

Cycle to Work Scheme Policy

Approval Process

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Developed by	NHS Cambridgeshire HR Team and NHS Cambridgeshire Public Health Team.
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Latest Revision Date	21 st December, 2010
Review Date	3 years from date of approval
Valid on	22/12/2010

Document Control Sheet

Development and Consultation:	The policy has been developed to give all employees guidance on the Cycle to Work Scheme. The Public Health team undertook initial research into the scheme which was approved by EMT on the 9 th July, 2008. The policy has been developed by the HR team.
Dissemination:	The scheme will be introduced to all employees using the staff briefing newsletter and will be rolled out at the monthly staff briefing meeting. The policy will be available on the extranet and will be included in the induction pack for new starters.
Implementation:	Employees will be responsible for seeking out quotes for bikes and using Cyclescheme's online service to request a voucher. The HR team will be responsible for approving requests for the scheme and for informing payroll of the salary sacrifice details.
Training:	Formal training is not required.
Audit:	NHS Cambridgeshire HR Team will hold a database of policies and a reminder will be sent when a policy is due for renewal.
Review	NHS Cambridgeshire HR Team will review the policy every two years unless an earlier review is required due to changes directed by HM Revenue and Customs or in NHS direction.
Standards for Better Health	This document supports NHS Cambridgeshire in its compliance with the DH [2004] Standards for Better Health in reference to C23.
Links with other documents:	
Equality and Diversity:	A Rapid Equality & Diversity Impact assessment will be carried out prior to review of the document by JCNP.

Revisions

Version	Page/Para No	Description of Change	Date Approved
2	Page 4	Amendment to introduction section regarding end of scheme process	
2	Page 8-9	Revision of end of scheme process to reflect new HM and Revenue rules and amended Cyclescheme process	
2	Page 10	Removal of definition of Fair Market Value in section 10 as no longer applicable.	
2	Page 13	Removal of mention of Fair Market Value in Appendix 1 as no longer applicable.	
2	Page 14	Amendment to second note in Appendix 2 to reflect change in end of hire period process.	
2	Page 10	Updated pence per mile amount to reflect increased amount agreed by PCT	

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1. Introduction

The cycle to work scheme enables employees to purchase a bicycle, accessories and safety equipment, to use for at least some of their travel to work, by way of a salary sacrifice scheme. This enables the employee to make savings by reducing their Income Tax and National Insurance liability. NHS Cambridgeshire buys the bike and loans it to the employee for a period of 12 months (the "hire period"). During this period the employee repays the employer by way of a monthly deduction from their gross salary. At the end of the 12 months the employee can buy the bike from the employer or opt to extend the hire period with cyclescheme. This process is further explained in section eight.

2. Purpose and Scope

NHS Cambridgeshire recognises that it has a responsibility to contributing towards tackling climate change. It is also committed to encouraging its workforce to improve their health through increased fitness.

NHS Cambridgeshire has identified that offering the cycle to work scheme to employees is a way of supporting both these aims along with offering employees a benefit that allows them to make a financial saving on a purchase that will enable them to reduce their carbon footprint and improve their levels of fitness.

This policy has been formulated to inform employees of the details of the scheme and to outline the procedure for using the scheme.

3. Duties and Responsibilities

The following specific duties and responsibilities apply within NHS Cambridgeshire:

HR Team – has a responsibility to make all staff aware of the availability of the scheme. It also has a responsibility to ensure that voucher requests are processed in a timely fashion and that payroll are informed of salary sacrifice details.

Cyclescheme – has a responsibility to provide a good level of service to all employees using the scheme.

4. The Basics

Cyclescheme have been chosen by NHS Cambridgeshire to act as our third party facilitator. They are an independent company created to help both employers and employees make the most of the Green Transport Plan Initiative and associated tax concession offered by the Government.

They are partners with a considerable number of bike shops in the local area. Cyclescheme customers are not limited to any particular bike or accessory brand and therefore can choose the best for quality and value-for-money.

Cyclescheme work with employers, under this arrangement, to ensure that Hire Agreement terms and conditions are written in full compliance with the Office of Fair Trading, HM Revenue & Customs, Trading Standards and the Department for Transport regulations.

Eligibility

The scheme is open to all full and part-time employees of NHS Cambridgeshire whose term of employment has more than the period of hire (12 months) to run and who are paid by NHS Cambridgeshire.

To take advantage of the tax breaks that result from salary sacrifice please also note:

- You need to be a UK taxpayer
- You need to be over 18 years of age to comply with Consumer Credit Act legislation
- You need to be earning more than the National Minimum Wage after your loan repayment has been deducted.

A bike purchased under the scheme should be used for at least part of 50% of the trips an employee does to work. However, there are no requirements for the employee to cycle to work for a specified number of days throughout the year and there is no requirement from HM Revenue & Customs for employees to record their trips. Employees can use the bike for leisure at weekends and on holiday.

