

ENVIRONMENT CABINET MEMBER MEETING

Agenda Item 125

Brighton & Hove City Council

Subject: Tax Free Bike Scheme Contract Renewal
Date of Meeting: 31 March 2011
Report of: Strategic Director, Place
Contact Officer: Name: Adrian Barritt Tel: 29-3860
E-mail: Adrian.barritt@brighton-hove.gov.uk
Key Decision: No
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The City Council has had a Tax Free Bike scheme for the last 4 years in which 724 employees have participated during this period, spending in total £387,355 on bikes and cycling equipment. In the last window in May 2010, 167 employees participated, spending £100,645 on bikes and cycling equipment. The existing tax free bike scheme contract with P&MM Limited expired on 31 May 2010.
- 1.2 The Tax Free Bike scheme is considered a key employee benefit and demonstrates the City Council's commitment to reducing its carbon emissions and ensuring a healthy workforce. It also sends a positive message to other employers in the City who we are actively encouraging to take up similar schemes through the Business Travel Plan Partnership.
- 1.3 This report is seeking agreement to award a new contract to enable the scheme to continue for a further 2 years, with the option for an additional 2 year extension. Cabinet Member approval is required to award the contract for the period 2011–2015 with an anticipated value of £800,000 over the four year period. This is not a framework agreement and the contract will not be used by any other local authority body.

2. RECOMMENDATIONS:

- 2.1 That the Cabinet Member approves the award of the Tax Free Bike Scheme contract to P&MM Limited commencing 1 April 2011 for a period of two years, with a potential extension of up to 24 months thereafter.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 To promote healthier journeys and reduce carbon emissions, the 1999 Finance Act introduced an annual tax exemption which allows employers to loan cycles and cyclists safety equipment to employees as a tax-free benefit.
- 3.2 Typically, a Tax Free Bike scheme is established so that the employer buys the cycle and the employee is loaned the cycle for an agreed salary sacrifice, usually for 12 months. Salary sacrifice involves an employee agreeing to a reduction in

their salary associated with receiving the benefit. This, in effect, means that the amount they 'pay' for the benefit (through the reduction in salary) is free of tax and NICs, reducing their costs by a minimum of 30%. At the end of the period the bike is transferred to the employee at a fixed fee.

- 3.3 The contract will commence on 1 April 2011, running for a fixed period of two years, with a reassessment before 31 March 2013. If the Council's project team is happy with the service provided, there is an option to extend the scheme for up to a further 24 months, terminating 31 March 2015.
- 3.4 This will be a term contract. To fund the purchasing of the bikes, the Council will seek a third party financial provider and repayment of the loan will be deferred. The cost of the financial arrangement for the loan will be recovered by the employee and calculated into their total expected savings. The employer also benefits by a reduction in their employer NICs payment (approximately 9% of the total bike voucher value) making the provision of the scheme for the Council cost neutral. The value of the contract will vary depending on the number of employees who participate in the scheme. The annual contract value is estimated at £200,000.
- 3.5 The provision of the scheme is to include the marketing, customer service and all the necessary administration associated with the scheme (including the issuing of the bike vouchers), and where possible limiting internal officer time dealing with the processes.
- 3.6 As the contract value was predicted to exceed the EU threshold an advertisement was placed in the European Journal (OJEU) inviting tender documents to be submitted. Four compliant bids were returned (CycleScheme, Evans, Halfords and P&MM Limited).
- 3.7 Tenders were assessed based on a weighting of cost and quality with a ratio 25:75 respectively. Tenders were assessed by a team made up of representatives from Transport Planning, Human Resources, Finance and Procurement.
- 3.8 To assess the quality element of the tenders, scoring related to the following core areas – experience, scheme administration, customer choice, flexibility & responsiveness, information & marketing, innovation and continuous improvement & additional services. Cost was scored by comparing the gross monthly salary sacrifice for typical bike values.
- 3.9 P&MM scored highest of the four tenders, scoring 78.64% overall and were ranked 1st in quality and 2nd in cost.
- 3.10 A cost-saving has been achieved by retendering the contract. Participants can expect to pay a gross monthly salary sacrifice of £29.77 and £74.43 for bike vouchers worth £400 and £1000, respectively. Previously, participants were paying a gross monthly salary sacrifice of £30.41 and £76.02.

4. CONSULTATION

- 4.1 An internal consultation was undertaken with Transport Planning, HR, Finance and Procurement to ensure tenders were assessed by a range of departments.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The annual value of the contract is estimated at £200,000, depending on employee uptake. The cost of this will be funded through a third party finance provider and the loan arrangement will be recovered by participants, making the scheme cost-free to the council. There would also be a saving to the authority in respect of employer's national insurance contributions, approximately 9% of the contract value (c. £18k based on the £200k contract value assumed in the report).

Finance Officer Consulted: Peter Francis

Date: 31/01/11

Legal Implications:

- 5.2 Contracts in excess of £75,000 must be in a form approved by the Head of Law.

Lawyer Consulted:

Sonia Likhari

Date: 28/01/11

Equalities Implications:

- 5.3 The Council's Code of Practice on Equalities and Workforce Matters is enforced in all procurement.

Sustainability Implications:

- 5.4 Sustainability is promoted in all departmental contract procurement. Specifications allow for recycling and development of sustainable processes. Provision of a Tax Free Bike scheme encourages staff to travel to work sustainably and reduces the Council's carbon emissions.

Crime & Disorder Implications:

- 5.5 This contract will not have any implication on the prevention of crime and disorder.

Risk & Opportunity Management Implications:

- 5.6 There are safety risks involved with unconfident cyclists. To mitigate against this the Council offers free cycle training for beginners and novices to any employee who feel they can not cycle competently.

Corporate / Citywide Implications:

- 5.7 The contract can be utilised by all eligible council employees and will benefit many of the local bike outlets in the Brighton & Hove area.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 Four tenders were received; however P&MM Limited scored highest and is therefore considered the best option for the City Council. The Council could opt

to no longer offer a Tax Free Bike scheme but this would be a reduction in staff benefits and the Council would not be helping staff to travel more sustainably.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 Through the 10:10 commitment and the Staff Travel Plan, the Council is committed to helping staff to travel more sustainably. Continuation of the Tax Free Bike scheme is key to achieving this.
- 7.2 Under the Councils procurement procedures, contracts over the value of £500,000 have to be approved at CMM by the Cabinet Member responsible.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

None