



## **CYCLE TO WORK SCHEME - SCHOOLS**

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### **1. Aim of this Scheme**

The Cycle to Work Scheme initiative is a key element of the Government's strategy and green travel plan to encourage sustainable commuting and reduce the impact of commuting by car and the associated impact on air quality and the environment.

The introduction of the Scheme supports the Council's objectives within the Third Local Transport Plan (LTP) and the Council's Green Travel Plan. The scheme is also identified as a priority within 'Actively Moving Forward', Lancashire's Cycling and Walking Strategy and the Carbon Management Plan. The scheme also complements the work of the School Travel Plan team in encouraging and enabling active travel to schools.

### **2. Scope**

The scheme is available to all employees in maintained schools who adopt this scheme except:

- employees who have a contract which will end during the hire period and
- employees who do not earn more than the National Minimum Wage after the salary sacrifice.

Please note that if a school ceases to be a maintained school, this scheme will no longer be available and will not transfer to a non-maintained school. In these circumstances the school may set up their own Cycle Scheme.

### **3. Principles**

The Council operates the Cycle to Work Scheme through a management company called Cyclescheme Limited in accordance with Inland Revenue regulations.

The Council will offer eligible employees a tax exempt hire agreement using a salary sacrifice scheme to obtain cycling equipment. Salary sacrifice means that an employee formally agrees to a reduction in their salary in order to repay the loan, where an amount equivalent to the hire repayment will be deducted from the employee's salary on a monthly basis. The employee will then be exempt from deduction of tax and National Insurance contributions on the amount of the hire payment.

**IMPORTANT** – Schools who adopt this scheme must ensure that appropriate arrangements are in place with the schools' payroll provider with regard to the salary sacrifice arrangements/deductions from pay, and these arrangements will need to be agreed with the Council.

The minimum hire agreement value is £250 and there is no upper limit. Any approvals will be made in line with employees individual salary and what they can afford to prepay. The initial repayment term is 18 months. The employee is liable to repay the Cycle to Work hire agreement in accordance with the terms of the agreement.

Savings will vary depending on employee's earnings, amount of the hire agreement and the type of National Insurance contributions paid.

The cycle and/or equipment remain the property of the Council throughout the initial term of the hire agreement.

The employee is responsible for all maintenance and associated costs for cycle equipment obtained through the Cycle to Work Scheme.

The employee is responsible for ensuring that they have adequate insurance for the cycle and/or equipment as required by the hire agreement. Employees are advised to read these provisions carefully as existing insurance may not meet the hire agreement requirements.

At the end of the initial hire agreement period, there are three options available to employees:

- a final payment (at fair market value) to enable the employee to purchase ownership of the cycle;
- an extension to the hire period of up to 3 years by paying a small refundable deposit (with an option to retain ownership at the end of that period);
- or return the cycle to Cycle scheme Limited for disposal.

If the employee leaves the School's employment, they will be required, as part of the original hire agreement, to authorise the school to deduct the outstanding hire payments from their final salary and repay the loan payments in full when they leave.

As schools are in effect borrowing from the Council in order to provide a loan to the employee, the school will pay an amount of interest and an arrangement fee. Schools will benefit by paying lower national insurance contributions on the salaries of employees who are participating in the scheme.

#### **4. Benefits of the scheme**

Benefits of the scheme include:

- promoting the health and wellbeing of employees;
- offering an enhanced benefits package for employees ;
- widening and developing choice on modes of transport;
- freeing up space from car parking; and
- directly influencing the LTP3 mandatory target of increasing the numbers of people cycling into Blackburn town centre/within the Borough.

#### **5. Procedure**

Step 1 - Employees wishing to participate in the scheme can visit a local Cyclescheme Partner Store to choose the bike and, if required, safety equipment, for which they will receive a paper quote. To locate the nearest participating bike shop employees can access the Cyclescheme website [www.cyclescheme.co.uk](http://www.cyclescheme.co.uk).

