

Cycle to Work Scheme

Report of the Chief Fire Office

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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

The Committee is asked to:

- a) Note the report
- b) Agree to setting up the scheme with Cycle Solutions
- c) Agree to initially open the scheme twice in the first 12 months and then review
- d) Set the upper limit of bike and accessory value at £1000
- e) Recommend that the Fire Authority set aside £100,000 from reserves for the scheme

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.

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.

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' National Insurance contributions.

In essence, the employee leases a bicycle for a period of say 12 months and pays for it through deductions from their gross salary. At the end of the hire period there are three options:

- a) Return the equipment
- b) Purchase the equipment – employees can pay a fair market value (FMV) for the bike and equipment (typically between 18% or 25% of the original package value)
- c) Employees sign up to the extended use agreement i.e. they will have nothing else to pay and no further monthly rentals. Ownership transfers to the employee on completion of this period.

The employee ordering, delivery and authorisation process is outlined on page 6 of the appendix, together with the employer experience on page 7.

4 Eligibility

Employers of all sizes across the public, private and voluntary sectors can implement a tax exempt loan scheme for their employees. To maximise the benefit of implementation, it is desirable that participation in a scheme should be as broad as possible. To qualify for the tax exemption, the cycles and cyclists safety equipment loaned by the employer under the scheme must be available to employees generally with no groups of employees excluded.

Eligible equipment includes cycles and cyclists safety equipment. The tax exemption defines a 'cycle' as a bicycle, a tricycle, or a cycle having four wheels or more, not in any case being a motor vehicle (192(1) of the Road Traffic Act 1988 (c.52). An electrically assisted pedal cycle can be included under the scheme.

Participants must also be 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 who are in their probationary period are also ineligible to apply until they are confirmed as substantive in their employment.

An employer may loan cycles and cyclists safety equipment to all employees but a salary sacrifice arrangement cannot be used if, in doing so, the employee's gross pay drops below the National Minimum Wage. Calculations have been done to confirm that On Call staff are able to afford the repayments necessary under the scheme

The tax exemption only applies when an employee uses the cycle and cyclists safety equipment for qualifying journeys. A qualifying journey for an employee means a journey, or part of a journey, between his or her work place, or between one workplace and another, in connection with the performance of their duties of employment i.e. 50% of the use of cycle or equipment must involve a qualifying journey.

5 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.

6 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. Under these circumstances the service reserve the right to review each case on an individual basis and remain sensitive to the employee's situation.

7 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 employers 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 and or bicycle equipment 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.

8 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.

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. 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.

9 Financial Impact for the Authority

The Cycle to Work scheme requires a commitment from the Fire Authority to make an upfront payment for the cycles purchased. All of the cycles would be purchased at the beginning of the agreement from a contribution from reserves, and repayments from employees would replace this contribution over the twelve month period. There would be no cost to the Authority for running the scheme, in fact there would be a saving in national insurance contributions due to the offer of a salary sacrifice to employees. This saving can be used to fund other initiatives to promote health and wellbeing.

Initial interest from employees indicates an initial take up of around 40 employees. This is before the commencement of county wide roadshows promoting the scheme, where it is hoped that employees can find out more about the scheme and the benefits that a cycle can offer. Taking this into account and allowing for the scheme to be made available twice in the first year, Members are asked to consider and recommend that the Fire Authority approve the use of £100,000 from reserves to service the scheme.

10 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 should be appointed, the following criteria have been used.

- a. Ease of administration (including HR and Finance), implementation and internal marketing to staff

- b. No administration fee or direct costs to either the Authority or employees
- c. Employees should not be bound to use a single retailer – so that the scheme runs along Fair Trade principles.
- d. 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.
- e. There must be local shops to support local economy; reduce long travel distances for staff and encourage staff to 'try before they buy'.
- f. Any scheme provider that the authority chose would need to be flexible enough to ensure that the system meets the requirements of payroll at Telford and Wrekin CC.

