



Belfast City Council

Report to: Strategic Policy and Resources Committee.

Subject: Cycle to Work Scheme

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1 Relevant Background Information	
1.1	BCC became one of the first employers in Northern Ireland to introduce a Cycle-to-Work scheme in July 2007. The Council's scheme was adopted by other Councils and employers including the Belfast Health and Social Care Trust, Queen's University, Translink and Bombardier and was published as a case study by Arena Network as a demonstration of how organisations can embrace Corporate Social Responsibility as part of their business operations. Well over 300 staff participated in the Council's cycle to work initiative
1.2	The Council scheme was suspended in August 2010 following an HMRC determination regarding discounts offered and changes to VAT rules governing the scheme. Since then, cycle retailers have taken tax and legal advice to revise Cycle-to-Work schemes to secure optimum benefit for participants. In summary, the means by which staff can enjoy maximum financial benefit within the revised HMRC guidelines is to defer taking ownership of cycles for 4 or 5 years. Employers continue to recover the cost of cycles through deductions (payments) made by staff over a 12 month 'salary sacrifice' period. Cycles, technically, remain in the ownership of the employer/administrator and are leased, free of charge, thereafter, usually for a period of 36 months.
1.3	The revised scheme remains attractive. As well as permitting participants to spread interest free repayments over 12 months, it is deemed to provide savings of up to 32% for basic rate taxpayers and up to 42% for those taxed at a 40% rate.

2 Key Issues	
	Demand
2.1	The BCC initiative was popular and staff continue to enquire if we intend to re-introduce a Cycle-to-Work scheme. It is accepted, however, that revisions necessary to optimise the tax benefits are less straightforward than the procedure employed previously where individuals took ownership of bicycles when repayments concluded. The level of uptake for a revised scheme, where ownership of cycles could remain with BCC for up to five years, may decline.
	Administration and Cost to Council.
2.2	The costs of running the previous Council scheme almost exclusively related to administration with the loans made by the Council to purchase equipment being repaid in full by participants. Costs are offset by two factors
	(i) Reduced Employer National Insurance contributions during period of salary sacrifice. (Estimated notional savings to Council for previous scheme = £22,356)

	<p>(ii) Retention of final payments made by participants on completion of salary sacrifice. (Estimated notional income to Council = £5,670)</p> <p>The combined total estimate of savings/income realised during the 3 years in which the scheme operated was, therefore, approximately £28k. However, this needs to be offset against the cost for administration.</p> <p>Outsourcing</p> <p>2.3 In view of the operational changes required for a revised scheme and to seek further efficiencies, investigations have taken place regarding out-sourcing elements of the scheme administration. Many individual cycle retailers provide bespoke cycle-to-work arrangements for organisations. There are, however, companies which provide common administrative arrangements on behalf of organisations, using a network of local, independent retailers to supply items. Such “third party” companies offer free services to employers and employees. Overheads are recouped by commissions charged to retailers and by retention of the final payment (residual value) made by participants to take ownership of cycles.</p> <p>2.4 Investigations confirm that the majority of cycle retailers used previously by the Council co-operate with scheme administration companies and could therefore continue to supply BCC employees.</p> <p>The “value for money” aspect of any decision to outsource has also been considered:</p> <ul style="list-style-type: none"> (i) There is no cost to the Council in availing of a “third party” service due, primarily, to commission paid by retailers. (ii) There would be a very small loss of income from ‘residual value’ payments by participants to take ownership of cycles, which the Council previously retained. (Estimated at approximately £1,500 per annum). (iii) Savings arising to the Council from reduced NIC payments will continue (Estimated at approximately £6,900 per annum) <p>The amount of staff time necessary to administer a re-introduced scheme in its entirety, including the provision of advice, is deemed well in excess of £1,500 per annum.</p> <p>2.5 The advantages of using a third party supplier include:</p> <ul style="list-style-type: none"> ▪ Such services have been in place for several years offering specialist support to thousands of organisations in the UK including Local Authorities and Government Departments ▪ Provision of on-line service for staff to order cycle vouchers following Council approval ▪ Includes extensive range of independent cycle providers in Belfast (9) ▪ Provision of free of charge promotional materials and electronic communications ▪ Availability of account management and staff helpdesk teams ▪ A single payment point for Council rather than dealing with separate retailers. ▪ Reduction of administrative input for BCC staff resulting in cost efficiencies. <p>2.6 The disadvantages include</p> <ul style="list-style-type: none"> ▪ Loss of small income stream to Council provided by final purchase payment (residual value) by participants ▪ Less attractive to providers due to commission charged ▪ Exclusion of Halfords as a local supplier (Halfords provide a bespoke scheme and do not subscribe to ‘third party’ schemes.) <p>2.7 The advantages far outweigh the disadvantages.</p>
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3	Resource Implications.
3.1	<p>Financial</p> <p>None - Initial outlay to purchase of cycles and equipment and will be recouped, in full, through ‘salary sacrifice’ arrangements. The initial cost of procurement in year 1 may be up to £75k, recoverable annually.</p>

3.2	<p>Human Resources</p> <p>Some input will be required, principally from Payroll section, in co-operation with a scheme administration company.</p>
3.3	<p>Asset and Other Implications</p> <p>During the initial lease period, cycles procured belong to BCC and are a Council asset until such time as participants take possession of items.</p>

4	Conclusion
4.1	<p>A revised cycle-to work scheme will provide similar benefits to the Council as those acknowledged at the outset of the original scheme.</p> <ul style="list-style-type: none"> • It will demonstrate commitment to Council priorities to improve the quality of life in the city, helping to lessen traffic congestion, improve air quality, and reduce use of fossil fuels by discouraging dependency on cars to travel to work. • The scheme contributes to the increasing role Council performs in promoting health improvement in the city including reducing obesity and collaborative initiatives such as the city bike hire project. • It will permit the Council to maintain its Civic Leadership role on environmental and health matters. • It provides economic benefits for local cycle provider businesses. • It provides financial benefits for both the Council and Council employees at no cost to ratepayers. • It provides health and wellbeing benefits for employees.

5	Equality
5.1	There are no equality considerations associated with this report

6	Recommendations.
6.1	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> (i) Approve the re-introduction of a Council Bike-to-Work scheme and (ii) Authorise the Director of Health and Environmental Services to appoint a company to assist the Council administer the scheme (at no cost) for a trial period of 12 months. This will be done in accordance with procurement guidelines.

Key to Abbreviations.	
NIC National Insurance Contributions	