Step 2 - Employees then apply for a Cyclescheme Certificate online using a unique link to the secure extranet facility. The unique link is provided to employers and distributed to all employees. The employee will usually sign an online Hire Agreement at this time.

Step 3 - If the application is approved the Hire Agreement will be countersigned and Cyclescheme will be paid for the full retail price of the bike and equipment.

Step 4 - Cyclescheme will then email an eCertificate, to the employee's email address.

Step 5 - The Certificate is then redeemed in the bike shop and exchanged for the bike package. Salary sacrifice then commences over the initial hire period of 18 months. The salary sacrifice is made prior to Income Tax and National Insurance contributions and, as a result, employees pay less of both.

Step 6 - At the end of the hire agreement period Cyclescheme will offer the employee ownership of the bike for a market value payment, or the employee may pay a small deposit allowing them to remain in possession of the bike and continue to use it for an extended period. Alternatively the employee may choose to return the bike to Cyclescheme at their own expense.

## **6. End of the Initial Hire Period**

In order to preserve the tax benefits of the scheme, there can be no guarantee or obligation to transfer ownership to the employee immediately after the initial hire period has ended. However, the employer will offer this option in addition to any others via Cyclescheme.

At the end of the initial hire period, Cyclescheme will contact employees to discuss the options available.

The most attractive option for employees will be to pay a small, refundable deposit (3% or 7% of the equipment value\*) and continue to use the bicycle for an extended period of up to 3 years.

At the end of this period, if the employee does not wish to keep the bicycle, then Cyclescheme will refund the deposit in full. Alternatively, Cyclescheme may at its discretion, offer ownership of the bicycle to the employee at this point, and no further action or payment will be required if they wish to keep the bicycle.

\* the lower figure is for an equipment value of less than £500 and the higher one for equipment value of £500 or more. These figures include VAT.

## **7. Salary Sacrifice – Key Considerations**

### **7.1 State and Statutory Benefits**

The Cycle to Work Scheme may affect an employee's entitlement to state benefits and tax credits. Employees in this situation should explore possible entitlement to tax credits first before considering the salary sacrifice scheme as it is possible that there is a greater benefit in the benefit/tax credits than saving from the scheme. For more information on tax credits, go to [www.taxcredits.inlandrevenue.gov.uk](http://www.taxcredits.inlandrevenue.gov.uk) or call 0845 300 3900.

The Cycle to Work Scheme can also have an impact on statutory benefits such as maternity pay, sick pay and redundancy pay. Employees will need to consider this before taking out a Cycle to Work loan as statutory payments could be adversely affected.

### **7.2 Student Loan Repayments**

Salary sacrifice may have an effect on student loan repayments. These are only activated above a set amount of earnings and if the earnings are lowered, the repayment may not need to be made. For more information, go to [www.slc.co.uk](http://www.slc.co.uk)

### **7.3 Pension**

Employees' pensionable pay will not be reduced by receiving a Cycle to Work loan as it will be calculated using the employee's 'notional' salary (this is the full salary value before deduction for the Cycle to Work payment).

## **8. Further Advice**

For any employee issues regarding the Cycle to Work Scheme please contact your HR provider.

Further information can also be found on the Cyclescheme website at [www.cyclescheme.co.uk](http://www.cyclescheme.co.uk).

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## **9. Approving Body and Date**

LJNCC (Schools) – 16 September 2020



## **CYCLE TO WORK SCHEME FAQs - SCHOOLS**

### **What is the Cycle to Work Scheme and who are Cyclescheme?**

The Cycle to Work initiative enables employers to lease bicycles and associated safety equipment to their employees through what's called salary sacrifice. This means that employees receive income tax and National Insurance savings on the value of the salary sacrifice which will depend upon employee marginal income tax and National Insurance rates.

Cyclescheme is an independent company created to help employers, employees and bike shops participate in the scheme and make the most of the Government's Green Transport Plan Initiative.

