



Cycle to Work Scheme

Procedures

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1.0 Introduction

- 1.1 The Council is committed to creating a working environment which not only adheres to the legal requirements but actively focuses on promoting wellbeing and improving overall fitness and health levels. In addition the Council is committed to the reduction of environmental pollution wherever possible.
- 1.2 As part of the Green Transport Plan created by the Government to improve healthier journeys to work and the reduction of environmental pollution, the Cycle to Work Scheme was introduced to encourage employees to cycle to work. This allows the employers to loan cycles and cyclists' safety equipment (*relevant equipment*) to employees under a Salary Sacrifice agreement.
- 1.3 Very simply, the employees can sacrifice part of their salary every month in exchange for the loan of a cycle and safety equipment. In addition there is tax savings - because the monthly payment is deducted from the gross salary, you do not pay Income Tax and National Insurance on the amount by which your gross salary is reduced.
- 1.4 As part of the Single Status, Clackmannanshire Council is committed to providing the Scheme. The Council has partnered with Cyclescheme Ltd to administer the scheme and the independent cycle shops in the area to supply the relevant equipment.
- 1.5 This procedure document explains how the scheme works together with details on how employees can participate in the scheme and take advantage of the benefits.
- 1.6 The Council is Growing in Excellence and wants to be acknowledged as a great place to work. Reviewing how we promote good physical health and wellbeing is part of that process.

1. What is Cycle to Work scheme.

1.1 In their guidance to employers, the Department of Transport states that:

"To promote healthier journeys to work and to reduce environmental pollution, the 1999 Finance Act introduced an annual tax exemption, which allows employers to loan cycles and cyclists' safety equipment to employees as tax-free benefit. The exemption was one of a series of measures introduced under the Government's Green Transport Plan".

1.2 Clackmannanshire Council has partnered with Cyclescheme Ltd (to administer the scheme) and the independent cycle shops in the local area (to supply the relevant equipment)

1.3 The employer will loan the relevant equipment to the employee and in turn deduct the cost of items in equal instalments over an agreed period from the gross monthly salary. As the deduction is from the gross salary, the employee will not pay Income tax and National Insurance on the amount by which the gross salary is reduced.

1.4 Throughout the loan or lease period the relevant equipment **will remain in the ownership of the Council**. At the end of the lease period, the relevant equipment will be transferred to Cyclescheme and no further deductions will be made from the salary.

1.5 Cyclescheme **may**, at its discretion, offer three further options:

- ~ offer to sell the relevant equipment to the relevant employee at a fair market value at that date. However, as this is a "hire agreement" and not a "hire purchase" agreement, by law, any sale must be regulated by a separate agreement,
- ~ offer to extend the use of the bike for a refundable deposit, for a further 36 months,
- ~ return the bike package to Cyclescheme.

2. Eligibility

2.1 The Scheme is open to all Council employees who meet the following criteria:

- ~ You are over the age of 18, to comply with the Consumer Credit Act legislation
- ~ You pay PAYE. i.e. must be a UK tax payer. As one of the benefits of the scheme is savings in income tax & NI, the scheme is advantageous to tax payers.

- ~ You have a salary which meets the National Minimum Wage conditions *after* deductions of the salary sacrifice amounts. Salary sacrifice arrangements cannot allow the employees to sacrifice such an amount that would result in their gross wage after deduction of salary sacrifice to fall below the minimum wage (subject to change), which is currently £6.19 per hour, rising to £6.31 from 1st October 2013.
- ~ You have a contract of employment that outlasts the duration of the salary sacrifice period, with specified hours which will satisfy the minimum wage requirements.
- ~ You will be using the relevant equipment purchased for at least 50% of the journeys made to work. (Use for leisure purposes is also permitted)
- ~ The scheme is not eligible for employees on casual contracts. Employees on fixed term contract can participate, provided their contract of employment outlasts the duration of the salary sacrifice period.

3. Scheme Terms & Conditions

3.1 **Section 4** details the procedures you need to follow to apply for and participate in the scheme. This section describes the terms and conditions of the scheme.

