



CABINET – 10TH FEBRUARY 2021

SUBJECT: CYCLE TO WORK SALARY SACRIFICE SCHEME

REPORT BY: HEAD OF PEOPLE SERVICES

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1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek Cabinet's agreement to increase the current limit on the Cycle to Work salary sacrifice scheme.

2. SUMMARY

- 2.1 The Council have operated the Cycle to Work salary sacrifice scheme since June 2010. The scheme provides eligible employees the opportunity to lease a bike to enable them to commute to and from work. Under the scheme employees can lease the bikes from the provider with deductions made through their salary which are exempt from PAYE income tax and national insurance contributions. There are also savings to CCBC of employer's national insurance contributions (currently 13.8%) and apprenticeship levy (0.5%). There are no pension savings to the employee or the Council as the scheme is pensionable.
- 2.2 The scheme rules are set by HMRC and until June 2019 the maximum value of the bike and accessories (helmets, lights, locks, etc.) was £1,000.
- 2.3 Since the revised guidance was issued in June 2019, it is possible to exceed the £1,000 limit provided the employer or the provider of the scheme gain authorisation from the Financial Conduct Authority (FCA). The Council's provider, Cycle Solutions Limited, are already registered with the FCA and can therefore act as Principal and can appoint the Council as an 'Introducer Appointed Representative' (IAR).
- 2.4 Cycle Solutions Limited, as Principal, must take responsibility for the Council's activities under the Cycle to Work scheme and therefore a written contract needs to be signed by both parties detailing the arrangements. Cycle Solutions must ensure that the Council complies with all FCA rules in relation to the Cycle agreements.
- 2.5 The main benefit of setting up this arrangement is that the Council can set its own maximum limit which would enable eligible employees to gain access to a wider choice of bikes. In particular this would open the opportunity for employees to consider having an electric bike which typically retail between £1,500 and £3,000 for a good quality machine.

3. RECOMMENDATIONS

- 3.1 Cabinet are asked to consider the contents of this report and agree the increase of the limit for the Cycle to Work salary sacrifice scheme from the current limit of £1,000 to £3,000.
- 3.2 Cabinet are also asked to agree that the Council be appointed as an 'Introducer Appointed Representative'.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The recommendations are designed to encourage employees to make use of the Cycle to Work salary sacrifice scheme, with the inclusion of electric bikes, instead of cars / public transport, thus reducing the carbon emissions of staff traveling to and from work. There are also potential health benefits to employees who cycle to and from work which will support the Council's wellbeing goals.

5. THE REPORT

- 5.1 As stated in Section 2, the Cycle to Work salary sacrifice scheme has been in place within the Council since June 2010. The table below shows the number of bikes and the duration of the agreements over the last 5 years during which time 194 bikes and accessories have been ordered.

| Year | 12 months | 18 months | Total |
|---------------|------------|-----------|------------|
| 2016 | 29 | 11 | 40 |
| 2017 | 30 | 21 | 51 |
| 2018 | 19 | 16 | 35 |
| 2019 | 8 | 20 | 28 |
| 2020 | 16 | 24 | 40 |
| Totals | 102 | 92 | 194 |

There are currently 53 employees who are taking part in the Cycle to Work salary sacrifice scheme.

- 5.2 Employees take out the agreement for a 12 or 18 month period and have various options available to them at the end of the period. They can:
- Extend the hire agreement.
 - Return the bike and accessories.
 - Purchase the bike and accessories under a separate agreement.
- 5.3 Under the scheme, employees lease the bikes from the provider with deductions made through their salary which are exempt from PAYE income tax and employees' national insurance contributions. There are also savings to the Council of employer's national insurance contributions (currently 13.8%) and apprenticeship levy (0.5%). There are no pension savings to the employee or the Council as the scheme is pensionable. The estimated savings in Employer's NI for the Council for 2020 / 21 are £4,000.