A small working group has been pulled together to analyse a number of recognised providers. All of the schemes are designed to simplify the 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.

Having researched a number of providers it came down to two providers; 'Cycle Solutions' and 'Cycle Scheme'. Both companies presented their offer to us with Cycle Solutions coming in to provide a full presentation to us. Cycle Scheme presented via a webchat. Having spoken with both of their account managers and considered their options, officers are inclined to go for Cycle Solutions. Some of the benefits include:

- Access to the widest selection of bikes available in the UK (over 500 brands) through Cycle Solutions & local stores (there are 4 stores available in Shrewsbury)
- Free co-branded marketing materials and bespoke communication materials
- Free on-site Roadshows with Bike Doctor events
- Free scheme administration
- Fully managed end of scheme process and £0 option for employees
- 3rd party finance options available
- Corporate responsibility support
- Active travel support
- Customer care support
- Invoicing in arrears

Added Benefits

- Upfront 10% discount for employees
- 15% private sale discount which is available indefinitely to all employees, friends, family
- 18-month warranty and service check as well as free Dr Bike events
- No minimum spend requirements
- Free kit bag with Cycle Solutions orders as well as free multi-tool and spanner & free safety gift
- Free 4-week cycle insurance
- Free phone application

Officers feel that Cycle Solutions is the only provider that meets all of our criteria and it is also worth noting that this provider also supports a number of other public sector services namely, Department of Transport, West Midlands Fire Service, Fire Fighters Charity, a number of the NHS Trusts, Scottish Ambulance Service etc.

It is recommend that for the first 12 months Members agree to use this provider and task Officers with reviewing this after that time. A copy of Cycle Solutions proposal is attached at the appendix.

11 Capacity

Consideration has been given to how we will carry out the administration of the scheme. This is expected to be minimal and will be managed by the Finance department. We expect to run with two windows over a 12 month period.

12 Collaboration / Partnership Working

Opportunities for collaboration with Hereford and Worcester have been explored but they are not currently operating a Cycle to Work Scheme and have no immediate plans pending.

13 Community Safety

There are no community safety impacts arising from this report.

14 Environmental

There are benefits to cycle friendly employers, including reduced demand on car parking spaces and a greener corporate image.

15 Equality Impact Assessment

There are no equality or diversity implications arising from this report. An e-EQIA is not, therefore, required.

16 Financial Implications

The financial implications are included in the body of the report.

17 Health and Safety

There are no health and safety impacts arising from this report.

18 Human Rights (including Data Protection)

Information is contained within the Supply Agreement with Cycle Solutions re. GDPR and the protection of personal data.

There are no human rights impacts arising from this report.

19 ICT

There are no ICT impacts arising from this report.

20 Legal Comment

There are no legal implications arising from this report.

21 Public Value / Service Delivery

As part of the Health and Wellbeing strategy we aim to support our staff with healthier lifestyles and fitness. This should have a positive impact on morale and motivation and in turn improve productivity and service delivery.

22 Reputation

There are no reputational impacts arising from this report.

23 Security

There are no security impacts arising from this report.

24 Training

There are no training impacts arising from this report.

25 Appendix

Cycle to Work Cycle Solutions (Cycle to Work) Ltd – Proposal

26 Background Papers

There are no background papers associated with this report.



Cycle**to**Work

Cycle Solutions (Cycle to Work) Ltd

Shropshire Fire & Rescue Service

Cycle 
Solutions



Introduction

Cycle Solutions (Cycle to Work) is a private limited company that was incorporated as a standalone business on the 28th of June, 2006. The business trades under the brand name 'Cycle Solutions'.

Cycle Solutions concentrates on the development of business-to-business initiatives aimed at increasing the sales and usage of bicycles across the UK. Since 2006, the business has focused on the development of a Cycle to Work scheme, which is now used by thousands of employers across all sectors including HMRC and Department for Transport as well as North Wales Fire & Rescue Service, West Midlands Fire Service and Welsh Ambulance.

