

NORTH LINCOLNSHIRE COUNCIL

**BUSINESS TRANSFORMATION AND FINANCE
CABINET MEMBER**

SALARY SACRIFICE SCHEME FOR CYCLE TO WORK

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To outline and seek approval for the introduction of a salary sacrifice scheme for employees to hire a bike and/or safety equipment from the council.

2. BACKGROUND INFORMATION

- 2.1 A tax-free bikes for work scheme is a government-led initiative to support green travel to work and environmental issues.
- 2.2 The scheme is designed to encourage employees to participate in a healthier lifestyle and commute to work by a more sustainable means of transport than a motor vehicle.
- 2.3 Salary sacrifice arrangements involve an employee sacrificing an element of their pay before tax and National Insurance (NI) contributions are taken, in return for a benefit, in this instance the hire of a bike and/or safety equipment.

Health and environmental benefits

- 2.4 There are numerous health and environmental benefits to the scheme that would support the council's priorities:
- **'Enable** communities to thrive and live active, healthy and fulfilled lives'. The scheme is designed to encourage employees to participate in a healthier lifestyle as well as offering a more sustainable and environmentally conscious means of transport than a motor vehicle;
 - **'Shape** the area into a prosperous place to live, work, invest and play'. A salary sacrifice scheme for bikes will further enhance the council's reputation as an employer by supplementing its benefits and reward package and may improve morale and motivation levels.

- 2.5 Introduction of the scheme would also support various local and national initiatives which focus on healthy lifestyles and environmental issues. In particular:
- The council's recent achievement of the 'Gold' level of the Healthy Workplace Award. The Award recognises businesses that value a healthy workforce and commit to creating a healthy culture for their employees;
 - Public Health England in 'Working Together to Promote Active Travel';
 - The NHS Change4Life agenda, in particular the drive towards people making 'active travel' choices;
 - Priority Action 5 (advocating and modelling behaviour change) of the North Lincolnshire Joint Health and Wellbeing Strategy;
 - The government's 'Green Transport Plan', part of which promotes healthier journeys and the reduction of environmental pollution by choosing methods of transport with lower CO² emissions;
 - The council's Local Transport Plan 2011 – 2026, in particular 'Local Transport Goals'.
- 2.6 Cycling to work instead of using a motor vehicle will deliver health benefits associated with an increase in levels of physical activity.
- 2.7 Human Resources (HR) has received a large number of enquiries from employees interested in a scheme, indicating that it would be seen as a valued benefit by the workforce and enabling employees to choose healthy lifestyle options supports the council's Employee Health Policy Statement. This will have a positive impact on the health of the council workforce and may contribute to existing attendance management measures.

Financial benefits

- 2.8 The council will save money through not incurring employer National Insurance (NI) contributions on the amount of salary the employee chooses to sacrifice. E.g. for an employee earning the council average (mean) salary of £18000 and choosing a bike at £1000, the council will save £138 in NI contributions.
- 2.9 There could be a reduction in claims for business mileage if an increased number of employees use a bike to travel between council sites, rather than using a motor vehicle.
- 2.10 Employees will save on tax and NI contributions on the amount of salary they sacrifice. E.g. for an employee earning the council average (mean) salary of £18000 and choosing a bike at £1000, the employee will save £200 in income tax and £120 in NI contributions.
- 2.11 A salary sacrifice scheme will make potentially costly cycles/equipment more affordable and therefore accessible for employees.

Eligibility

2.12 The only eligibility criteria within HMRC rules for salary sacrifice schemes are:

- The arrangement must be for a minimum of 12 months;
- Employees cannot sacrifice an amount (in combination with any other salary sacrifice deductions they may already make) which would take them below the National Minimum Wage (NMW)/National Living Wage (NLW), according to their age.

2.13 To be eligible for the scheme an employee must:

- Be on a permanent contract or a fixed term contract which has more than 12 or 18 months left to run (depending on the duration of the salary sacrifice agreement) from the commencement of the agreement;
- Earn above the statutory NMW or NLW after taking into account the amount to be sacrificed;
- Be in receipt of a regular monthly salary at the time the salary deductions commence.

2.14 Due to the law governing hire contracts and minors, an adult guarantor will be required to sign the hire agreement for any employees aged under-18.

Principles

2.15 The scheme will apply to all employees of the council other than those appointed directly by schools with delegated powers.

2.16 The council will provide a bike and/or safety equipment as a tax-free benefit, by way of a salary sacrifice scheme under a hire agreement.

2.17 Employees can select a bike/equipment from a range of participating retailers, up to a maximum of £1000 (this is the maximum amount recommended by HMRC). Employees will have full use of the bike during the hire period but ownership of the bike remains with the council.

