

Cycle to Work Procedure

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Cycle to Work Procedure

1 Introduction

The Government's Cycle to Work Scheme sets out guidance that allows employers to loan cycles and cyclists' safety equipment ("bike packages") to employees as a tax-free benefit.

The scheme is a three year one, starting with 12 months of rental from the Trust followed by a transfer of ownership to Cyclescheme (following a deposit payment) to extend the hire period without charge for a further two years before final transfer of ownership at the fair market value rate. So the employee rents the bike from the Trust for twelve months, at one twelfth of its cost per month, the employee then rents the bike package from Cyclescheme for a further twenty four months at no cost following which the bike package is sold to the employee for a fair market value fee (see appendix B). For the first 12 months your relationship is with the Trust, after that you will deal directly with Cyclescheme.

2 Purpose

Under measures introduced in the government's Green Transport Plan, employees are encouraged to cycle to work, both to promote health and fitness, and to reduce environmental pollution.

The purpose of this procedure is to set out how staff can access a Cyclescheme loan.

3 Scope

To be eligible for the scheme an employee must:

- Have at least 6 months' service with this Trust (previous NHS continuous service may be taken in to account).

- Have a permanent or fixed term contract that has a minimum of 12 months left to run, so that 12 monthly deductions can be made from your pay.

4 Definitions

Bike Package:

Employees may choose from a range of town bikes, folding bikes, mountain bikes, road bikes, tricycles, cycle clothing and cyclists' accessories and safety equipment. Such accessories and safety equipment may typically include:

- Cycle helmets which conform to European standard EN 1078
- Bells and bulb horns
- Lights, including dynamo packs
- Mirrors and mudguards
- Cycle clips and dress guards
- Panniers, luggage carriers and straps
- Locks and chains
- Pumps, puncture repair kits, and cycle tool kits.
- Reflective clothing, along with white front reflectors and spoke
- Reflectors

5 Duties and responsibilities

This procedure will be implemented by the HR and Staff Development Manager.

6 Procedures

To apply for a Cyclescheme loan staff should be aware of the following:-

- 1) An employee should start by confirming their eligibility to partake in the scheme with HR whereupon HR will discuss the full cost to the employee and the processes around transfer of ownership.
- 2) Participating employee will select a bike package from their chosen bike dealer. The bike dealer must be associated with Cyclescheme Ltd¹. a list

¹ Please note that Cyclescheme Ltd. is not the only company to facilitate the governments' bike to work initiative; however, the Trust has chosen to use the services of

of participating suppliers is available on the Cyclescheme Ltd. website:
www.Cyclescheme.co.uk

- 3) The participating bike supplier will provide the employee with a paper quote, and you can use Cyclescheme's online tool to apply for your chosen package by entering the details online and requesting a certificate. HR will then receive notification from Cyclescheme that a certificate has been requested which HR will then approve.
- 4) Cyclescheme Ltd. will send the Trust an invoice for the bike package via the SBS system.. Once HR approve the invoice it will be sent through to the payments department which can take up to a maximum of 28 days to be paid. As soon as the invoice is paid, the voucher is sent directly to the employee via the online Cyclescheme system. HR will then raise the necessary paperwork to payroll to set up the payment plan.
- 5) The employee contacts the bike supplier to arrange collection of the bike package. Please note that the employee will be required to provide photographic identification upon collection, also it is common for most bike shops to require 24 hour's notice to assemble and safety-check the bike package.
- 6) Your hire payments are deducted over twelve months from your gross monthly salary. At the end of the hire period Cyclescheme Ltd. will contact the employee to discuss their options regarding the transfer of ownership. From this point on all further administration relating to the employee's bike package will be dealt with by Cyclescheme Ltd. and the Trust will have no further input.

Transfer of Ownership

A Fair Market Value payment is required for the employee to own the bike outright, however at the end of the hire period the employee can enter into a separate contract, still with Cyclescheme Ltd. to minimise the cost incurred by the transfer of ownership payment (Please see appendix B for further details).