### **How does the scheme work?**

1. You find your local Cyclescheme Partner Shop by visiting the Cyclescheme website or by contacting the Cyclescheme helpdesk on 0844 879 5 101 or [info@cyclescheme.co.uk](mailto:info@cyclescheme.co.uk);
2. Visit a shop and choose bike and equipment - the shop will complete a Cyclescheme Quotation Form detailing the equipment;
3. You then enter the details from the shop online via the following link: [www.cyclescheme.co.uk/7c544e](http://www.cyclescheme.co.uk/7c544e);
4. An online hire agreement will also be signed at this stage;
5. Your employer will need to approve your request and then pay an invoice from Cyclescheme for the full retail amount of your bike package;
6. Cyclescheme will send you an eCertificate to the email address you have provided
7. You take the certificate to the bike shop, along with photographic ID, and sign the certificate to acknowledge receipt of the bike and equipment;
8. Your gross salary is reduced by the salary sacrifice amount and spread over the agreed payment period of 18 months;
9. On completion of your hire term Cyclescheme will then contact you with your end of hire options.

### **Who can get a bike?**

Eligible employees are those paying PAYE, who have an employment contract that is longer than the duration of the salary sacrifice period, they must also be over 18

years old, earn more than the National Minimum Wage after the loan repayment has been deducted, and have completed the employer's probationary period.

### **What is salary sacrifice and how are savings made?**

With salary sacrifice an employee agrees to give up part of their pay in return for a non-cash benefit. In this case, you pay back the loan on your bike, accessories and safety equipment from gross rather than net pay for the hire period (18 months), allowing you to benefit from income tax and NI relief.

### **What are the savings?**

Typical savings for employees are currently between 9% and 14% if the bike is purchased at the end of the 18 month hire period, or between 23% and 27% if the hire period is extended for a further 2.5 years. The actual amount you pay depends on your personal tax band and the value of bike and equipment you purchase. Savings for higher rate tax payers are greater.

### **What are the costs to the school?**

For schools buying payroll services through the Council - as schools are in effect borrowing from the Council in order to provide the loan to the employee, the school will pay an interest amount (currently 3.0% of the total loan value for 18 months) and an arrangement fee of £25.00. However, schools will benefit by paying a lower amount of national insurance contributions on salaries over the 18 month period, which in most cases will more than offset these costs.

For schools who do not purchase their payroll services through the Council - it is still possible for the Council to administer the scheme on behalf of the school although additional monthly transaction fees will also apply.

### **What is an employer code?**

An employer code is a unique code that follows the usual Cyclescheme web address and gains you access to your employers' Cyclescheme web portal [www.cyclescheme.co.uk/7c544e](http://www.cyclescheme.co.uk/7c544e)

From here, you can find a local bike shop, and request a certificate.

### **How do I get my certificate?**

Cyclescheme will email the certificate to you to the email address provided.

### **How long does it take to get a certificate through the scheme?**

You will receive the certificate instantly. **How long is a certificate valid for?**

Cyclescheme certificates do not expire. .

### **Can certificates be cancelled?**

Once the hire agreement is signed the agreement is non-cancellable after 14 days following the day after collection of the goods.

### **What is the hire period?**

18 months with the same period for salary sacrifice.

### **Do I have to use the bike for work?**

You can use the bike as you like; a bike purchased under Cyclescheme should be used for work journeys at least 50% of the time. However, you don't have to cycle to work for a specified number of days throughout the year and you don't have to record your trips or mileage.

### **Is there a minimum or maximum spend?**

There is a minimum spend of £250 but there is no upper limit. Any approvals will be made in line with employee's individual salary and what they can afford to repay. An application will be rejected should we feel the repayments will bring the employee below national minimum wage and/or financial hardship.

### **Who is responsible for maintaining the bike?**

By signing the Hire Agreement you are agreeing to maintain the bike in accordance with the manufacturer instructions. Your partner shop will be able to advise you about necessary servicing depending on how you use your bike.

