

## Cycle to Work Scheme

### Report of the Chief Fire Officer

For further information about this report please contact Alan Taylor, Chief Fire Officer, on 01743 260225 or Paul Raymond, Deputy Chief Fire Officer, on 01743 260205.

### 1 Purpose of Report

This report sets out the method of operation of a cycle to work scheme operated by the Fire Authority and recommends that Members agree to the benefits accrued to the Authority, local authority partners and the environment by supporting the introduction of the scheme in to Shropshire Fire and Rescue Service (SFRS).

### 2 Recommendations

It is recommended that Members:

- a) Agree to setting up the scheme in the Service noting the wide ranging benefits available;
- b) Agree to initially open the scheme twice in the first 12 months and thereafter once per year;
- c) Set the upper limit of bike and accessory value at £1,000;
- d) Set aside £40,000 for the scheme from any under spend available;
- e) Agree that Officers will set the fair terminal value at around 5%, depending on economic factors prevailing at any given time;
- f) Agree that the Authority should use any surplus generated by the scheme to improve cycle facilities on stations / Headquarters;
- g) Agree to the recommended provider; and
- h) Task Officers with running the first scheme starting early 2009.

### 3 Background

To promote healthier journeys to work and to reduce environmental pollution, the 1999 Finance Act introduced an annual tax exemption that allows employers to loan cycles and cyclists' safety equipment to employees as a tax free benefit. The exemption was one of a series of measures introduced under the Government's Green Transport Plan.

In essence, the employee leases a bicycle for a period of say 12 months and pays for it through deductions from their salary. At the end of the hire period the bicycle can be sold to the employee at a nominal fee for a used bike.

**Here is an example of how Cycle to Work might help 'Jules' in Shropshire:**

- Under the SFRS scheme, Jules chooses to have the loan of a bike retailing at £450
- Jules sees a bike at a local specialist store (selected from around 40 specialist bike shops within easy travel distance of Shrewsbury) and places an order.
- The cycle to work scheme facilitator company (called the facilitator) provides Jules with a legally binding agreement and after being authorised by SFRS sends Jules a voucher to spend on a bike at the authorised dealer.
- The Fire Service pays the facilitator the cost of the bike and reclaims the VAT – reducing the cost to staff.
- Jules picks up the bike and uses it to travel to work.
- Jules is responsible for the bike and any maintenance, insurance etc.
- The net cost of the bike is met by Jules agreeing to a salary sacrifice from net pay over 12 months.
- The monthly net cost to Jules is reduced because there is no tax or National Insurance (NI) on the gross pay that has been sacrificed.
- At the end of the 12 month period Jules' employer offers the ex-loan bike for sale at a fair market price e.g. 5% of initial cost and if agreed Jules takes ownership of a bike.

## **4 Benefits**

Cycling offers real benefits to employers and employees. Regular cyclists tend to be fitter and healthier than non cyclists, which contributes to a healthier and more motivated workforce and may lead to even more reductions in sick leave. There are also the benefits of reduced demand on parking spaces and a greener corporate image.

The scheme, if adopted, will support the Local Area Agreements (LAA) targets for Shropshire and Telford & Wrekin of greater cycle use and reduced CO<sub>2</sub> emissions as well as reducing congestion on busy roads.

A major benefit of the scheme to employees is that they can access significant savings on retail price of bicycles and associated equipment via VAT, tax and NIC relief. The Service would in addition make savings on employers' NI contributions.

Individuals can save from 23% to 41% of the value of the bike through the scheme.

## **5 Eligibility**

If an employer loans bicycles etc to employees, the benefit of this is exempt from tax and NI if two rules are satisfied. The offer of bicycles must be open to all employees and the primary use of the bicycle must be for travelling to and from work, for either part or the entire journey.

Participants must be also able to fulfil the terms of the lease contract by meeting the full cost of the lease over the agreed 12 month term and therefore employees with less than 12 months employment remaining (due to retirement) are ineligible.

Employees under 18 are ineligible due to legal restrictions of this sort of purchase by under 18 year olds.

