

Report To:	EXECUTIVE CABINET
Date:	2 November 2020
Executive Member	Councillor Brenda Warrington – Executive Leader Councillor Warren Bray – Executive Member (Transport and Connectivity)
Reporting Officer:	Tracy Brennand – Assistant Director People & Workforce Development
Subject:	WORKFORCE GREEN TRAVEL OFFER – EXPANSION OF THE CYCLE TO WORK SCHEME
Report Summary:	The report outlines the importance of a strong Green Travel Offer for the workforce with the opportunity to expand the Council’s current Cycle to Work scheme via salary sacrifice to eligible employees of the CCG, whilst increasing the £1,000 purchase limit to enable the purchase of higher priced bikes; or to support those looking to buy an electric bike. The provision of a cycle to work scheme as part of the Green Travel Offer supports the ‘living well’ corporate priority whilst also enabling cost savings for both the employee and the Council.
Recommendations:	That it be determined that:: <ul style="list-style-type: none"> (i) The current £1,000 purchase limit on the Council’s Cycle to Work scheme is increased to £5,000, to provide the option of purchasing higher priced bikes, including e-bikes to make cycling more accessible. (ii) The existing Council Cycle to Work scheme is expanded to be inclusive of eligible employees of the CCG, in order to promote and enable greener travel across the workforce. (iii) To manage the risk of higher bike purchases for both the Council and the CCG, a value linked repayment framework is applied (iv) That the scheme be approved to include the following parameters: <ul style="list-style-type: none"> • Approval is subject to meeting the required eligibility checks and signing the agreed terms of the salary sacrifice scheme • Only employees who have successfully passed their probation period are eligible to apply • Only employees who are not subject to a formal performance/capability process or with a live performance/capability warning are eligible to apply.
Link to Corporate Plan:	Creating a Green Travel Offer which includes a cycle to work scheme, which would improve air quality and provide health and wellbeing benefits to employees, whilst also providing employer and employee saving opportunities supports the Living Well priority.
Policy Implications:	The Cycle to Work guidance would need to be reviewed and updated following the approval of the changes set out in this report.

Financial Implications:
**(Authorised by the Section
151 Officer)**

The proposals set out in this report are intended to provide employees with a cost effective means of purchasing a bike through a salary sacrifice scheme, enabling the employee to benefit from tax and NI savings. The arrangement also enables the employer to benefit from savings on employer NI costs as set out in Appendix A. Assuming an average bike loan value of £2,000, and a take up rate of between 2% and 4% of employees in the Council, the employer savings are estimated in the region of £15k to £30k per annum. Administration of the scheme will continue to be undertaken by the Council's payroll team within existing revenue budgets, with the CCG undertaking administrative checks for CCG employees.

The Cycle to Work Scheme is effectively a loan arrangement between the employer and employee. As repayments are made through deductions from salary the risks are low, however the financial risk to the Council of non-repayment (where an employee leaves the Council before the end of repayment term) cannot be eliminated entirely. The terms and conditions of the scheme should provide for arrangements where an employee terminates employment prior to the end of the loan term.

The existing arrangements provide a loan of up to £1,000 over a 12 month period and to date the Council has not experienced any financial loss from this arrangement. Extending the scheme to provide loans up to the value of £5,000 and over a period of up to 3 years increases the risk of default on the loan payments, however as repayments are made through a deduction from salary, this risk remains low.

Legal Implications:
**(Authorised by the Borough
Solicitor)**

There is a risk that if an employee leaves the Council whilst the loan is outstanding that the Council will not recover the loan as there are no additional protections or security provided by the law. Extending the scheme to provide loans up to the value of £5,000 and over a period of up to 3 years increases the risk of default on the loan payments and this should be kept under review and monitored. It should be noted that whilst it is intended that should an employee leave the remainder of the loan outstanding would be deducted from their final salary this may not be feasible or possible as the law prevents the Council from making a deduction that causes financial hardship and it may be the case that instalment have to be agreed.

