD	

1 Introduction

- 1.1 The purpose of this report is to inform the Joint Consultative Committee of the intention to introduce a cycle to work scheme on an employee salary sacrifice basis.
- 1.2 The introduction of such a scheme complements the Council's commitment to the Health and Wellbeing of its employees and a healthier working life, as well as contributing, albeit in small measure, to the Council's carbon footprint.
- 1.3 The Council has introduced a number of employee salary sacrifice schemes, namely Home Computing Initiative and Childcare Vouchers.

2 Background

- 2.1 The consideration of such a scheme has been under discussion within a working group consisting of Service, Trade Union and ASPIRE representatives who are developing a wider Reward and Recognition Framework.

3. How the scheme works

- 3.1 In essence the scheme works with employers purchasing the bikes and, thereafter, leasing them to employees to cycle to/from work. The employer recoups the cost through employee salary sacrifice (a monthly deduction from gross salary). The initial cost outlay will be met from Service revenue budgets.

A simplified breakdown of how the Council would implement the scheme is as follows:

- The Council selects a provider for the Cycle to work scheme to run over a 12-18 month period
- The employee applies via the provider's cycle to work scheme website or paper application
- The Council approves the employee's application
- The employee chooses a bike and safety accessories from the provider's available suppliers
- The employee 'hires' the equipment from the Council via salary sacrifice and can make savings on their tax contributions (dependent on their tax bracket); and the employer also makes up to 12.8% saving on National Insurance Contributions (NIs)
- At the end of the hire period, the Council may choose to let the employee purchase the equipment which would be at the fair market or residual value

- If the Council allows the employee to purchase at the residual value, this is declared as a benefit in kind to HRMC and reported through the P11d process.
- 3.2 If an employee leaves before the end of the hire period, they must pay their employer the balance of the amount outstanding. This will be deducted from their final net pay.

4. Sourcing a provider

- 4.1 There are two procurement options available to the Council in relation to finding a provider of a cycle to work salary sacrifice scheme, either to utilise an existing procurement framework or to run a full tender process.

An existing procurement framework is Eastern Shires Purchasing Organisation (ESPO). This is a local authority owned purchasing and supply consortium which is a not for profit, self-funded organisation which recovers their overheads by means of a retrospective rebate from the suppliers.

The ESPO framework is for use nationally by any public sector body in the UK and offers a quick, simple and competitive route to procuring staff benefits.

The benefits of utilising this provision is that the framework is compliant with UK/EU procurement legislation, the procurement work has already been carried out so there is no requirement to run a full EU tender process. There is minimal administration work as the schemes are designed to be fast and easy to implement, thereby, reducing the burden on employers.

- 4.2 To progress a salary sacrifice scheme, the Council can use the ESPO framework, identify a supplier from the list and 'call off' the contract with no tendering requirements. The timeframe for the call off option is approximately three months.
- 4.3 The available providers on the ESPO framework are as follows:

Cycle Solutions
Halfords
Computershare
Cyclescheme
P&MM

Within the ESPO framework since there can be no comparison in value for money (all of the providers operate on a zero cost basis for service charges) service delivery and variety of benefits formed the basis for assessment.

From the comparison of features on offer from the five available providers, the working group concluded that Halfords demonstrated a wider variety of benefits available to employees, including a 6 week safety check, a 12 month bike care & service plan; a 20% family discount on a select range of bikes, and an end of hire solution which would remove the burden from the employer. Accordingly, the working group concluded that Halfords should be the preferred provider.

5 Considerations

- 5.1 For a salary sacrifice scheme, a service charge is applicable based on the total amount of salary sacrificed and is the only fee paid. For the cycle scheme, the providers available on the ESPO framework operate on a zero cost basis so there are no charges for the employer.

Where the costs of loaning equipment to the employee are offset through a salary sacrifice arrangement, the employer will save Secondary Class 1 NICs (up to 12.8%) on that part of the employee's gross salary sacrificed.

5.2 Potential Savings

Where the costs of loaning equipment to the employee are offset through a salary sacrifice arrangement, the employer will save Secondary Class 1 NICs (up to 12.8%).

5.3 Resources required from the employer

Information within the ESPO framework suggests very little resource is required from the employer other than basic administrative support at the start up for the scheme. Once set up, the experience of other Councils suggests that the scheme essentially runs itself.

The opportunity for employees to sign up to the scheme is normally a window of 4-6 weeks each year to permit all costs to be totalled at the end of the timeframe.

5.4 Insurance

The employee is responsible for the maintenance and upkeep of their own bike and the Council would have no liability in relation to any incidents they may be involved in. The employee would require to source appropriate insurance cover for their bike and associated equipment. This will be detailed within the contract between the Council and employee at the point of application.

5.5 Budget for bike selection

The normal limit to be applied on the total value of the equipment including the cycle is £1000 as the Office of Fair Trading has advised that the group consumer credit licence covers schemes up to that value.

5.6 Cycle Friendly Employer Award

The Council has had previous discussions in a bid to achieve this award and it is likely that if the cycle scheme was introduced the award would be achieved as a result.

6. Conclusions

6.1 Utilising the ESPO framework call off option, the Council could implement a cycle to work salary sacrifice scheme in a reasonably short timeframe, with little input resource required.

6.2 Costs for the purchase of the bikes will vary and be dependent on the uptake of the scheme and the price bracket of bike purchased by each employee, and these initial upfront costs would require to be met within existing Service budgets, and, thereafter, recovered from individual employees through salary deduction.

6.3 Comparing the features of each of the five key providers are offering, Halfords is the recommended provider of choice.

7 Recommendation

7.1 The Joint Consultative Committee is requested to note, for its interest and information, the intention to introduce a cycle to work scheme in the Council on an employee salary sacrifice basis.



Acting Head of Business (Organisational & People Solutions)