### **Whose responsibility is it to insure the bike?**

You are responsible to adequately insure the bike, even though your employer owns it. When you sign the hire agreement you are agreeing to insure the bike. Insurance companies should be advised that your employer has an interest in the goods to be insured. Most home contents insurance covers cycles to a certain value.

### **What bike shops can be used?**

Cyclescheme is partnered with nearly all-independent bike shops in the UK, which means that you can choose almost any bike and safety equipment you wish. Local shops can be found via a postcode search on the Cyclescheme website or by contacting the Cyclescheme helpdesk on 0844 879 5 101 or [info@cyclescheme.co.uk](mailto:info@cyclescheme.co.uk);

Please note that Halfords, and Wheelies are not Cyclescheme Partner Shops.

### **Can bikes be procured via a mail order specialist?**

Cyclescheme's Partner Shops are capable of supplying bike packages mail order from their shops through the Cycle to Work Scheme. However, there are distinct advantages when getting a bike from a local bike shop, which will be the first port of



call for advice, servicing, after sales and warranty. Please note that, because of this, some mail-order or on-line specialists are not part of the Cyclescheme Partner network.

### **What if my preferred independent bike shop isn't a Cyclescheme partner?**

If your preferred shop isn't a partner, Cyclescheme can invite them to join the scheme.

### **Can special-order bikes be obtained or must existing stock be selected?**

Partner Shops can order bikes and accessories but may wish to either take a deposit or have any carriage fees covered to prevent them from being left with a special-order bike or paying extra carriage fees. Any deposits taken on a credit card will be credited back when the certificate is redeemed. Please note that Cyclescheme does not insist on deposits being taken and all such transaction requests are at the discretion of the bike shop or at the request of the employee.

### **If I already have a bike, can bike components or just safety equipment be obtained through the scheme?**

No, a complete bike must be obtained with each certificate obtained through the scheme.

### **What does 'safety equipment' include?**

The bike shop will be able to advise as to what is permitted under the rules of the scheme and it is ultimately the decision of your employer, but as a guide, child seats, helmets, lights (including dynamos), mirrors, mudguards, cycle clips and dress guards, panniers, locks, bells, pumps, puncture repair kits, multi-tools, reflective clothing and spoke reflectors are all permitted. Children's bikes and bikes for other family members/ friends are not permitted.

### **Can more than one bike be obtained on the same certificate?**

It is possible to hire two bikes to you, if for example, you needed a bike at either end of a train journey between your home and place of work, but the maximum spend of £1,000 per certificate must still be adhered to.

### **Can sale bikes be obtained through Cyclescheme?**

Any new bike from any Cyclescheme Partner Shop can be obtained, including sale bikes. However, as Partner Shops have agreed to sacrifice a small commission to Cyclescheme, if a bike shop has marked a bike down in the sale to a price which would have an extremely low profit margin on it, or even be sold at a loss to the shop, then they may wish to add a 10 or 12% surcharge to the bike. This is only permitted if made explicit to the customer before a quotation form is completed. The only other occasion when a charge of up to 12% may be applied to the retail price of a bike is when purchasing custom bikes. This is because the profit margins on custom bikes built in the UK, are lower than those available on standard, mass-produced bikes. The shop also has additional administration when building a custom

bike, as parts have to be ordered in advance and in-house builds coordinated amongst other daily work.

**Are electric-assist bikes allowed in the scheme?**

Yes, electric-assist bikes are available through the scheme.

**Are bikes for disabled people available on the scheme?**

Yes, any new bike that will be used for the correct purposes from any Cyclescheme Partner Shop can be obtained through the scheme.

**Can second hand bikes be obtained through Cyclescheme?**

Cyclescheme does not allow second hand bikes to be obtained because your rights are not protected to the same extent as with new bikes. We are also concerned that the right size of bike may not be obtained and that existing wear and tear could compromise the first year's hire during which time you are responsible for its maintenance and roadworthiness. Your employer will also want a full warranty to be available during the hire period and it is unlikely that the Partner Shop can provide this with a used bike.