Risk Management:

The scheme encompasses clear terms and conditions to help mitigate the small element of risk that exists with this scheme.

Access to Information:

The background papers relating to this report can be inspected by contacting Jenny Dickie



Telephone: 0161 342 2983



e-mail: jenny.dickie@tameside.gov.uk

1. INTRODUCTION

- 1.1. The organisation is committed to reducing its carbon footprint and encouraging our residents and workforce to become carbon literate and review their individual activity and the impact of this on our environment. Crucial to this is the ability to provide and promote a comprehensive Green Travel approach that enables the workforce to make the right choice for them whilst contributing and making a difference to the environment.
- 1.2. The current circumstances provide an opportunity to review the existing arrangements in place and improve the available package whilst encouraging greener modes of travel.
- 1.3. Cycling is a vital and easy way to improve air quality, reduce pollution and create vibrant towns and cities.
- 1.4. Making sure that bikes are easily available is crucial to helping more people make the switch to greener modes of travel. Ensuring people of all abilities and fitness levels can cycle together is a key part of this.
- 1.5. Tameside Council already operates a Cycle to Work Scheme, which offers employees and Elected Members the opportunity to save money on the hire of a bicycle, and equipment; through the salary sacrifice scheme provider - Cyclescheme.
- 1.6. A salary sacrifice allows an employee to reduce (sacrifice) their salary by an agreed amount, equivalent to the value of a benefit provided by the employer. The sacrificed pay thus avoids income tax and National Insurance Contributions (NICs).
- 1.7. This report sets out a proposal to implement a Cycle to Work scheme for employees of Tameside & Glossop CCG, in addition to increasing the purchase limit from £1,000 to £5,000 in order to provide a greater range of available bikes, particularly for those who are advanced cyclists looking to purchase a higher priced bike, or those looking to buy an electric bike (e-bike) to make cycling more accessible.

2. TMBC'S CURRENT CYCLE TO WORK SCHEME

- 2.1. In line with our efforts to improve the carbon footprint and reduce the impact on the environment the organisation has in place a cycle to work scheme for employees and Elected Members to support them in the purchase of a bike through a salary sacrifice scheme of up to £1,000.
- 2.2. The current circumstances provide us with an opportunity to encourage employees and elected Members to cycle and take opportunity of this scheme, which enables them to save when purchasing through the scheme and ultimately enjoy the benefits of cycling on their physical and mental wellbeing.
- 2.3. The scheme continues to be available to all Council and School employees, in addition to elected Members, and will be further promoted during this period of time to encourage and support access and usage of the scheme.
- 2.4. It is important to recognise that in order to change people's mind-set around carbon literacy and the health and wellbeing benefits of cycling to work as opposed to driving and / or the use of public transport; the organisation must work to embed such changes in culture and employee attitudes through further workforce engagement, so that employees can feel empowered to make cycling a part of their everyday lives.

- 2.5. Cyclescheme, the Council's provider of the salary sacrifice scheme, offers a vast choice of bikes and safety equipment to choose from. Cyclescheme have over 1800 Partner Stores throughout the UK, making them the largest supplier network on the market.
- 2.6. Employees should use the bike mainly for commuting to and, if relevant, between work places (at least 50% of the bike's use should be for work purposes). However, the bike can also be used for non-work purposes.
- 2.7. Employees will make savings in income tax and National Insurance Contributions (NICs) as their net salary is reduced by the scheme.
- 2.8. Here's an example of how the savings work during the hire period, assuming the following:
- Employee is paid monthly
 - Employee is a standard rate tax payer requesting a £1,000 Certificate
 - The hire period is 12 months
 - The Employee's monthly gross salary is £1,800.00