Cycle Solutions is incredibly experienced in providing the Cycle to Work scheme. We provide comprehensive end-to-end management of the scheme and due to this being our sole purpose, each and every member of staff is very knowledgeable regarding bikes, equipment and all elements of the Cycle to Work scheme.

The team leading the management of your Cycle to Work scheme are very experienced in the scheme itself and managing any bespoke elements.

Ceri Griffin (your dedicated Account Manager) who has worked extensively within the sector has recently celebrated 5 years within Cycle Solutions. Anthony Coker has provided account management support for almost 4 years. Louise Mordue who manages the team responsible for engagement with employers has worked for Cycle Solutions for 3 years. And Steve Edgell, our Director has led Cycle Solutions since 2006.

As you can see, 4 members of staff alone can contribute 31 years of experience in terms of the Cycle to Work scheme.

The Cycle Solutions Cycle to Work Scheme

Benefits to Shropshire Fire & Rescue Service employees

An increased saving of either 39% or 48% against the equivalent purchase price of bicycles and cycling equipment – 10% discount from the retail price of bikes and equipment provided through the cycle to work scheme.

A choice of the UK's largest range of bicycle brands (over 500 available).

Access to a UK-wide retail store network for employees preferring to make off-line selections

Over 9,000 bikes in stock and ready for next day delivery.

Expert staff on-call from 8:30am to 6:30pm weekdays and 9am to 1pm on Saturdays to provide advice and support on bikes available and the scheme generally as well as a 24/7 helpline.

All bikes assembled to exceed British and European standards by Cytech qualified technicians.



Bikes supplied with a free pedal spanner and 9 function multi-tool and a free kitbag

18-month product warranty.

£15 credit against a 6-week safety check & Free Dr Bike events

Free Ridemapper iPhone and Android app allows employees to track their rides with details of the health, wellbeing and environmental benefits of cycling.

£0 end of scheme process option available to maximise savings for employees.

Free safety gift such as helmet, light set, etc.

Zero cost end of scheme option to enable employees to maintain savings made

Various NLW/private purchase options available to enable every employee/retained to have access to bicycles

Benefits to Shropshire Fire & Rescue Service

Cycle Solutions will provide the scheme at no cost to Shropshire Fire & Rescue Service. All elements including set-up, management, administration and marketing including Roadshows will be provided at no cost to your organisation

Cycle Solutions will promote the Cycle to Work scheme at no cost to Shropshire Fire & Rescue Service by offering free:

‘Virtual Shop’ road shows at all key sites

A co-branded web site specifically for Shropshire Fire & Rescue Service employees

Co-branded marketing materials and brochures sent to all sites at no cost to Shropshire Fire & Rescue Service if suitable.

A series of online webinars for employees unable to visit one of the road shows

Full on-line scheme administration (paper-free).

Shropshire Fire & Rescue Service saves 13.8% (employers’ NIC) of the total value of equipment supplied through the scheme.

Cycle Solutions will provide details of the health, wellbeing and environmental benefits

Improved staff engagement and reward at no cost to Shropshire Fire & Rescue Service as well as a compliant NMW option to enable access to bikes for all employees.

Administration of the cycle to work scheme is completely online through the secure website provided by Cycle Solutions.



Cycle Solutions manage all arrangements at the end of the initial salary sacrifice period.

Access to the Cycle Solutions Scheme

Uniquely, Cycle Solutions will provide a number of ordering avenues to employees who are eligible on the scheme. Employees are able to place orders in the following ways:

- Online
- By phone
- During onsite roadshows
- Mail order
- Local store network

Online Orders

Cycle Solutions provides a comprehensive online ordering process.