3.2 Documents to sign

You will be required to sign an electronic Lease agreement, issued by Cyclescheme Ltd. This will constitute your authorisation to vary the terms and conditions of your employment by entering into a Salary Sacrifice scheme. Once you and the Council have signed this agreement, the resulting relationship is defined under the terms and conditions of the Consumer Credit Act. You will also be required to sign the paper copy on collection of the voucher.

3.3 You will also be required to sign a Change Form to notify HR and Payroll that you are entering into a Salary Sacrifice scheme, and this will be their authorisation to deduct instalments from your monthly salary.

3.4 Once the agreement is signed and you collect the relevant equipment, you will have a 7 day cooling off period, during which you may cancel the agreement and return the goods in its original condition. You will be liable to pay for any charges (without any income tax & NI exemptions). After the 7 day cooling off period, you cannot cancel the agreement.

3.5 **Lease Term**

The term of the lease will be for a period of 12 months or 18 months. In exceptional cases (e.g. where a longer period would allow the employee to meet the minimum wage condition), the term of the lease may be extended for up to 36 months. No other lease periods will be permitted.

3.6 **Maximum Value of the relevant equipment**

The maximum value of the cycle, safety equipment and accessories will be £1000 (including VAT).

3.7 **Insurance & Maintenance**

It will be the responsibility of the employee to insure the relevant equipment against losses and theft. Household insurance are usually the cheapest option, but employees must ensure that their household insurance policy specifically covers the relevant equipment when in storage at home and away from home. Specifically the employee should ensure that the cycle value does not exceed the upper claim limit.

If your home insurance does not provide adequate cover, Cyclescheme Ltd recommends Cycleguard (www.cycleguard.co.uk) for insurance.

3.8 In the event of the loss or theft of the relevant equipment, the employee will still be required to complete the full instalment payments, but without any income tax and NI exemptions.

3.9 It is the responsibility of the employee to ensure adequate and appropriate maintenance of the relevant equipment.

3.10 **Ownership of the relevant equipment**

The relevant equipment purchased under the scheme will remain the property of Clackmannanshire Council throughout the lease term. The position at the end of the lease term is detailed in **section 5**.

Under the agreement, the employee must not sell the goods whilst they remain in the ownership of the Council. Failure to adhere to this condition will result in disciplinary procedures being invoked.

3.11 **Implications of salary reduction**

Where a payment of salary is reduced or stopped (e.g. sickness absence, maternity/Paternity/Unpaid Paternity leave, taking up a lower paid post, moving to part-time/ job share position etc), the term of the agreement will be automatically extended to ensure full recovery. Employees are responsible, through their line managers, to advise HR and Payroll using the Change Form of any changes which may affect deductions.

3.12 **Implications if you leave during the lease period**

Section 6 details the position and the procedures in the event that an employee leaves the Council before the end of the lease term.

4.0 Procedures for joining the scheme.

- 4.1 The flow chart in **Appendix 1** summarises the steps to be followed throughout the scheme. This section should be read in conjunction with Appendix 1.
- 4.2 Visit your local Cyclescheme partner store and select the relevant equipment you wish to purchase. The cycle shop will issue you with an order form detailing the items and the cost. (The maximum amount is £1000 including VAT).
- 4.3 If you have access to the internet you can enter your quote details online at www.cyclescheme.co.uk, the employee code for Clackmannanshire Council is 763848. Follow the on-screen instructions and request your voucher/certificate. You will agree the contract on-line at this point

Employees who do not have access to internet can access it at local libraries and Kilncraigs reception, alternatively they can request this process to be carried out by either their chosen shop or by Clackmannanshire Council Roads and Transportation section (R&T).

- 4.4 Cyclescheme Ltd will then contact R&T with details of the employee request, which will be forwarded to Payroll to check for eligibility criteria. Payroll will confirm eligibility to R&T, who will then send approval to Cyclescheme Ltd to proceed with the application.
- 4.5 Cyclescheme Ltd will raise a lease agreement and an invoice and forward these to R&T. Once the invoice is paid, Cyclescheme Ltd will issue the voucher/certificate to R&T.
- 4.6 R&T will arrange for the employee to collect the voucher/certificate and to physically sign the lease agreement (the paper version of the on-line agreement) and the Change Form.