2.18 Employees must use the bike 'mainly' for commuting to and from work (and between sites if relevant), i.e. at least 50% of the use of the bike should be for work purposes. Employees are also able to use the bike when not at work for leisure purposes.

2.19 Under HMRC regulations, employees are not able to claim cycle mileage for any business miles incurred whilst using a bike hired from their employer.

Scheme Administration

- 2.20 Full administration of a salary sacrifice scheme would be an additional burden on the council, therefore the use of an external provider is recommended in line with other salary sacrifice schemes for childcare vouchers and cars.
- 2.21 Use of a scheme provider who is part of a recognised local or national procurement framework arrangement will avoid the council spending time or money going out to tender.

Pension Implications

- 2.22 For employees who are members of the Local Government Pension Scheme or Teachers Pension Scheme, their pension will not be affected as pension benefits will be based on gross salary before the salary sacrifice amount is deducted.

3. OPTIONS FOR CONSIDERATION

- 3.1 To implement a salary sacrifice scheme for the hire of a bike/safety equipment and use P&MM as the scheme providers.
- 3.2 To implement a salary sacrifice scheme for the hire of a bike/safety equipment and use another scheme provider (e.g. Cyclescheme) to operate the scheme on the council's behalf.
- 3.3 To implement a salary sacrifice scheme for the hire of a bike/safety equipment and use council employees (within Human Resources) to fully operate and administer the scheme.
- 3.4 To consider the duration of a salary sacrifice agreement and whether it should last for 12 or 18 months.
- 3.5 To consider whether the council should 'self-finance' the scheme or use the services of an external financial provider to finance the scheme.
- 3.6 Not to adopt a salary sacrifice scheme for employees to hire a bike/safety equipment.

4. ANALYSIS OF OPTIONS

- 4.1 P&MM is the council's current scheme provider for childcare vouchers and the purchase of additional annual leave ('holidayplus') and has previously successfully administered the council's Cycle to Work scheme. A Cycle to Work icon would sit as an 'add-on' to the existing P&MM employee portal for registering for childcare vouchers and holidayplus. P&MM is an approved provider through the ESPO

procurement framework therefore there would be no need for the council to enter into a tendering process. There would be no service charge payable to P&MM for this scheme.

- 4.2 Use of another scheme provider to operate the scheme may involve a lengthy and costly procurement process if another provider was not available through a procurement framework. Other providers may also levy a service charge to the council for operation of a Cycle to Work scheme.
- 4.3 Full implementation, operation and administration of the scheme would be an additional burden for council employees. Other salary sacrifice schemes currently in operation at the council (childcare vouchers, additional leave and cars) are operated through an external provider.
- 4.4 Although a hire period of 18 months would be less of a burden financially to employees, a hire period of 12 months would be a more risk-averse option for the council, enabling it to recoup the financial outlay more quickly.
- 4.5 In a 'self-financed' scheme, the council purchases the bike/equipment and leases it to the employee for the duration of the agreement to recoup the cost. When the Cycle to Work scheme ran previously at the council, the scheme was self-financed.
- 4.6 Use of an external finance provider would mean the initial outlay would be borne by the provider, however a service charge would be levied to the council by the finance provider; typically 4% of the cost of the equipment. This would partially negate any savings the council made from the scheme.
- 4.7 By not introducing a Cycle to Work salary sacrifice scheme the council would not benefit from the financial savings available on employer NI contributions. The council would also not benefit from the health and environmental advantages associated with the introduction of a scheme.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Financial implications: If approval is given for the scheme, there will be savings to service budgets relative to levels of take-up of the scheme.
- 5.2 Staffing implications: If the scheme is operated through an external provider, there will be minimal administration required. Internal administration by council employees will be limited to:
 - Authorisation of the request by managers;
 - assessment by HR/payroll officers as to eligibility for the scheme;

- payment of invoices to the scheme provider.

5.3 There are no property or IT implications.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 An integrated impact assessment has considered the diversity implications of this scheme (see attached).

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTEREST DECLARED

7.1 The trade unions have been consulted on the proposals and are supportive of the introduction of the scheme as outlined above.

8. RECOMMENDATIONS

8.1 That approval is given for the introduction of a salary sacrifice scheme for employees to hire a cycle and/or cyclists' safety equipment.

8.2 That each hire agreement is for 12 months' duration.

8.3 That P&MM be the scheme provider.

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Date: 14 February 2017

Background Papers used in the preparation of this report:

Public Health England, *Working Together to Promote Active Travel: A briefing for local authorities*, May 2016

Department of Transport, *Cycle to Work Scheme implementation guidance*, updated July 2012

North Lincolnshire Joint Health and Wellbeing Strategy 2013 – 2018

North Lincolnshire Council, *Local Transport Plan*, 2011 – 2016

www.nhs.uk/change4life