Insurance of Bike Package

Cyclescheme Ltd. exclusively, as they have the highest participation rates among the widest range of suppliers, as such we cannot accept quotations from other scheme providers.

It is in the interests of employees taking part in this scheme to ensure that the bike package is insured.

Savings to the Employee

As the employee's reduced gross salary (through salary sacrifice) is subject to less income tax and national insurance, the typical savings to the employee in the event of transfer of ownership of the bike would be between 30% - 40%.

Higher rate taxpayers will save more, please use the online calculator on the Cyclescheme website for a more precise calculation.

N.B. NHS employers are unable to re-claim VAT.

Cost of a bike package

The Trust will operate a minimum package price of £200 including VAT. The maximum package price will be £1,000 including VAT.

Statutory Benefits

Calculations for the higher rate of statutory Maternity, Adoption, Paternity or Sick Pay will be affected when the employee decides to take part in this initiative. This is because these statutory benefits are calculated on the salary less the "sacrifice" agreed under the Employer's Hire Agreement. Lower rate statutory benefit may remain unaffected. For more information about the possible effect of salary sacrifice on statutory benefits, including the State Retirement Pension, employees can check with their local social security office. Alternatively they can visit www.jobcentreplus.gov.uk for information.

NHS Pension Scheme

Any employee contemplating retirement in the near future should contact the Pensions Team (details can be found on the Trust's intranet), to discuss any implication for their NHS pension which may result from reducing their gross pay under the salary sacrifice scheme.

Overtime Hourly Rates

Any employees claiming overtime payments at the same time as taking part in this Loan Scheme, will have their overtime hourly rate reduced.

Please contact the Payroll team for further information.

Use of bike package

The scheme is for three years, one renting from the Trust at one twelfth of the bike package's cost, 2 years rent at no cost from Cyclescheme and then a final transfer of ownership fee.

Employees must use the loaned bike mainly for qualifying journeys; i.e. for journeys between home and workplace, or part of those journeys (for example to the station), or between one workplace and another, in connection with their duties of employment. The definition of "mainly" means that more than 50% of time using the bike must involve a qualifying journey. Employees can use the bikes for leisure as long as they are used mainly for travelling to and from work.

Provision of Bike Racks and Shower Facilities

Shower facilities are available on the ground floor of the Tavistock Centre. Approximately 50 bike racks are currently provided; the majority at the Tavistock Centre, and around 5 each at the Portman Clinic and the Day Unit. Central Services will regularly review the shower facilities and the number of racks provided, and whether the racks are secure enough.

Loan repayments

Loan repayments will be made through a salary sacrifice scheme, typically spread over 12 months. Adjustments will be made to weekly/monthly gross salary before tax and any other deductions.

A salary sacrifice must not reduce the gross pay to below the National Minimum Wage, currently £7.20 per hour (£5.30 per hour age 18–20 and £6.70 per hour ages 21–24). (There are further costs involved at the transfer stage / end of scheme depending on the agreement the employee makes with Cyclescheme)

Transfer of ownership

Transfer of ownership will be dealt with by Cyclescheme Ltd. and the Trust will have no involvement in this process, please see below for further details.

7 Training Requirements

Safety / Proficiency

Members of staff are encouraged to consider proficiency training. The London Borough of Camden currently offers proficiency tests to adult cyclists, free of charge. There are various levels offered, according to your existing knowledge and experience.

Further information can be obtained from either of the following L.B.

Camden contacts:-

- Cycling Instructor/Co-ordinator, tel. 020 7974 5071
- www.camden.gov.uk/cycletraining

8 Process for monitoring compliance with this Procedure

The human resources directorate will monitor compliance with this procedure.

