

Cycle to Work Scheme

SUMMARY

- 1.1 Derby City Council launched a new Cycle to Work (C2W) scheme in 2008 as part of Perks with Pride, administered by P&MM. Employees pay for the hire of the bike via a salary sacrifice thus saving a proportion of tax and national insurance on a reduced salary.
- 1.2 Participants hire the bike over a period of 18 months and have the option to return the bike at the end of the hire period or for a fee, keep the bike. Some 98 per cent of participants have opted to keep the bike. The charge for the 'transfer of ownership' in most C2W schemes was previously around five per cent.
- 1.3 However, in 2010 HMRC decided that the traditional five per cent transfer of ownership fee being applied did not accurately cover the 'fair' cost of the bike. HMRC issued new guidance and a calculation table to determine the fair market value cost of the bike at the end of defined periods based on the original purchase cost of the bike. This increased the transfer of ownership fee for an 18 month scheme to between 16 per cent and 21 per cent (plus VAT) depending on the original value
- 1.4 DCC were advised to use the HMRC table's Tax Manager when calculating the transfer of ownership fee, from October 2010. This effectively meant some employees who would have expected to only pay around five per cent for the transfer fee were now being asked to pay a higher sum. This understandably caused confusion and upset and there has been a 22 per cent drop in uptake onto the scheme.

RECOMMENDATION

- 2.1 To note the re-launch the Cycle to Work Scheme, offering a new end of contract arrangement, including that:
 - After the initial 18 month hire period has ended, an extension period under a new agreement for a further 42 months at no further cost will be offered.
 - The employee will be charged an £30 administration fee.
 - At the end of the extension period, the fair market value will be nil or less than the admin fee charged.

REASONS FOR RECOMMENDATION

- 3.1 The reason for recommending this option is to enhance the attractiveness of the scheme to employees by negating the need for the Transfer of Ownership fee to be applied and thereby increasing take up of the scheme, but is entirely compliant with HMRC requirements.
- 3.2 There is very little administrative burden to making this change and the change enhances DCC position as an employer of choice.
- 3.3 It is also recommended that by introducing the change, the current C2W scheme is re-launched.
- 3.4 The re-launch will also be marketed to tie in with the move back to the Council House to encourage more employees to take up the scheme.

SUPPORTING INFORMATION

- 4.1 To date over 240 employees have taken up a loan of a bike, spending between them over £137,000. The revenue earned from the employer national insurance savings is then used to pay for the employee benefits offering, Lifestyle.
- 4.2 The last 'window' offering employees bikes was 2010. It is felt opportune to open another window in October 2012 as typically late summer months prove a popular time for higher uptake and also to encourage employees to think about green travel prior to moving back to the Council House.

OTHER OPTIONS CONSIDERED

- 5.1 Option 1
No change - At the end of the hire period continue to charge the employee the fair market value as dictated by the HMRC table. Due to the higher cost of transfer of ownership, it is felt that the decline in take up would continue if this option remains.
- 5.2 Option 2
At the end of the hire period charge the employee a five per cent charge and then via completion of a P11D collect the tax on the difference between the fair market value according to the fair market value and the five per cent charged. This carries an undue administrative burden that would outweigh the benefits of offering this option.

This report has been approved by the following officers:

Legal officer	N/A
Financial officer	N/A
Human Resources officer	Hannah Parry, HR Operations Manager
Service Director(s)	Karen Jewell, Director of HR and Business Support
Other(s)	Keith Dalton, Taxation Manager

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 Improvement of a support process to provide an effective and professional service which will demonstrate value for money. The C2W scheme is cost neutral to the council as it is self funded from the savings made from NI contributions.

Legal

- 2.1 Fully compliant with HMRC tax rules

Personnel

- 3.1 No extra administrative burden

Equalities Impact

- 4.1 None

Health and Safety

- 5.1 None

Environmental Sustainability

- 6.1 Actively encouraging employees use of green travel

Asset Management

- 7.1 None

Risk Management

- 8.1 None

Corporate objectives and priorities for change

- 9.1
- Good Health and Well Being & an Active Cultural Life – more people taking part in physical activities
 - A Thriving and sustainable economy – less carbon emissions