- 4.7 Employee collects the relevant equipment from the cycle store, by presenting the voucher/certificate along with photographic identification. The cooling-off period commences from the date that the voucher/certificate is handed to the employee. After the 7 day cooling-off period, the agreement cannot be cancelled.
- 4.8 Vouchers/certificates must be redeemed within 60 days.
- 4.9 R&T arranges for the signed Change Form to be authorised by the R&T manager and forwards it to Payroll to commence deductions from employee's salary.

5.0 What happens at the end of the lease term

- 5.1 This section should be read in conjunction with **Appendix 1**.
- 5.2 Once the full instalment payments have been deducted from the employees' salary, Payroll will confirm this to the employee.
- 5.3 The employee will be contacted by Cyclescheme and no further deductions will be made by the Council.
- 5.4 Cyclescheme *may*, at its discretion, offer three further options to the employee. These are detailed below:
 - 5.4.1 Cyclescheme may offer to sell the relevant equipment to the relevant employee. The employee will pay the fair market value of the goods either by using the HMRC valuation. The fair market value will be dependent on the original value and the lease period or age of the equipment.

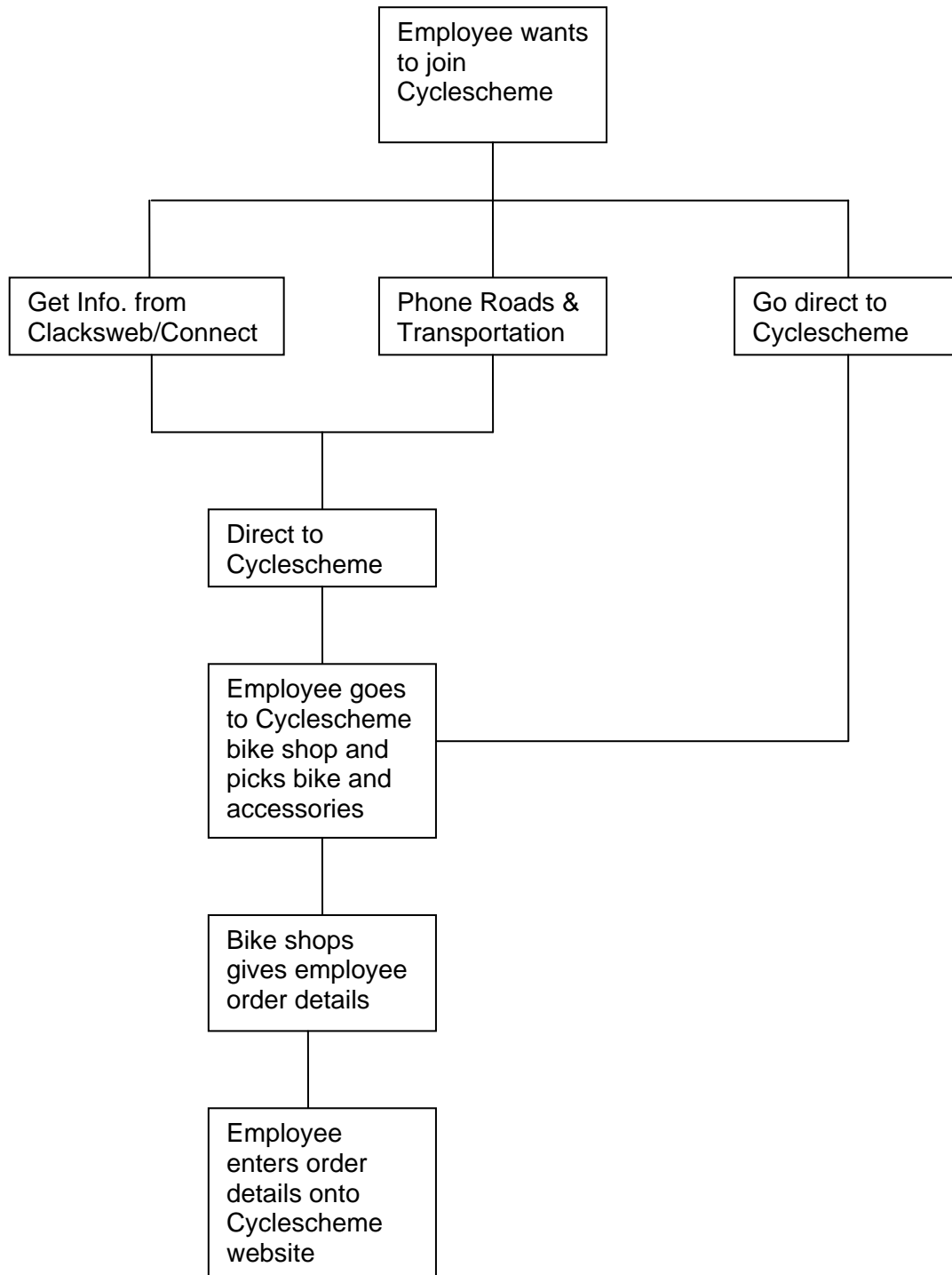
The final amount will be paid to Cyclescheme and the ownership of the relevant equipment will pass over to the employee. No tax or NI savings will be available on this payment.
 - 5.4.2 Cyclescheme may offer to extend the use of the relevant equipment for a refundable deposit, for a further 36 months.
 - 5.4.3 Cyclescheme will retain ownership of the bike and the bike package will be returned to them.