Employees on or near the minimum wage or who, if participating, would fall below the minimum wage will also be ineligible.

## **6 Insurance**

Employees are not covered by insurance while commuting to and from normal work and will be advised to seek public liability and personal insurance through their insurer. Employees will not be covered by SFRS against theft, loss or damage to the bicycle, accessories or equipment. As the employee will be liable to continue payment over the term even if the bike is lost, employees will be encouraged to take out suitable insurance cover.

## **7 Risks**

The main risk of any salary sacrifice scheme is of employees leaving the scheme and refusing to pay the balance of the lease. Employees who leave the scheme will be obliged to pay the remaining cost of their package to their employer from their final net pay and will be required to sign a contract to this effect. Where the remainder is greater than their final net pay they will be legally required to settle any balance due. If necessary this would be followed by normal debt control procedures. The risk of such employees refusing to pay is believed to be low as they will be contractually obliged to pay the balance due.

There is a risk that employees on long term sick or maternity leave may not be able to afford the repayments so we may wish to offer a 26 week payment holiday in these circumstances but retain the right to review each case on an individual basis and remain sensitive to the employee's situation.

## **8 Consumer Credit Act, Upper Limit and Term**

Any employer entering the scheme will need cover of a consumer credit licence. In order to facilitate the scheme the Office of Fair Trading has issued a group consumer credit licence designed to cover employers setting up Cycle to Work Schemes so that we need not apply individually for credit licences for this purpose.

The group licence covers only consumer hire business for the purpose of providing employees with bicycles up to the value of £1,000 including VAT.

It would therefore be sensible for the value of any bike and accessories leased through the scheme to be limited to a value of £1,000 including VAT to remain within the group licence. For ease of operation it is also recommended that the term for the scheme will be 12 months.

## **9 Resource implications**

Evidence from other local authorities shows that there is an average 5-10% take-up of the Cycle to Work Scheme. This is mostly during the first year of operation with fewer requests in subsequent years.

With a total staff of approximately 600 there is the potential for between 30 and 60 staff to choose to participate in the Cycle to Work Scheme in SFRS. Some organisations have however experienced much greater uptake with a Large Machine Manufacturer having 80% of employees on the scheme.

The average spend per employee on cycle and accessories, again based on evidence from other areas, would be in the region of £500. The Authority therefore needs to make around £30,000 available to pay up front for the bikes, which will be repaid over the 12 month period. Under the tax rules any eligible member of staff must be able to take up the scheme so it is therefore recommended that the Authority identifies £40,000 for the first scheme and then if necessary uses the £20,000 that will have been paid back in six months to open a second scheme. The £40,000 when fully repaid could then be used the following year to open a third scheme if this is desired.

To minimise administration costs most authorities do not have a continually open scheme and it is recommended that SFRS follow suit and initially open the scheme once every six months for the first year before reviewing the position.

The bicycles remain the property of the Authority during the hire period and employees are unable to sell or otherwise dispose of them. At the end of the hire period the bike can be sold to the employee as an ex rental cycle at a fair price of around 5% of purchase price.

Costs to be borne by the authority include administrative time to check eligibility for the scheme and to input financial data and loss of some

investment income. Careful selection of facilitator should minimise this impact.

## **10 Potential financial returns for the Authority**

Assuming lowest expected take-up of the scheme at 5% and assuming that all are basic rate taxpayers, the potential saving from employer's NI contributions would be in the region of £1,324 in the first year with less in subsequent years. This will be at least equivalent to any loss of investment income. In addition the terminal value of the lease bikes will return 5% plus VAT of their initial value. This is expected to be the lowest possible return; should the scheme be taken up by more employees then greater returns would be made.

## **11 Selection of Scheme Providers**

The Cycle to Work scheme is run by a number of commercial facilitators. Employers contract with the facilitator to deliver the scheme.

In order to decide which facilitator we should appoint, the following criteria have been used.

