

		EXECUTIVE 21 OCTOBER 2009	Agenda Item No.
Title		Tax Free Bikes For Work – Cycle Scheme	
For further information about this report please contact		Catherine Bick, Senior HR Officer	
Service Area		Chief Executive's Office	
Wards of the District directly affected		None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No	
Date and meeting when issue was last considered and relevant minute number		Not applicable	
Background Papers			

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director		
Chief Executive	16.09.09	Chris Elliot
SMT	16.09.09	September 2009
Section 151 Officer	16.09.09	Mike Snow
Legal	16.09.09	Peter Oliver
Finance	16.09.09	Mike Snow
Portfolio Holder(s)	25.8.09	Michael Doody
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 Within the Government's Green Transport Plan, there is a tax exemption which allows employers to provide cycles and safety equipment to employees as a tax-free benefit through a salary sacrifice scheme, which offers tax savings for the employee and NI savings to the employers. Employees sacrifice their salary for a period of time, whilst using the bicycles, buying them at the end of the salary sacrifice period for a fair market value.

Full details of the scheme are attached; *see appendix 1.*

2. **RECOMMENDATION(S)**

- 2.1 That the Tax Free Bikes for Work scheme, as set out in the report, be adopted by the Council, subject to the Executive approval of the budgetary aspects.

3. **REASONS FOR THE RECOMMENDATION(S)**

- 3.1 This supports the government in the introduction of the green transport plan and supports our corporate values and objectives on environmental matters.
- 3.2 There have been a considerable number of requests made by our staff in support of the this scheme, which indicates a level of take up and as an organisation would support healthy staff and lifestyles.

4. **ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Do nothing – this would seem an unsuitable option given the amount of interest.

5. **BUDGETARY FRAMEWORK**

- 5.1 The outlay for the purchasing of the bikes will be an initial cost to WDC, even though the amounts will be recovered over the 12 month hire periods – and the tax paid can be reclaimed.
- 5.2 We would have to manage the sale of any bikes not purchased after the hire agreements had finished. Could any bikes not purchased be given to Action 21 or another charity of WDC's choice?
- 5.3 As part of the agreement between WDC and the employee anyone who leaves during the agreement has to refund the council for the full purchase price of the bike and the ownership would transfer to them. This would be recovered from any final salary.

6. **POLICY FRAMEWORK**

- 6.1 None but supports the Governments green transport plans.

7. **BACKGROUND**

- 7.1 In summary, the scheme operates as follows:

- We register with the scheme
- The employee finds a bike within the price limit set by WDC
- They submit the details of the bike onto the scheme website who then send through details to WDC to authorise.
- Once authorised, the cycle scheme invoice WDC for the full cost of the bike
- A hire agreement is sent to the employee to sign
- As soon as payment is received they will issue the employee with a voucher for the bike. This is then presented at the bike shop to purchase the bike.

7.2.1 The bike remains the property of WDC during the rental agreement. It appears from the scheme details that the salary sacrifice period is normally no longer than 12 months and the spend limit is up to a maximum of £1,000.00; it is recommended that we adopt this. It is also suggested that we can add onto this amount an administrative fee for handling and processing the scheme. An administration fee would need to be agreed, WCC do not charge an administration fee but do make a small profit when they sell the bikes at the end of the scheme.

7.3 At the end of the agreement, the employee would be given the opportunity to purchase the bike. WCC arrange for a 13th payment which comes from the employee's net salary. This payment is an agreed fair market rate for the bike and once this payment has been deducted the ownership of the bike transfers to the employee. WCC contact the employee 2 months prior to the end of the scheme and agree a rate for the bike, the employee has to sign an agreement allowing the 13th deduction to be taken from the salary.

Whilst this appears to be a sensible route the scheme is quite clear about not negotiating a fair market value before or during the scheme as it could be considered a benefit in kind as hire-purchase does not warrant any tax-relief. The question of how to agree a fair market price needs to be agreed at the start of the scheme; suggestion of using 'Ebay' to check or to call local bicycle dealers is also an option.

7.4 During the agreement the cost of the bike is deducted from the annual salary (this is to allow salary sacrifice to work). This would constitute a change in terms and conditions and would therefore affect their normal terms i.e. maternity, pension, redundancy. This would need to be clearly defined to the employees; although this is stated in the hire agreement.

7.5 The scheme covers the issue of insurance, stating that the employee must insure the bike and take responsibility for any damage. In the event that the bike is stolen then they would have to reimburse WDC for the full cost of the bike. The scheme recommends an insurance policy but also states that it can be covered on home insurance.

7.6 Other councils have incorporated this into the agreement; Leicester City Council stipulate as part of the agreement "*that the employee must insure and maintain the bike in-line with the manufacturer's recommendations*".

At WCC if a bike is stolen (they have had 2 occasions where this has happened out of a take up of approx 400), they continue to take the payments from the employee, and the employee claims on the insurance and replaces the bike with the insurance money. This seems a sensible approach along with the added benefit of keeping the administration to a minimum.