

TC/3915/20

Oswestry Town Council

**Report from the Finance Officer to the Council – Wednesday 26th
August 2020**

Bike2Work Scheme

Purpose

The purpose of this report is to ask the Council to consider offering staff the Bike2Work Scheme. There is no cost implication upon the Council.

Background

The Council has been approached by interested staff asking them to consider implementing the Bike2Work scheme. The Bike2Work Scheme is a government initiative allowing an employee to hire a bike and/or accessories through the Council paying off the purchase price each month through the payroll. The previous limit on maximum purchase of £1,000 has now been removed.

How does the Cycle to Work scheme work? In essence, the employer buys a bike for you to ride to work, the employee 'hires' it through salary sacrifice (which is where employees save by not paying tax and National Insurance on the monthly fees) and at the end of the 'hire' period the employee buys the bike from your employer.

Bike2Work Scheme

An outline of the scheme and benefits both to employee and employer are summarised below;

“What is Bike2Work Scheme?

We are a HMRC approved scheme provider of the Governments Green Transport Plan which aims to reduce environmental pollution, promote

TC/3915/20

healthier lifestyles, and make cycling to work cost-effective by offering tax savings on bikes and cycling equipment. Our scheme makes it simple for Employers and Employees to take full advantage of the Government approved Cycle to Work scheme, providing all necessary paperwork and promotional materials completely free of charge. We offer a partnership of over 2,200 partner bike shops including a selection of online stores.

Who is eligible for the scheme?

All company Employees qualify for the scheme, providing that they are UK taxpayers via the PAYE system and over 16 years of age. Earnings must remain above the level of national minimum wage after the salary sacrifice has been deducted. Employees under the age of 18 would need a guarantor to be able to participate. Self-employed individuals are not permitted to take part in the scheme.

How are savings made?

The scheme allows Employees a tax exemption whereby they save on Income Tax and National Insurance contributions by having the cost of the bike/equipment deducted from their gross salary via salary sacrifice. Payment is to be made in the form of interest free weekly/monthly instalments.

Is there a maximum spend?

Bike2Work Scheme welcome the new guidance which was released by the Department of Transport on 9th June 2019. This shows how the government are committed to the Bike2Work scheme and to make cycling accessible for everyone. The guidance has many changes the most significant being the £1000 cap being removed for cyclists. Cyclist can now get bikes through the scheme over £1000. We think this is great and will help promote E-Bikes and widen the cycling community in general. The guidance states that a scheme provider who is FCA authorised can now hire the bike to the employees. Bike2Work Scheme are just preparing our terms and conditions and our new site to allow for the new guidance.

TC/3915/20

Bike2Work Scheme are expected to release the access to the package's worth over £1000 within the next month. Every employer will be contacted to opt in to the new limit and employees of that company will be informed of the new limit. We will be updating all current customers when we are offering the new limit. If you are not a current customer but wish to be informed once the higher limit is available please email us your details to updates@bike2workscheme.co.uk. Any questions concerning the new guidance can also be sent to updates@bike2workscheme.co.uk.

What if an Employee is made redundant or leaves the business?

If employment ends before the end of the hire agreement term, then the bike/equipment will become a taxable benefit. The remaining balance owed to the Employer is to be deducted from the Employee's final net pay, ownership may then be transferred to the Employee. Please contact Bike2Work Scheme to discuss your options and for further information.

What can Employees get through the scheme?

Employees can get more than one bike on the scheme and safety equipment which includes:

- Cycle helmets which conform to European standard EN 1078.
- Bells and bulb horns Lights, including dynamo packs.
- Mirrors and mudguards to ensure riders visibility is not impaired.
- Cycle clips and dress guards Panniers.
- Luggage carriers and straps to allow luggage to be safely carried.
- Child safety seats.
- Locks and chains to ensure cycle can be safely secured.
- Pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs.
- Reflective clothing along with white front reflectors and spoke reflectors.

It is the Employer's choice what safety equipment is offered, but you may wish to confirm with your local tax inspector whether the equipment you

TC/3915/20

provide falls within the tax exemption. You can also acquire articles of clothing that are suitable for cycling.

What happens when the hire agreement / payment plan has finished?

Due to the rules surrounding the scheme, there can be no guarantee of transferring ownership to the Employee once the hire agreement has ended. However, ownership is generally transferred to the Employee at the end of the hire agreement. Bike2Work Scheme will contact Employees at the end of their hire agreement regarding the options available. The most attractive option for Employees is to pay a small refundable deposit to Bike2Work Scheme (either 3% or 7% depending on the original cost of the bike/equipment) and continue to lease the bike/equipment from Bike2Work Scheme for a further 36 months. If at the end, you decide to keep the bike/equipment, Bike2Work will retain your deposit. If not, you will need to return the bike/equipment to Bike2Work Scheme and they will arrange a refund of your deposit. You will not be charged for disposal of the bike/equipment but you will be required to arrange delivery of the items and are responsible for any cost in doing so. Please be aware, options may vary depending on when your Employer registered with Bike2Work Scheme.

Does the scheme cost anything for an Employer to implement?

The scheme is free of charge to set up and costs nothing to run. The Employer makes the initial purchase and then leases the bike/equipment to the Employee via a salary sacrifice, until the full amount is recovered. Employers typically save up to 13.8% of the total value of the salary sacrifice total per Employee in Employers NI contributions.”

Summary

The Council is asked to consider offering the Bike2Work scheme to employees recognizing financial benefits both to employee and employer plus the Council contributing to reducing their carbon footprint. At the time of preparing the Report, three members of staff have expressed an interest, in principle.

TC/3915/20

**Roger Dyke
Finance Officer**