5. Financial details

Salary Sacrifice

A salary sacrifice is a system whereby an employee gives up the right to receive part of their pay due to them under their contract of employment in return for the employer's agreement to provide some form of non-cash benefit, in this case the loan of a bicycle and related equipment. The loan repayment

is taken is taken from the employees gross rather than net salary for the 12 months of the hire period.

Saving

Typical savings are around 33% but the precise amount depends on the employees tax band. An individual being taxed at the higher rate band will save more than someone that pays standard rate tax. Unlike private sector companies, NHS Cambridgeshire cannot reclaim VAT on purchases so the savings are not as great as with a VAT-registered company.

Spend Limit

Employees can spend up to £1000 to buy a bike, safety equipment and accessories. This amount will also need to include VAT.

6. Responsibility

Ownership

NHS Cambridgeshire purchase the bike and goods and loan them to the employee. They remain the property of NHS Cambridgeshire until the hire period finishes. Please see section eight for details on the end of the hire period.

If the bike is stolen during the hire period, they will still be required to complete the full payment. The employee should ensure that they have insured the bike and use the appropriate safety equipment to safeguard against loss of the bike.

Maintenance

The employee is responsible for maintaining the bike for their own use. Any local bike shop will be able to provide advice about servicing depending on how the bike is used. It is often the case that a first free service will be offered by the bike shop.

Insurance

It is the employees responsibility to insure their bike throughout the hire period.

Household policies are usually much cheaper than specialist policies but employees must ensure that the insurer covers their bike when in storage away from their home. Employees also need to check that there is no upper limit on a claim (if they have chosen a reasonably expensive bike)

If an employees home insurance does not cover their bike, then there are specialist insurers available.. Cyclescheme recommend Cycleguard <http://www.cycleguard.co.uk/> (Tel – 02476 851 000) for insurance and the free services provided by Fetch <http://www.thecyclingexperts.co.uk/fetch-insurance/> (Tel – 0870 460 8167). Fetch will expedite an employees claim

and ensure that they are able to replace their bike using the bike shop of their choice.

7. Salary sacrifice considerations

Pay award – any pay award will be based on the employees unreduced salary. The amount the employee is paying towards the bike will not change.

Pension – an employees pension contribution is payable on their full salary. This will be affected by a salary sacrifice arrangement. If you have any queries about pension implications, particularly if you are considering retirement in the next five years, you should contact Employment Services (contactemploymentservices@asp.nhs.uk)

Unpaid leave – during approved unpaid leave, such as maternity leave, the Hire Agreement period will be extended by the number of months when the salary was not paid and NHS Cambridgeshire were not able to collect payments.

Maternity/Paternity/Parental/Sickness Leave – your reduced income may have an effect on the following:

- During maternity/paternity/parental/adoption/sickness leave: any calculations for pay during this period will be made based on gross salary after the salary sacrifice.
- The employee will continue to have the bike and equipment on loan during their absence. The employee will continue to have deductions made from any payments they are receiving and / or will accrue a debt that will be recovered as soon as they return to work and receive a payment from NHS Cambridgeshire.

Student loan repayment – employees making student loan repayments via deduction from payroll will be affected. Under salary sacrifice the employees total gross salary on which NI is paid will reduce, so their loan repayments will reduce.

Childcare tax credit – current advice from the Inland Revenue suggest that employees can still apply for Childcare Tax Credit whilst being in a salary sacrifice scheme. For more information check with the Inland Revenue advice line on 0845 300 3900.

Working tax credit – the vast majority of staff at NHS Cambridgeshire will benefit from joining the scheme. However, some employees personal circumstances may mean that it is not beneficial. This is most likely to be the case for those on 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 HM Revenue and Customs Tax Credits helpline on 0845 300 3900.

Credit status – in replying to credit reference checks NHS Cambridgeshire will inform companies of the situation with regard to an employees total remuneration package. On the grounds that the employee is actually better off under this scheme, it can be viewed that that they should not be disadvantaged. However, all lending companies are different and NHS Cambridgeshire can make no guarantees.

Informing HM Revenue & Customs – the bike scheme is a government-sponsored initiative that has been set up so that employees do not have to pay tax on items bought under the agreement. Employees do not need to contact HM Revenue & Customs.

8. Terminating events

End of the loan period

HM Revenue and Customs have produced a set of guidelines for the valuation of bicycles at the end of the hire period. The table(see below) sets out what percentage of the original voucher value the employee should pay according to the age of the bicycle.

Age of cycle	Acceptable disposal value percentage	
	Original price of the cycle 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%

When you reach the end of your 12 month hire period you can opt to sign a modifying agreement with Cyclescheme which transfers the ownership of the bike to them and extends the hire period for a further 31 months. By extending the hire period to almost four years, any valuation of the cycle at the end of this period will be calculated using the percentage rate for a bicycle aged four years old.