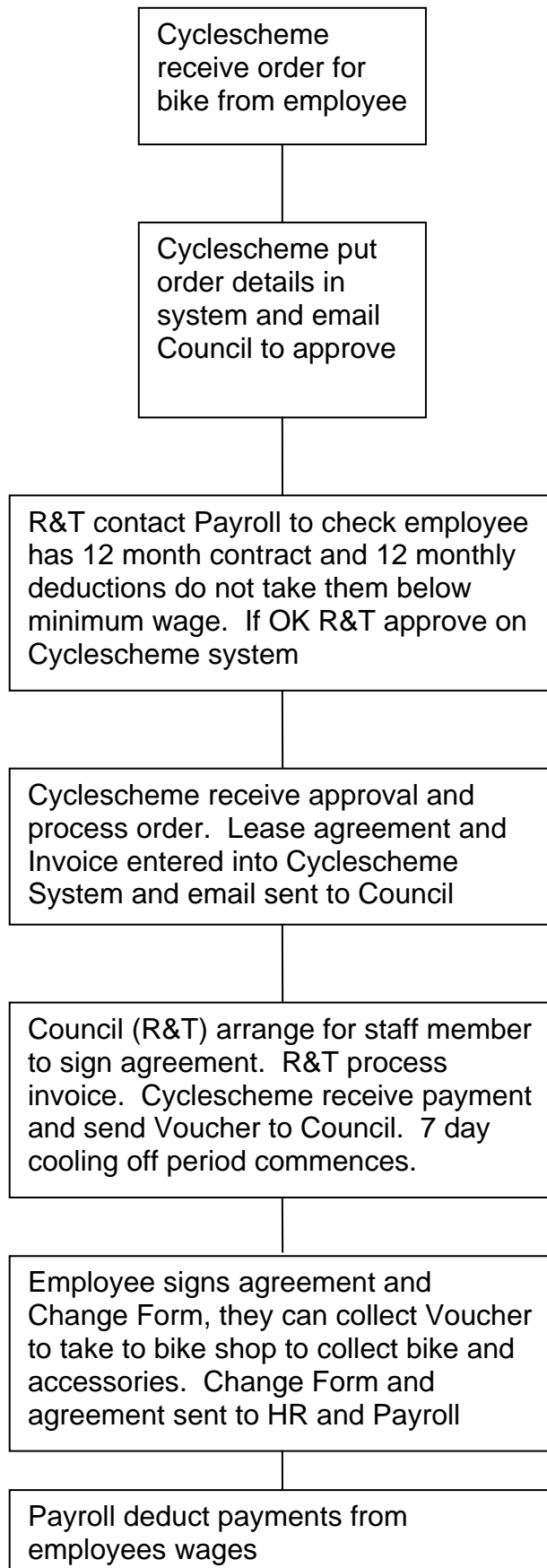
6.0 If you leave during the lease period