**Is there a credit check?**

There is no credit check

**Who actually owns the bike? What happens if it is stolen?**

The bike and goods remain the property of your employer until the hire period finishes. At the end of the hire period you may be given the option to buy the bike for a fair market value payment.

If the bike gets stolen you will be liable for any outstanding monies, so it is very important to make sure the bike is insured. You can obtain safety equipment, including Home Office-approved 'Sold Secure' D-locks and cable locks, as part of the scheme.

If the bike is adequately insured, the insurance company will replace the bike and the hire agreement will continue.

If the bike is not adequately insured and the bike is not replaced, the hire agreement will be terminated by all remaining reductions coming out of the net salary and no further tax benefits will be received.

**If the employment status of a scheme participant changes, what happens?**

During the initial hire period, if Cyclescheme are notified of a change of employment status, they will contact the employee with their end of hire options at the point they are informed.

During the extended use period, the employer has no responsibility to contact Cyclescheme, as the agreement is between Cyclescheme and the employee. If the employee changes jobs the agreement is still valid

### **What happens if I leave my employment before the end of the hire period?**

Under the terms of the Hire Agreement and the Credit Consumer Act, the agreement to pay the loan is non-cancellable. All outstanding monies must be paid to your employer from your net salary. This is because the bike is no longer being used to ride to work so no longer qualifies for any tax exemption.

### **What happens if I am made redundant or my contract is terminated?**

Employees with sufficient service and who meet certain other conditions may be entitled to statutory payments on redundancy. It is possible, though unlikely, that such payments could be affected when you join the scheme. If you leave your employer before the final reduction has been made from salary, you will be obliged to pay the remaining amount in full, without any tax exemptions as described in 'What happens if I leave my employer before the end of the hire period?'

### **How will salary sacrifice affect out of hours payments paid on top of salary?**

In calculating all other payments to employees such as out of hour's payments, the total unreduced pay will be used.

### **What happens when there is a pay award?**

You will receive any relevant pay awards based on their unreduced salary.

### **How will salary sacrifice affect pension?**

The scheme will not affect your pension. Pensionable earnings are calculated on your gross pay before any salary sacrifice you may have in place.

### **How will salary sacrifice affect approved unpaid leave?**

During approved unpaid leave such as extended maternity leave or career break, up to a maximum of six months, the Hire Agreement period may be extended by the number of months when the salary was not paid and your employer were not able to collect payments

### **How will salary sacrifice affect sickness leave?**

If you are absent from work during the Hire Period the salary sacrifice will continue to reduce any pay that is received during the period of absence, as long as and to the extent that:

- the pay is of a kind against which Salary Sacrifice reductions can legally be made and so excluding for example, statutory maternity pay, paternity, adoption and sick pay; and

- the continuation of salary sacrifice arrangements is not in breach of the National Minimum Wage regulations.

If during a period of absence from work you are temporarily not in receipt of sufficient pay so as to allow for the Salary Sacrifice to continue, but you remain an employee of your employer, then to the extent allowable by law:

- the Salary Sacrifice payments envisaged by this agreement will be suspended for the period in question; and
- the Hire Period will be extended for an equivalent period of time to allow payments to be made-up once they return to work.

### **How will salary sacrifice affect maternity, paternity, or parental leave?**

Your employer now has to provide non-cash contractual benefits for the whole of the Maternity Pay Period (MPP), this covers Ordinary Maternity Leave (the first 26 weeks) and Additional Maternity Leave (the following 26 weeks).

Your employer must allow the hire of the cycle to continue during the maternity leave in question, but that the underlying salary sacrifice arrangement can only operate against any Enhanced Maternity Pay as detailed above and not Statutory Maternity Pay (SMP) as SMP cannot be reduced under any circumstances.

Your employer will allow you to remain in possession of the bike and the salary sacrifice reductions can continue when you return, only if the hire period has not expired. If you do not return to work, you will be considered an early leaver, and any remaining balance left if the hire period has not expired should be paid by you within 14 days of employment ceasing.