	Salary before scheme participation	Salary during scheme participation
Monthly Gross Salary	£1,800.00	£1,800.00
Bike value including VAT Gross salary sacrifice total		£1,000.00 £1,000.00
MONTHLY GROSS SALARY SACRIFICE = £1,000 / 12 months		£83.34
Monthly Gross Salary after salary sacrifice	£1,800.00	£1,717.66
Monthly NIC contribution (12%)	£216.00	£206.12
Monthly income tax contribution (20%)	£360.00	£343.53
Net Salary	£1,224.00	£1,168.01
MONTHLY NET SALARY REDUCTION	£1,224.00 minus £1,168.01=	£55.99
MONTHLY SAVING	£83.34 minus £55.99 =	£27.35

- 2.9. As the participants pay less income tax and National Insurance their net salary reduction is less than the gross salary reduction, and this is how savings are achieved. In this example, the employee makes a £83.34 contribution to the employer, but it only costs them £55.99, resulting in a saving of £27.35 per month.
- 2.10. The Council also realises cost savings as there is a reduction in employer NICs of 13.8% of the total value of the salary sacrifice contributions.
- 2.11. Not only are there financial and environmental benefits to the scheme, there are health and wellbeing benefits as well. A Cycling UK survey of more than 11,000 people found that 91% of participants rated off-road cycling as fairly or very important for their mental health – strong evidence that heading out on the bike is a good way to de-stress and clear the mind.
- 2.12. Whether an employee's route to work is on or off road, it's likely to help clear the mind, boost mental well-being and lead to long term mental health benefits.

- 2.13. Since the launch of the scheme there has been a relatively low uptake with only approximately 170 employees using the scheme. However, since March 2020, there has already been a further 23 applications for the cycle to work scheme demonstrating an appetite for the provision.
- 2.14. The Council cycle allowance, payable at 20p per mile (HMRC rate), is available for any employee who uses their bike to travel between meetings during the course of their daily work activities. At present, this allowance is not highly utilised, with only 1 employee making claims over the last 12 months; totalling £73 for the annual period. To support increased use of cycling to work appointments, the scheme will be publicised further with the whole workforce.
- 2.15. Any cycle allowance payment will be subject to future staff travel review to ensure the payable rate remains appropriate.
- 2.16. The organisations Bike Loan Scheme could support the salary sacrifice scheme, by providing employees with an opportunity to try cycling for work travel and truly understanding the benefits prior to purchasing a bike through the salary sacrifice scheme.

3. EXTENDING THE SCHEME TO CCG EMPLOYEES

- 3.1. In order to promote and enable greener travel across the workforce, it is proposed that the Council's existing cycle scheme is extended to eligible employees of the CCG; who don't currently have a scheme in place.
- 3.2. This would be achieved by extending the existing scheme arrangements, with a robust monitoring system in place to control and audit the take up and cost liability for the two employers (Council and CCG).
- 3.3. This potential extension would be subject to the same controls offered under the Council scheme.
- 3.4. This would be achieved by the Council initially paying the invoice for the value of the voucher that has been order by a CCG employee, on the Cyclescheme platform. The CCG would then transfer the value of the voucher to the Council, as part of a reconciliation process.
- 3.5. Administration and financial controls would be established to ensure all scheme eligibility rules i.e. contractual status, National Minimum Wage / National Living Wage Threshold and financial risk is managed appropriately for each employer operating under the one scheme.
- 3.6. Following approval, an instruction would be sent to the CCG's Payroll Team to make the deduction from the employee's salary.
- 3.7. Due to the relatively small number of CCG employees, the impact on administrative tasks in connection with the scheme is expected to be minimal.
- 3.8. Participating employees will also be able to benefit from financial savings, in addition to the health and wellbeing advantages that cycling to work can have.
- 3.9. The CCG, as the employer, would also realise the NICs savings, as outlined above and be responsible for any liability related to their employees.