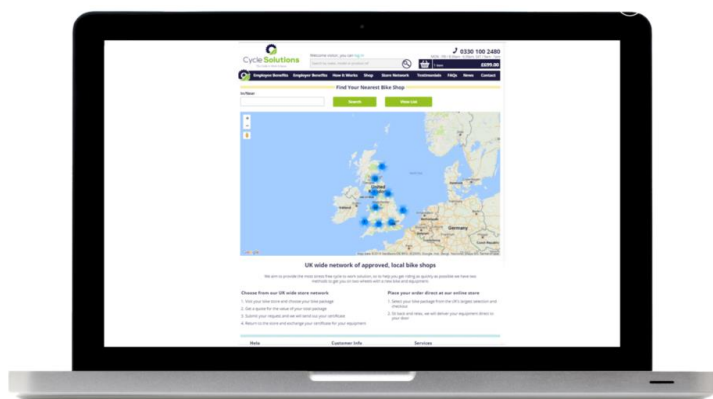
Uniquely, Cycle Solutions will provide customised web pages, which include details of the Shropshire Fire & Rescue Service Cycle to Work scheme. We provide the only website that can be fully customised to provide your employees with a breakdown of the true costs to them through the scheme for all products that can be obtained on the scheme.

Local Store Network

Our best of both worlds provision ensures the most comprehensive level of access to the scheme of any provider by enabling employees to order online with Cycle Solutions or via a comprehensive local store network.

Currently, Cycle Solutions can provide an extensive range of stores across the UK. We are also able to add further stores into the network as required.

As part of our unique, bespoke website provided to Shropshire Fire & Rescue Service employees will be able to choose to access our mapping section to access the locations and further information on each store within the network.



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By simply entering their town or postcode, employees will be able to easily search stores, contact details and their brands available. Employees can also send us a request to add further stores that they would like to utilise within the scheme.

Our local network provision is incredibly easy for employees to place orders. They simply visit the store, choose their items and the store will send the order directly to Cycle Solutions to process. There are no quote forms to load onto a system, no vouchers to wait for and no hassle for the employee.

When authorised, the employee simply visits the store to collect their items.

Administration

Cycle Solutions has specifically designed the scheme to directly reduce the internal workload of our clients. We provide unique elements to ensure the scheme exceeds its full potential as well as ensuring a smooth process for both employees and administrators.

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Cycle Solutions (Cycle to Work) Ltd