1. Ease of administration (including HR and Finance), implementation and internal marketing to staff
2. No administration fee or direct costs to either the Authority or employees
3. Employees should not be bound to use a single retailer – so that the scheme runs along Fair Trade principles.
4. There should be optimum customer choice and after-sales service by bike shop retailer rather than mail/Internet order as these cannot allow customers to try the bike first or always provide an after sales service.
5. There must be local shops to support local economy; reduce long travel distances for staff and encourage staff to 'try before they buy'.
6. Any scheme provider that the authority chose would need to be flexible enough to ensure that the system meets the requirements of payroll at Shropshire CC.

The Deputy Chief Fire Officer has analysed fourteen recognised providers. All of these have schemes designed to simplify implementation and administration of the Cycle to Work scheme. Few offer a cost free service. Fewer still offer this and a selection of local outlets.

It appears therefore that 'Cyclescheme' is the only provider that meets all selection criteria. It is worth noting that the above provider has also been selected by 21 other fire and rescue services, 20 Police Authorities and 20 local authorities.

It is recommend that for the first 12 months Members agree to use this provider and task Officers with reviewing this after that time.

## **12 Improving Cycling facilities at work**

This scheme provides SFRS with an opportunity to improve facilities at places of work for cyclists. It is recommended that the Authority uses any surplus from the scheme to fund cycle shelters etc. further encouraging staff to cycle to work.

## **13 Financial Implications**

The scheme would be self financing in budgetary terms as long as administration could be managed within existing staff resources. The scheme would require pump priming by earmarking an initial suggested £40,000 of reserves or balances. This could be found from current reserves or underspendings and would be returned to balances over time, depending on the ongoing success of the scheme.

## **14 Legal Comment**

There are no direct legal implications arising from this report.

## **15 Equality Impact Assessment**

An Initial Equality Impact Assessment has been completed and is attached to this report.

## **16 Appendices**

There are no appendices attached to this report.

## **17 Background Papers**

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	*
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	*
Efficiency Savings		Retained	
Environmental	*	Risk and Insurance	*
Financial	*	Staff	*
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*



**Shropshire Fire & Rescue Service    EQIA number**

**Initial Equality Impact Assessment Form**

Directorate	Community Safety	Department/ Section	
Name of officer	Paul Raymond	Job title	DCFO
Name of Policy/Service to be assessed	Cycle Scheme	Date of assessment	19/11/08
New or existing policy	N		

1. Briefly describe the aims, objectives and purpose of the policy/service	To provide a cycle hire scheme for staff wishing to cycle to work.		
2. Are there any associated objectives of the policy/service?	Yes both LAA objectives and internal ones (see report)		
3. Who is intended to benefit from the policy/service and in what way?	All eligible staff.		
4. What outcomes are wanted from this policy/service?	Fitter staff, fewer car journeys to work, reduced CO2 emissions, increased cycling.		
5. Who are the main stakeholders in relation to the policy/service?	Firefighters are expected to take the scheme up in larger numbers but all staff are stakeholders.		
6. Who implements the policy/service and who is responsible for this?	Initially DCFO.		
7. Are there any concerns that this policy/service could have a differential impact on the following groups and what existing evidence do you have for this? Yes or No, please detail in boxes below.			
8. Age		N	
9. Disability	Y		Some disabilities will prevent staff from taking up the scheme (blindness for example) however the scheme can provide bikes with suitable adjustments for many disabilities.
10. Gender		N	
11. Race		N	
12. Religion or belief		N	

13. Sexual orientation		N	
14. Dependant/caring responsibilities		N	
15. Could the differential impact identified in 7-14 amount to there being the potential for adverse impact in this policy/service?		N	Please detail
16. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or another reason?	Y	N	NA
17. Have you consulted those who are likely to be affected by the policy/service?	Y		Discussed with many fire-fighters and some non operational staff
18. Should the policy proceed to a full impact assessment?		N	
19. Date by which full impact assessment to be completed			
20. Reason for non completion			

I am satisfied that this policy has been successfully impact assessed.

I understand the Impact Assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.

Signed: (Assessing person)	Paul Raymond	Date:	19/11/08
Signed: (Line Manager)		Date:	
Please note that this impact assessment will be scrutinised by the E&D Officer			