4. INCREASING THE PURCHASE LIMIT

- 4.1. Previously, the workforce hired their cycling equipment from the Council; because of the Financial Conduct Authority's (FCA) exemption that allows employers to loan their staff cycling equipment worth up to £1,000. Now, following the changes in legislation in June 2019, employees will hire their bike directly from Cyclescheme. And because Cyclescheme have their own FCA Authorisation, they can hire bikes, components and accessories up to any value.
- 4.2. It is recommended that, in order to mitigate risk, the purchase limit is increased to £5,000 as opposed to completely removing it. This will still provide a greater range of available bikes, particularly for those who are advanced cyclists looking to purchase a higher priced bike, or those looking to buy an electric bike (e-bike) to make cycling more accessible.
- 4.3. E-bikes have an integrated motor that helps a cyclist pedal, allowing them to reach speeds of up to 15.5 mph in the UK. They are seen as a game changer for their potential to make it easier for a wider range of people to make cycling their preferred mode of transport.
- 4.4. Halfords is one of Cyclescheme's most popular participating retailers. Halford's most expensive bike is a Full Suspension Electric Mountain Bike, at a cost of £2,999. Decathlon, another popular participating retailer, lists their most expensive bike at £3,499. Setting the purchase limit at £5,000 allows for the employee to select a higher – priced bike, in addition to any additional cycling equipment / accessories they may need.
- 4.5. A recent survey of 2,000 commuters (commissioned by Evans Cycles) estimated that by switching from car, bus, tube or train to e-bikes, commuters could save an average of £7,791 over 5 years.
- 4.6. To support the increased take up of the scheme the organisation has the option to amend the limit and support higher value purchases.
- 4.7. Whilst the removal of the purchase limit presents some financial risk, the scheme encompasses clear terms and conditions, which sets out at the start of the agreement how money will be recovered where required i.e. if the employee leaves their employment.
- 4.8. To further mitigate the financial risk, it is proposed that a payment framework is implemented which dictates the term of the hire agreement, dependent upon the price of the bike. The framework is as follows:
 - For bikes up to and including the value of £2,000, the term of the hire agreement is 12 months.
 - For bikes over £2,000, up to the value of £5,000, the term of the hire agreement can be 18, 24 or 36 months.
- 4.9. **Appendix A** shows an illustration of the monthly amount of the hire agreement over various values and terms, together with a basic savings calculation and projected potential savings.
- 4.10. In addition, as savings are based on the amount of salary sacrificed by each employee; increasing the spending limit will also increase the savings realised by both the organisation and the participating employees.
- 4.11. Following the removal of the purchase limit, here's an example of how the savings work during the hire period, assuming the following:
 - Employee is paid monthly
 - Employee is a standard rate tax payer requesting a £2,000 Certificate
 - The hire period is 12 months
 - The Employee's monthly gross salary is £1,800.00

	Salary before scheme participation	Salary during scheme participation
Monthly Gross Salary	£1,800.00	£1,800.00
Bike value including VAT Gross salary sacrifice total		£2,000.00 £2,000.00
MONTHLY GROSS SALARY SACRIFICE = £2,000 / 12 months		£166.67
Monthly Gross Salary after salary sacrifice	£1,800.00	£1,633.33
Monthly NIC contribution (12%)	£216.00	£196.00
Monthly income tax contribution (20%)	£360.00	£326.67
Net Salary	£1,224.00	£1,110.66
MONTHLY NET SALARY REDUCTION	£1,224.00 minus £1,110.66=	£113.34
MONTHLY SAVING	£166.67 minus £113.34 =	£53.33