9 References

None

10 Associated documents

Full details about the Cyclescheme can be found online at:
<https://www.cyclescheme.co.uk/>

Appendix A : Equality Analysis

Completed by	Craig de Sousa
Position	Director of HR
Date	01/04/2017

The following questions determine whether analysis is needed	Yes	No
Is it likely to affect people with particular protected characteristics differently?		X
Is it a major policy, significantly affecting how Trust services are delivered?	X	
Will the policy have a significant effect on how partner organisations operate in terms of equality?		X
Does the policy relate to functions that have been identified through engagement as being important to people with particular protected characteristics?		X
Does the policy relate to an area with known inequalities?		X
Does the policy relate to any equality objectives that have been set by the Trust?		X
Other?		X

If the answer to *all* of these questions was no, then the assessment is complete.

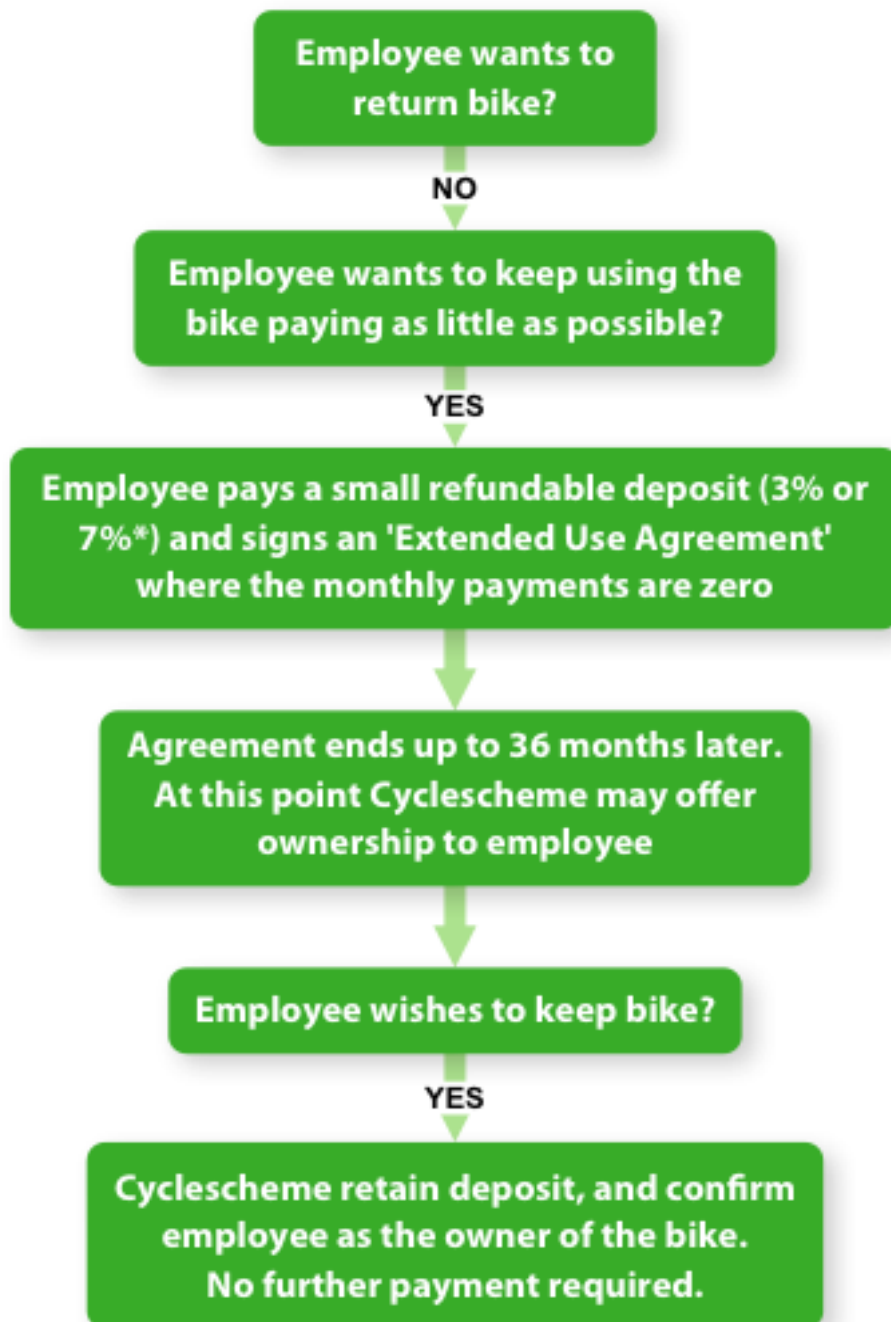
If the answer to *any* of the questions was yes, then undertake the following analysis:

	Yes	No	Comment
Do policy outcomes and service take-up differ between people with		X	

different protected characteristics?			
What are the key findings of any engagement you have undertaken?		X	
If there is a greater effect on one group, is that consistent with the policy aims?		X	
If the policy has negative effects on people sharing particular characteristics, what steps can be taken to mitigate these effects?		X	
Will the policy deliver practical benefits for certain groups?		X	
Does the policy miss opportunities to advance equality of opportunity and foster good relations?		X	
Do other policies need to change to enable this policy to be effective?		X	
Additional comments			

If one or more answers are yes, then the policy may unlawful under the Equality Act 2010 –seek advice from Human Resources.

Appendix B : Transfer of Ownership



Appendix C : Market Value Process FAQs

After renting the bike for three years you will still have to purchase it at the end of the hire period.

1. How is the market value for a bike obtained through a Cycle to Work Scheme now 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:

The valuation table:

Age of cycle	Acceptable disposal value percentage	
	Original price less than £500	Original price £500+
12 months	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%

2. Will the employee be offered ownership 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, employers generally choose to offer this option, either directly or via Cyclescheme Ltd.

3. How can employees still make a saving?

At the end of the hire period, Cyclescheme Ltd. 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 36 months.

At the end of this period, if the employee does not wish to keep the bicycle, then Cyclescheme Ltd. will refund the deposit in full. Alternatively, Cyclescheme Ltd.

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.*

4. 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.

5. 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 Ltd. at this point, no further action or payment is required if they wish to keep the bicycle.

6. 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.

7. Some employees were expecting to pay 5% plus VAT; why must they pay more now?

HMRC have defined what the transfer values must be. By following Cyclescheme's recommended option (entering into an extended use agreement) your savings are protected. You may end up paying less, or a maximum of 1% more. Here are the savings you make using the old and new process:

Old Process		New Process	
Original equipment value	£1,000.00	Original equipment value	£1,000.00
VAT saving (if applicable)	£166.67	VAT saving	£166.67
NI saving (11%)	£91.67	NI saving	£91.67
Tax saving (20%)	£166.67	Tax saving	£166.67
Market value payment	£60.00	Market value payment	£70.00
Total Saving	£365.01	Total Saving	£355.01*

*Maximum material difference of 1%/£10

8. How does Cyclescheme Ltd. calculate the market value payment?

Cyclescheme Ltd. has chosen the best option for the employee. The market value is calculated as below:

Figure to which market value is applied = Equipment value minus Helmet value minus VAT. The appropriate Valuation Table percentage is then applied to this amount, and VAT is added back on.

Here's an example based on an equipment value of £550 including a £30 Helmet and VAT:

Figure to which market value is applied = £550 minus £30 Helmet = £520.00 minus VAT = £433.34

£433.34 is less than £500, therefore;

12 month valuation percentage = 18%

4 year valuation percentage = 3%

4 year valuation = $433.34 \times 3\% = £13.00 + \text{VAT} = £15.60$

9. Will HMRC update this guidance again?

We do not believe that HMRC will update their guidance on 'acceptable disposal percentages'.

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

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

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

For further information please visit: www.Cyclescheme.co.uk or contact Cyclescheme either by phone or email:
Email: info@cyclescheme.co.uk
Phone: 0344 879 5101