- 5.4 The current upper limit of the scheme is £1,000, as per HMRC guidance pre June 2019, which allows employers to use the Financial Services and Markets Act 2000 exemption order. New guidance was issued by the Department of Transport in June 2019, which enables salary sacrifice schemes to exceed this limit provided it followed guidelines set out by the Financial Conduct Authority (FCA). One of these requirements is that the provider or the employing organisation must be registered with the FCA. Our provider, Cycle Solutions Limited, is already registered with the FCA and can therefore act as Principal and can appoint CCBC as an 'Introducer Appointed Representative'.
- 5.5 If approval is given to increase the limit to £3,000 and the Council are set up as an 'Introducer Appointed Representative' then all future agreements regardless of the amount will be subject to the new arrangements.
- 5.6 We have already received a number of enquiries from employees who are aware that it is now possible to get a bike in excess of the current £1,000 limit and are awaiting the outcome of this report before they place an order.
- 5.7 In order to qualify for the scheme, an employee's hourly rate must exceed the National Living Wage or National Minimum Wage **after** the deduction of the salary sacrifice payment.

The current minimum wages rates are:

| Year | 25 and over | 21 to 24 | 18 to 20 | Under 18 |
|----------------------|-------------|----------|----------|----------|
| Rate from April 2019 | £8.21 | £7.70 | £6.15 | £4.35 |
| Rate from April 2020 | £8.72 | £8.20 | £6.45 | £4.55 |

5.8 **Conclusion**

Increasing the upper limit of the Cycle to Work salary sacrifice scheme will hopefully encourage more employees to make use of the scheme, including electric bikes, which will support the reduction of carbon emissions of staff traveling to and from work and also support the Council's wellbeing goals with potential health benefits.

6. **ASSUMPTIONS**

- 6.1 No assumptions have been made within this report.

7. **LINKS TO RELEVANT COUNCIL POLICIES**

- 7.1 The report links to all HR policies associated with employee wellbeing and equalities.

7.2 **Corporate Plan 2018-2023.**

The option for employees to lease electric vehicles supports the following Corporate Well-being Objectives, identified within the Council's Corporate Plan 2018-2023:

Objective 4 - Promote a modern, integrated and sustainable transport system that increases opportunity, promotes prosperity and minimises the adverse impacts on

the environment. Improving the energy efficiency of our vehicles to help promote an innovative, low carbon society that uses resources efficiently and proportionately and saves money. Reducing our greenhouse gas emissions locally (associated with transport) will help to mitigate the global impacts of climate change.

Objective 5 - Creating a county borough that supports a healthy lifestyle in accordance with the sustainable Development Principle within the Wellbeing of Future Generations (Wales) Act 2015. Electric bikes produce zero direct emissions, which specifically helps improve air quality in urban areas by reducing and removing air pollution from exhaust emissions from petrol and diesel vehicles.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 This contents of the report contribute to the following Well-being Goals:

- A healthier Wales
- A globally responsible Wales

9. EQUALITIES IMPLICATIONS

9.1 An Equality Impact Assessment has not been produced as this is an amendment to the current scheme.

10. FINANCIAL IMPLICATIONS

10.1 The financial implications are included within the report.

11. PERSONNEL IMPLICATIONS

11.1 The personnel implications are included within the report.

12. CONSULTATIONS

12.1 All comments from consultees have been included in the report.

13. STATUTORY POWER

13.1 Local Government Act 1972
Local Government Pension Scheme Regulations 2013, as amended.
Employment Rights Act 1996

Author: Lynne Donovan, Head of People Services

Consultees: Corporate Management Team
Cllr Colin Gordon, Cabinet Member for Corporate Services
Stephen Harris, Head of Financial Services & S151 Officer

Robert Tranter, Head of Legal Services & Monitoring Officer
Sue Richards, Head of Education Planning & Strategy
Liz Lucas, Head of Customer and Digital Services
Richard Ballantine, HR Service Manager
Andrew Southcombe, Finance Manager
Simon Bushell, Legal Assistant
Joanne Jones, Information Governance Manager and Data Protection Officer