5. RISKS & FINANCIAL CONSIDERATIONS

- 5.1. HMRC approved salary sacrifice schemes are popular and legitimate methods of reducing both the employers' and employees' tax liability in return for a benefit.
- 5.2. A salary sacrifice allows an employee to reduce (sacrifice) their salary by an agreed amount, equivalent to the value of a benefit provided by the employer. In this case the benefit is the leased car. The sacrificed pay thus avoids income tax and National Insurance Contributions (NICs).
- 5.3. Clearance for the scheme from HMRC has already been obtained.
- 5.4. The eligibility criteria within the HMRC salary sacrifice rules are:
 - The arrangement must be for a minimum of 12 months
 - Employees cannot sacrifice below the National Minimum or Living Wage (age dependant)
 - Employees cannot sacrifice below the Lower Earnings Limit (currently £6,240pa / £120pw)
 - The scheme must be open to the majority of staff
 - Employees must agree to the salary sacrifice variation before being approved for the scheme.
- 5.5. Once signed, the Hire Agreement is non-cancellable after a cooling-off period of 14-working days following collection of the goods. This means that if an employee leaves the organisation during the hire period they are obliged to pay the remaining salary sacrifice amount in full from net pay i.e. without any tax exemptions.
- 5.6. Increasing the purchase limit does increase the risk. For example, if an employee leaves the organisation during the hire period the outstanding costs may not be able to be recovered in total from the final month's net pay.

- 5.7. However, whilst increasing the purchase limit does increase the risk of the scheme, it is worth noting that to date (based on a £1,000 purchase limit), the Council has not suffered any financial losses as part of the scheme.
- 5.8. At the end of the Hire Period, Cyclescheme will contact the employee and manage their Ownership Options.
- 5.9. Cyclescheme's employer Agreement includes a provision for Cyclescheme to take on the ownership of all the bikes and cycling equipment that the organisation processes on the scheme. This makes Cyclescheme accountable for the disposal of the equipment.
- 5.10. When an employee orders a certificate via the Cyclescheme website, and once the eligibility checks have been completed and approved, the organisation is sent an invoice for the full amount of the certificate. The value of the certificate is then recouped monthly via the employee's sacrificed salary, for the term of the hire period.
- 5.11. Only employees who have successfully passed their probation period, and are not subject to a formal performance/capability process or with a live performance/capability warning are eligible to apply.
- 5.12. The proposed payment framework outlined in this report, which links the term of the hire agreement to the value of the bike, further mitigates the financial risk of increasing the purchase limit.

6. RECOMMENDATIONS

- 6.1. As set out on the front of this report.

APPENDIX A

BIKE LOAN ILLUSTRATION & PROJECTED SAVINGS

Gross loan repayment values (Before Savings)									
Loan Value Term	£1,000	£1,500	£2,000	£2,500	£3,000	£3,500	£4,000	£4,500	£5,000
1 Year / 12 Months	£83	£125	£167	£208	£250	£292	£333	£375	£417
1.5 Years / 18 Months	£56	£83	£111	£139	£167	£194	£222	£250	£278
2 years / 24 Months	£42	£63	£83	£104	£125	£146	£167	£188	£208
2.5 years / 30 Months	£33	£50	£67	£83	£100	£117	£133	£150	£167
3 Years / 36 months	£28	£42	£56	£69	£83	£97	£111	£125	£139

Employee Savings Calculations - 2020/21 Tax Year									
	£2,000 over 1 year	£3,500 over 2 years	£5,000 over 3 years	£2,000 over 1 year	£3,500 over 2 years	£5,000 over 3 years	£2,000 over 1 year	£3,500 over 2 years	£5,000 over 3 years
WITHOUT salary sacrifice									
Gross Salary	19,000	19,000	19,000	25,000	25,000	25,000	35,000	35,000	35,000
Personal Allowance	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
NI Threshold	9,504	9,504	9,504	9,504	9,504	9,504	9,504	9,504	9,504
Taxable Income Tax @ 20%	6,500	6,500	6,500	12,500	12,500	12,500	22,500	22,500	22,500

	8,216	8,466	8,549	14,216	14,466	14,549	19,216	19,466	19,549
NI @ 13.8%	1,134	1,168	1,180	1,962	1,996	2,008	2,652	2,686	2,698
Employer NI Saving (Total over loan term)	276	483	690	276	483	690	276	483	690

annual saving 276 242 230

Potential annual employer savings based on 2,705 headcount (Council excluding Schools), Cyclescheme suggest average uptake of 3.83%

Average Loan value	£2,000
2% take up	£14,904
3% take up	£22,356
4% take up	£29,808
5% take up	£37,260