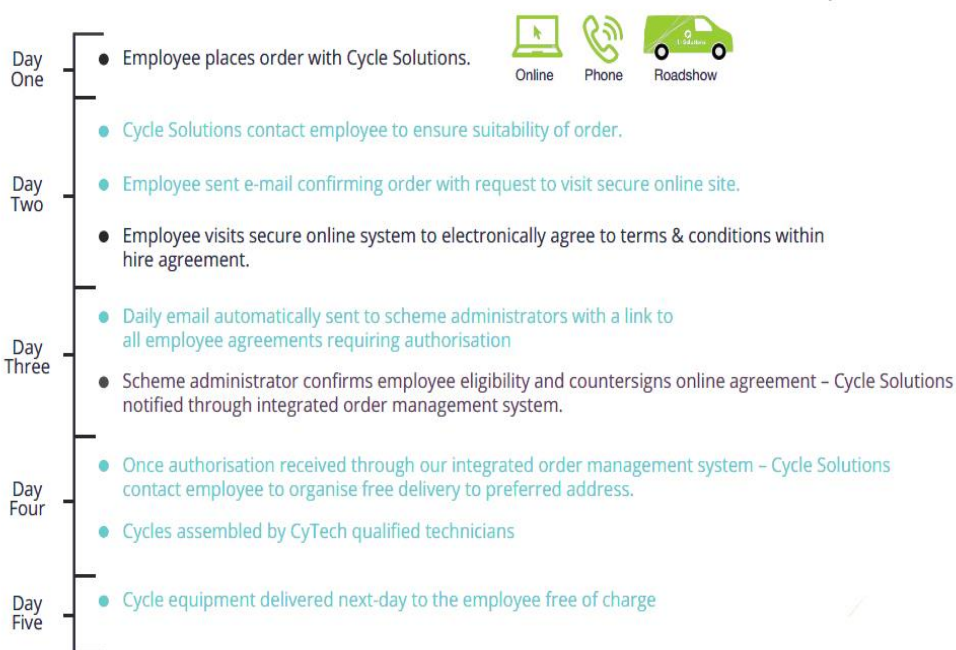
Shropshire Fire & Rescue Service



EMPLOYEE ORDERING, DELIVERY & AUTHORISATION PROCESS



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The only “touch point” requiring Shropshire Fire & Rescue Service involvement is for the online (electronic) confirmation of employee eligibility. This is a simple process that has been made extremely user friendly and light touch. This process is outlined in our Esign Admin Guide that we provide to all administrators during our ‘scheme administration’ training session held by Ceri Griffin at your HQ.

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Further details of the Employer Experience are outlined in the following flowchart:

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THE EMPLOYER EXPERIENCE



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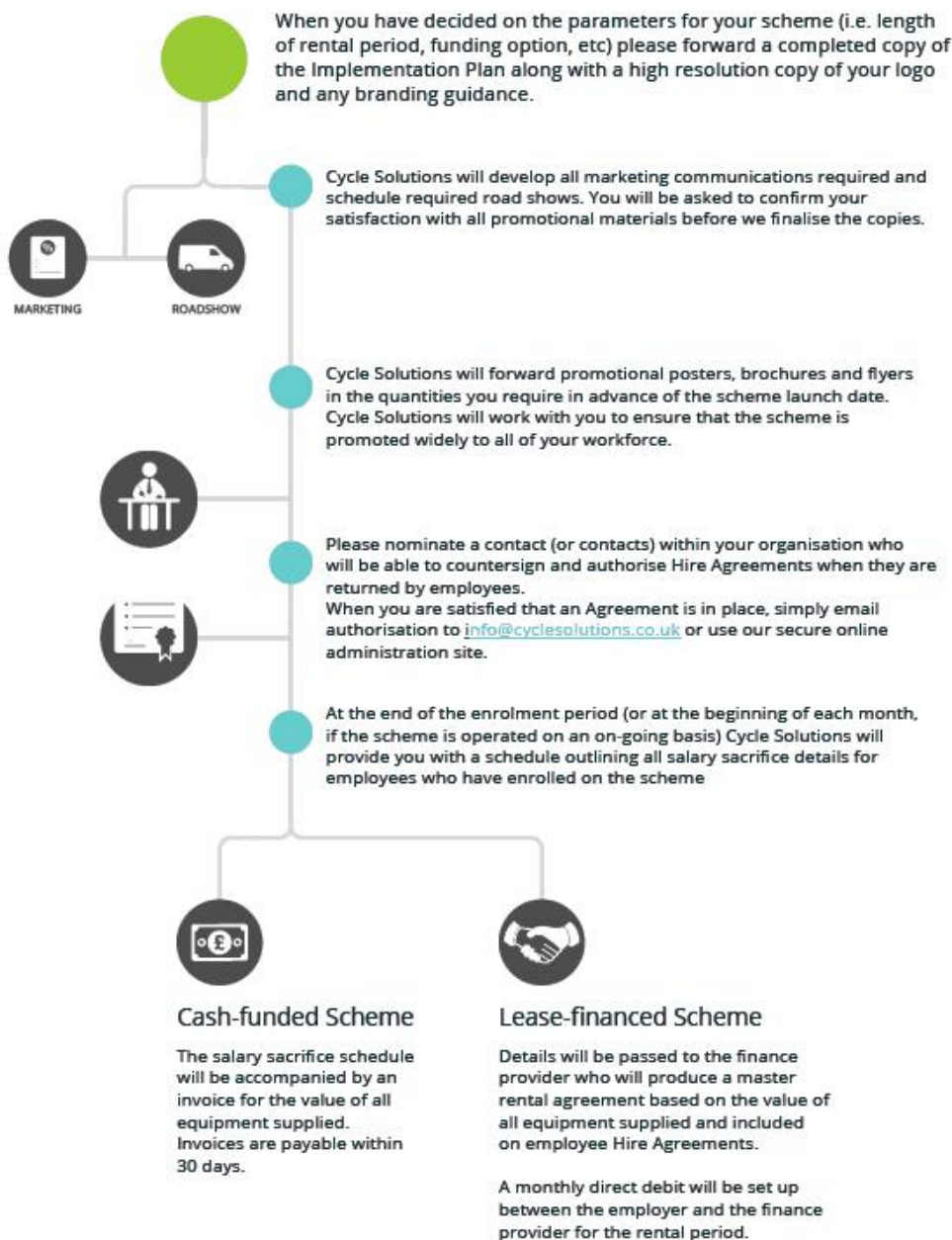
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Cycle Solutions (Cycle to Work) Ltd