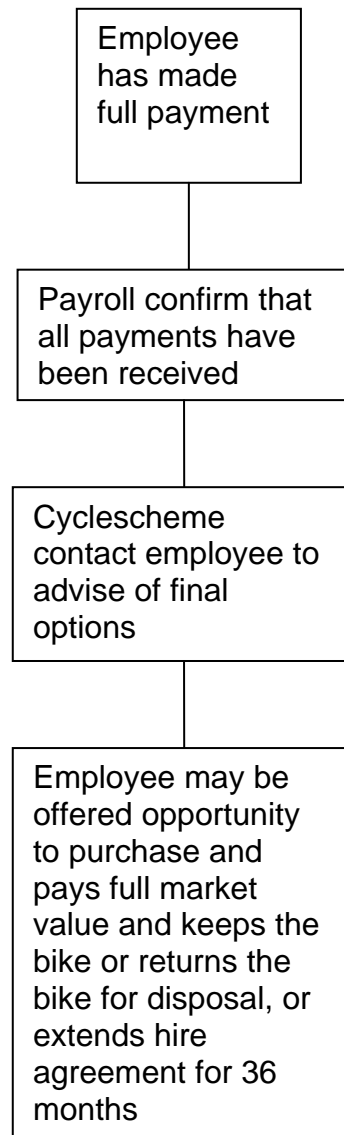
- 6.1 On your final pay, Payroll will deduct the balance of your instalment payments *from your net salary*. You will no longer be entitled to benefit from income tax & NI savings.
- 6.2 The Council will inform Cyclescheme and ownership will transfer to them and no further deductions will be made by the Council.
- 6.3 Cyclescheme, at its discretion, offer three further options to you. These are detailed below:
 - 6.3.1 Cyclescheme may offer to sell the relevant equipment to the relevant employee. The employee will pay the fair market value of the goods either by using the HMRC valuation. The fair market value will be dependent on the original value and the lease period or age of the equipment.

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 - 6.3.2 Cyclescheme may offer to extend the use of the relevant equipment for a refundable deposit, for a further 36 months.
 - 6.3.3 Cyclescheme will retain ownership of the bike and the bike package will be returned to them.

Appendix 1: The flow chart below summarises the steps to be followed throughout the scheme







Appendix 2: HMRC Valuation Table For Your Information

This is a HMRC matrix which shows what they feel are acceptable disposal value percentages. This guidance is current as of 5th April 2011, subject to change at the discretion of HMRC.

Age Of Cycle	Acceptable Disposal	Value Percentage
	Original price of the cycle less than £500	Original price of the cycle £500+
12 months	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%

If cycle is under 12 months old % goes up in a sliding scale
Eg 6 months old – more than £500 – 29%

Appendix 3 - Examples of Costs, Instalment Payments and Income tax & NIC savings under the scheme.

The tables below show examples of the instalment payments for employees with a 12 & 18 month lease agreement, leasing relevant equipment valued £1000, £750, £500 and £250. (The savings amounts are based on an employee paying income tax at 20%)

Lease Period (months)	Cost of Equipment	First Instalment	Remaining Instalments	Total Paid before Savings	Savings NIC & Tax (estimate)	Actual Amount Paid
12	1000.00	83.37	83.33 x 11	1000.00	303.92	696.08
18	1000.00	55.65	55.55 x 17	1000.00	303.92	696.08
12	750.00	62.50	62.50 x 11	750.00	228.00	522.00
18	750.00	41.78	41.66 x 17	750.00	228.00	522.00
12	500.00	41.63	41.67 x 11	500.00	151.96	348.04
18	500.00	27.91	27.77 x 17	500.00	151.96	348.04
12	250.00	20.87	20.83 x 11	250.00	75.92	174.08
18	250.00	13.87	13.89 x 17	250.00	75.92	174.08

The figures shown are examples only and subject to change depended on the income tax rate and NIC rates