

**CYCLE TO WORK SCHEME**

*To:* **Cabinet**

*Date:* **15<sup>th</sup> April 2014**

*From:* **Executive Director: Economy, Transport and Environment**

*Electoral divisions:* **All**

*Forward Plan ref:* **N/A** *Key decision:* **No**

*Purpose:* **This report sets out the potential for the introduction of a Cycle to Work scheme and outlines two different options for introducing such a scheme.**

*Recommendation:* **Cabinet is asked to:**

- a) Approve the introduction of a Cycle to Work scheme for staff, based on option 2 from this report**
- b) Delegate to the Cabinet Member for Resources and Performance, or the appropriate Committee, the authority to approve the details of the scheme and to commence procurement for a supplier**
- c) Monitor the effectiveness of the scheme and report to Members after one full year of operation to determine the long-term future of the scheme.**

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## **1. BACKGROUND**

- 1.1 A motion was passed at Full Council in December 2013 which called upon Cabinet to investigate and implement a Cycle to Work (C2W) scheme for all Cambridgeshire County Council employees, subject to it being cost-neutral.
- 1.2 This report sets out the facts surrounding C2W schemes and outlines two different options for introducing such a scheme.

## **2. CYCLE TO WORK SCHEMES (C2W)**

- 2.1 A C2W scheme is an initiative backed by central Government which allows employees to obtain a cycle from their income before tax, as a tax free benefit by means of “salary sacrifice”.
- 2.2 Other large employers in our area, including Addenbrooke’s Hospital and Cambridge City Council, run such schemes and there have been numerous requests from employees at the County Council for a similar scheme. Consequently, there is little doubt that a scheme would prove popular.
- 2.3 By promoting cycling, adoption of a C2W scheme would help provide several valuable benefits to the Council and staff. These include:
  - Reduced pressure on staff parking at County Council sites
  - Fitter, more punctual and alert staff who are likely to have less time off sick
  - A contribution towards reducing traffic congestion
  - Supporting local businesses, should option 2 below be supported.
- 2.4 In practice the schemes are relatively simple:
  - The employer signs up for C2W with a scheme operator.
  - The staff member then chooses a bike (and any accessories: lights, lock, helmet etc) from the approved supplier. There is a ceiling of £1,000 set by Her Majesty’s Revenue and Customs (HMRC) as the maximum value allowed.
  - The bike is then purchased by the employer who reclaims the VAT. The staff member then takes delivery of the bike for their exclusive use, the proviso being that it will be used for qualifying journeys, i.e. commuting to work.
  - The VAT free price is then deducted from salary by equal instalments over a period of time, typically 12 or 18 months. As tax and National Insurance is not payable on income foregone, further savings are made. Typically, employees will save 32 – 42% of the purchase price of their bike, the final amount being dependent upon the tax bracket within which they sit.
  - After the period of salary sacrifice, the employee can either return the bike, pay a returnable deposit and continue using the bike, or purchase the bike at a ‘fair market valuation’ set by HMRC.

### **3. OPTIONS FOR A CAMBRIDGESHIRE SCHEME**

- 3.1 There are many providers of C2W schemes. Most if not all offer free administration after the initial set-up and the main difference lies in the choice available to employees. Some schemes, such as those operated by major chains (e.g. Halfords and Evans Cycles) require customers to choose cycles provided through their own stores. Others such as Cyclescheme employ a wide range of small and medium sized enterprises (SMEs) and offer a far wider range of products, something which would be important to staff as well as supporting local businesses.
- 3.2 There are two options available for procuring and introducing a C2W scheme for the Council.

#### **Option 1 – via ESPO contract, using Halfords**

- 3.3 The first option is to proceed with an existing Eastern Shire Purchasing Organisation (ESPO) contract that is already in place. ESPO have identified Halfords as an 'off the peg' provider of C2W schemes. The benefit offered by their scheme is that Halfords manage the administration of the scheme and it is entirely free to join. The only cost impact for the authority is the need to adjust payrolls to ensure that monthly repayments are made. The disbenefit is that cycles can only be purchased at Halfords shops, which is limited to only four stores in Cambridgeshire. This means that SMEs lose trade and staff have a narrower choice of bikes.