Shropshire Fire & Rescue Service



Cycle Solutions will provide a wealth of marketing activities including:

- * Posters, brochures, flyers

- * Email Flyers, electronic marketing and social media campaigns

- * Roadshows & Dr Bike Sessions

- * Intranet Content, staff newsletter content and competitions

And much more... Cycle Solutions can provide very bespoke marketing to suit the needs and requirements of Shropshire Fire & Rescue Service.

End of Scheme Process

Cycle Solutions will provide the Cycle to Work scheme and the end of scheme process at no charge to Shropshire Fire & Rescue Service or its employees. Employees will have a number of options available to them within the end of scheme process.

The arrangement facilitates the continued use of equipment or transfer of ownership to employees directly by Cycle Solutions. We will contact your employees and offer them the following end of scheme arrangements:

Option 1 – Return of the equipment

We make arrangements to collect unwanted goods to be returned/collected.

Option 2 – Purchase of the equipment

Your employees can pay us the fair market value (FMV) for the bike and equipment (typically 18% or 25%, of the original package value).

Option 3 – Extended use agreement

Employees can sign up to our 'Extended Use Agreement'. They will have nothing else to pay and no further monthly rentals.

The end of scheme process detailed, provided by Cycle Solutions will devolve Shropshire Fire & Rescue Service of all further responsibility and any ongoing dealings with the participants.

Employer involvement is minimised and there is no benefit in kind to report.

As the extended agreement is directly between the employee and Cycle Solutions, the employee will be free to begin a further salary sacrifice arrangement for a new bicycles and/or cycling equipment.

In summary, there is no cost to Shropshire Fire & Rescue Service or employees associated with the end of agreement.



Specific Information Requested

Usage

We provide the following wording regarding usage within our hire agreement document/FAQ

- Using Your Bike Does it matter what I use the bicycle for?

The scheme has been launched by the Government to encourage people to use bicycles, especially to and from work. You can use it for anything you like but at least 50% of the bicycle's use must be for work purposes. This will include commuting (i.e. all or part of the journey, for example to the station) from your home to your workplace or from one workplace to another.

- How will this be monitored?

You are not required to keep any record of use but the organisation is required by Her Majesty's Revenue & Customs to make it clear that if you do not use the cycle in this way you may lose the benefit of the tax relief.

Various Access Options

Cycle Solutions will provide various options for employees who choose to not access the scheme or are unable to do so:

- Option 1 – Net Salary Sacrifice

Employees can access a selection of bikes which are discounted by 32%. The process is similar in that a hire agreement is in place between the employee and employer. Payments are recovered by Shropshire Fire & Rescue Service from the net pay of the employee

- Option 2 – Private purchase

Employees will be able to purchase from a selection of bikes which have been discounted by 32%. This will be a private purchase made by the employee and not requiring input from the employer

- Option 3 – Private purchase with 0% finance

We provide 0% finance option for employees to purchase bicycles and/or accessories and spread the costs over a period of time to suit their needs and requirements. We have a dedicated section within our website that explains this option to employees.