### **How will salary sacrifice affect student loan payments?**

Student loan repayment is based on a percentage of earnings over an allocated amount. This will alter as the trigger point is based on the salary on which you are liable to pay National Insurance Contributions (NICS). Under salary sacrifice the total gross salary on which NI is paid will reduce, so the loan repayments will reduce.

### **How will salary sacrifice affect Childcare Tax Credit?**

Current advice from the Inland Revenue suggests that individuals can still apply for Childcare Tax Credit whilst being in a salary sacrifice scheme. For more information, please check with the Inland Revenue advice line on 0845 300 3900.

### **How will salary sacrifice affect Working Tax Credit?**

The vast majority of staff will benefit from joining the scheme. However, personal circumstances may mean that it is not beneficial. This is most likely to be the case for those on a low income affected by Working Tax Credit, which may cancel out the savings made on Income Tax and National Insurance Contributions. Please seek advice from the Inland Revenue Tax Credits helpline on 0845 300 3900.

## What happens at the end of the hire period?

In order to preserve the tax benefits of the scheme, there can be no guarantee or obligation to transfer ownership to the employee immediately after the hire period has ended. However, end of hire options are offered via Cyclescheme.

## How is the market value for a bike obtained through a Cycle to Work Scheme determined?

HMRC has published the following 'Valuation Table' to be used to calculate the market value of bicycles and safety equipment at the end of the hire period.

Age of Cycle	Acceptable disposal value %	
	Original price less than £500 (incl. VAT)	Original price £500+ (incl. VAT)
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%

## Why can't my employer just give me the bike for free after the hire period?

The market value payment is necessary if you are to legitimately own the bike after receiving tax benefits throughout the hire period without a 'Benefit in Kind' occurring.

## How can employees still make a saving?

At the end of the hire period, Cyclescheme will contact employees to discuss the options available.

The most attractive option for employees will be to pay a small, refundable deposit (3% or 7% of the equipment value\*) and continue to use the bicycle or safety equipment for an extended period of up to 30 months.

At the end of this period, if the employee does not wish to keep the bicycle or safety equipment, then Cyclescheme will refund the deposit in full. Alternatively, Cyclescheme may at its discretion, offer ownership of the bicycle or safety equipment to the employee at this point, and no further action or payment will be required if they wish to keep the bicycle or safety equipment.

\* the lower figure is for an equipment value of less than £500 and the higher one for equipment value of £500 or more. These figures include VAT.

## If the employee extends the use period, what are the monthly payments?

The monthly payments are zero. There are no further salary sacrifice payments or hire charges due during the extended use period.

### **Will employees have to pay more when the extended use period ends?**

No. Employees will have the option to return the bicycle and receive a refund of their deposit. If offered ownership by Cyclescheme at this point, no further action or payment is required if they wish to keep the bicycle.

### **Can an employee participate in a new scheme during the extended use period?**

Yes, the employee is free to participate in future Cycle to Work Schemes with their employer. The Extended Use Agreement is not a salary sacrifice arrangement and, apart from the refundable deposit, no further payments are required from the employee.

### **How is the market value payment calculated?**

The market value is calculated as below:

Figure to which market value is applied = equipment value minus safety equipment value. The appropriate Valuation Table percentage is then applied to this amount.

Here's an example based on an equipment value of £520 including a £30 Helmet and VAT:

Figure to which market value is applied = £520 minus £30 Helmet = £490.00  
£490.00 is less than £500, therefore;

18 month valuation percentage = 16%

Purchase price at that stage would be £78.40 incl VAT

4 year valuation percentage = 3%

Deposit for hire extended to 4 years would be £14.70 incl VAT.

### **Will HMRC update this guidance again?**

Employees should be aware that there is always a possibility that the guidance on 'acceptable disposal percentages' may be revised.

**LJNCC (Schools) – 16 September 2020**