#### **Option 2 – via tender process, with a national cycle scheme operator, using SMEs**

- 3.4 The other option would be to procure an alternative scheme with specific Cambridgeshire requirements, which would require writing a specification/brief.
- 3.5 This would require the Council to fund the scheme initially by establishing a revolving fund. Employees taking up the scheme would pay an initial charge to cover any interest payments incurred by the Council in purchasing the bike. Consequently, there would be no impact on the Council's revenue budget. Over a period of 12 months, applicants would repay the full capital cost to the Council.
- 3.6 Under this option, there would be minor staff resource implications associated with implementing and running a C2W scheme, despite the fact that most are administered free of charge after the initial set-up phase. In the first year of the scheme the staffing implications would equate approximately 37 hours of a Project Officer's time to manage the procurement process and 15 hours to deal with enquiries, process applications and oversee the budget, and approximately 10 hours from LGSS to make the payroll adjustments. Similar staff hours, excluding procurement, will be required in subsequent years. This can be managed within existing staff resources.
- 3.7 Procedures will be put in place under this option to manage situations such as when the employee leaves the Council and any potential liabilities the Council may have under the scheme. These matters have been successfully

addressed by other public sector organisations that currently operate schemes.

## **Evaluation**

- 3.8 Appendix 1 summarises the advantages, disadvantages and costs associated with each option. The motion passed at full Council asked that such a scheme should be cost-neutral. This is not strictly possible, thus there is the option of not introducing a scheme (hence a 'do nothing' option). Whilst recognising the other options are not entirely cost-neutral, it is believed the benefits outweigh the costs involved and therefore Options 1 or 2 are preferred.
- 3.9 Whilst Option 1, using the ESPO contract is attractive from a convenience, speed of implementation and financial perspective, it is an option that gives limited choice to scheme users, and fails to support SMEs.
- 3.10 Option 2 gives greater flexibility for cycle purchase and will support local cycle businesses. It will require the Council to forward fund the purchase of the cycles, but all interest and capital costs for that will be covered and so this remains revenue neutral over the course of a year.
- 3.11 On this basis, it is proposed that the Council adopts Option 2 and that the details are worked up by officers and the final scheme be agreed for procurement by the Cabinet Member for Resources and Performance or the appropriate Committee under the Council's new constitution.
- 3.12 It is also proposed that a report would be brought back to members a year after the scheme becomes operational to allow a review of how it has operated in terms of take up, implications on staff time etc, and to decide whether to continue.

## **4. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING**

### **4.1 Developing the local economy for the benefit of all**

Implementing Option 2 would be beneficial to local businesses as it would generate sales of bikes and equipment in these local shops.

### **4.2 Helping people live healthy and independent lives**

A scheme that allows staff to buy new bikes and equipment should result in staff being more active and building exercise into their daily routine. This could result in less time off sick and improved productivity.

### **4.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

### **4.4 Ways of working**

There are no significant implications for this priority.

## **5. SIGNIFICANT IMPLICATIONS**

### **5.1 Resource and Performance Implications**

The financial implications are summarised in Appendix 1.

### **5.2 Statutory, Risk and Legal Implications**

No significant impacts.

### **5.3 Equality and Diversity Implications**

No significant impacts.

### **5.4 Engagement and Consultation Implications**

No significant impacts.

### **5.5 Public Health Implications**

The scheme is likely to lead to more staff cycling to work and thus an improvement in public health terms.

<b>Source Documents</b>	<b>Location</b>
None	

## Appendix 1 – Cost v Benefit Summary

	<b>Option 1</b> – using Halfords, via ESPO contract.	<b>Option 2</b> – via tender with national scheme provider, with bikes from SMEs
Staff costs – year 1	<p>LGSS time to update payroll £250</p> <p>Cycling Projects Team time to deal with enquiries and process applications £200</p> <p>Total £450</p>	<p>Cycling Projects Team time to manage procurement and award contract £800</p> <p>Cycling Projects Team time to deal with enquiries, process applications and oversee the budget £350</p> <p>LGSS time to update payroll £250</p> <p>Total £1,400</p>
Staff costs – subsequent years	<p>LGSS time to update payroll £250</p> <p>Cycling Projects Team time to deal with enquiries and process applications £200</p> <p>Total £450</p>	<p>LGSS time to update payroll £250</p> <p>Cycling Projects Team time to deal with enquiries, process applications and oversee the budget £350</p> <p>Total £600</p>
Scheme advantages	Off the peg scheme available through ESPO	More choice, thus more attractive scheme for employees; supports SMEs
Scheme disadvantages	Less choice of bikes. SMEs miss out on business	Requires tender process at outset and management of budget, hence more staff time/costs