

**Report to:** Governance Committee  
**Date of meeting:** 18 July 2023  
**By:** Chief Operating Officer  
**Title:** Bike scheme repayment period  
**Purpose:** To seek the Governance Committee's agreement to extending the repayment period under the Council's bicycle salary sacrifice scheme up to a maximum of 24 months

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## **RECOMMENDATIONS**

The Governance Committee is recommended to:

- Agree that the maximum repayment period for the bike salary sacrifice scheme be increased from 12 months up to a maximum of 24 months.
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### **1 Background**

- 1.1 The Council offers employees a salary sacrifice scheme for bicycles. Under the scheme, employees can pay for a bike via deductions from their gross salary. As these deductions are not subject to tax or National Insurance, employees make a saving on the bike compared to conventional purchase. The bike scheme is a popular staff benefit and helps provide employees with a cost-efficient and environmentally friendly way to travel to work.
- 1.2 Under the current terms of the scheme, employees can access a bike, including electric bikes, up to the value of £5,000, repayable over a period of 12 months. While the scheme is generally popular and fit-for-purpose, some employees on lower incomes can have difficulty accessing it due to how the current repayment period interacts with HMRC's rules on salary sacrifice.
- 1.3 Under HMRC rules, a salary sacrifice agreement cannot reduce an employee's earnings below the National Minimum Wage (NMW). As the bike scheme repayment period is currently fixed at 12 months, employees on lower salaries or part-time hours may be prevented from taking part, or may only be able to access a limited range of bikes, as their monthly repayments would otherwise reduce their salary below NMW. The HMRC rules do not allow employees to voluntarily reduce their salary, or take into account any personal circumstances such as income from another job or overall household income.
- 1.4 By extending the repayment period, employees' monthly repayments will be reduced, and so employees on lower incomes will be able to access the scheme more easily while complying with the NMW rules. It's therefore proposed that the repayment period be increased up to a maximum of 24 months. Employees will still have the option to enter into the existing 12 month scheme if they wish, or to pay over 18 months.
- 1.5 The Council has effective controls in place to ensure that any outstanding repayments are recovered in the event that an employee leaves employment before the end of their repayment period. Any financial risk associated with offering an extended repayment period is therefore low. However as this is a substantive change to the existing terms of the scheme, agreement is sought from the Governance Committee.

## **2 Conclusion and Recommendations**

- 2.1 The Governance Committee is therefore recommended to agree that the maximum repayment period for the bike salary sacrifice scheme be increased from 12 months up to a maximum of 24 months.

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