When you sign the modifying agreement you will pay a 'Continuation Deposit' in return for the continued use of the cycle. The Continuation Deposit is equivalent to the market value of the cycle at the end of the extended hire period. There are no further salary sacrifice payments or hire charges to pay during the extended hire period.

At the end of the extended hire period, you may be offered ownership of the bike for a 'consideration' in the form of a market value fee that is equal to the 'Continuation Deposit' you have already paid. You will not be asked to pay

anything further as the market value fee is offset against the 'Continuation Deposit' you have already paid.

If the employee opts to take ownership of the bike after the initial 12 month hire period, they will be required to pay a market value fee calculated using the percentage rates for a bicycle aged 12 months old as per the table above.

If, at the end of the 12 month period, the employee does not wish to buy the bike or sign the modifying agreement with Cyclescheme, they will be charged the equivalent of the market value fee by Cyclescheme to enable them to dispose of the goods, probably to a charity.

If, at the end of the extended hire period, the employee does not want to keep the bike, they can return it to Cyclescheme and, upon receipt of the bike, Cyclescheme will fully refund their 'Continuation Deposit'.

Leaving the organisation

If the employee leaves the organisation before the end of the hire period, they will be required to settle all outstanding monies before they leave. The outstanding balances will be deducted from their final **net** salary payment. Settlement is from net pay because once you leave NHS Cambridgeshire you also leave the bike scheme and are no longer eligible for tax deductions.

If the employee leaves the organisation during the extended hire period no further action will be taken. The Modifying Agreement is between the participant and Cyclescheme, so even if their employment ceases, the extended hire period will continue to run.

Cancelling the agreement

Under the terms of the scheme it is not possible for the loan to be cancelled. Therefore the employee is committed to making the salary sacrifice for the duration of the hire period. If employment is terminated during the 12 month hire period, the employee is still liable to complete payments identified in the hire agreement. This means that you must be sure you are happy entering the scheme and with the selection you have made.

9. Further details

Using the bike for work

Employees can use their bike for business purposes during the working day. However they cannot claim expenses for doing so whilst in the hire period due to tax issues.

At the end of the hire period, when the bike belongs to the employee, they can claim mileage if they use their bike for work related journeys (travelling from home to your base of work does not count as a work related journey) The current rate for using your bicycle for work travel is twelve pence a mile.

Credit check

There is no credit check

Consumer Credit Licence

The Government has issued a blanket consumer credit licence to all participating employers buying bike packages up to £1,000 including VAT. Therefore NHS Cambridgeshire has a licence in place. When the employee and NHS Cambridgeshire sign the hire agreement, the resulting relationship is defined under the terms and conditions of the Credit Consumer Act.

Cyclescheme mail order

Cyclescheme's partner shops are capable of supplying bike packages by mail order from their shops, under the Government's green travel plan. However, there are distinct advantages when buying from your local bike shop relating to advice, servicing, after sales and warranty.

10. Definitions**Hire period**

12 months from the date of voucher issue.

Payback period

12 months with a monthly salary sacrifice.

11. Statutory and other relevant guidance

- Securing the Future - UK government strategy for sustainable development and an important public health strategy
<http://www.defra.gov.uk/sustainable/government/publications/uk-strategy/index.htm>
- Choosing Health - stated that the NHS can and must make a significant contribution to the health and sustainability of the communities it serves.
http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4094550
- Saving Carbon, Improving Health - a draft carbon reduction strategy for the NHS in England.
http://www.sdu.nhs.uk/downloads/draft_nhs_carbon_reduction_strategy.pdf
- Cambridgeshire Local Area Agreement 2008-2011
<http://www.cambridgeshire.gov.uk/NR/rdonlyres/774C1C91-75A0-4D6C-8B5D-419380255C7D/0/LAA.pdf>
- Sustainable community strategies for Cambs City, South Cambs, East Cambs, Fendland and Huntingdonshire.
www.cambridge.gov.uk/ccm/cms-service/download/asset/?asset_id=9675027
- Cambridge Climate Change Strategy Action Plan 2008-2012 (for consultation)
<http://www.cambridge.gov.uk/public/pdfs/Cambridge-Climate-Change-Strategy.pdf>

Appendix 1 - How to order a bike through Cyclescheme

The scheme is a voucher scheme. The employee will need to apply for a voucher to redeem against their goods when they go to collect them from a local participating bike shop (<http://www.cyclescheme.co.uk/>)

To obtain a voucher:

- Employee checks the eligibility criteria.
- Employee visits a local participating bike shop to choose equipment and obtain a written quote
- Employee goes to the Cyclescheme extranet and completes an online voucher request form
- HR will receive a request to authorise the voucher request
- Once authorised, the Hire Agreement document can be downloaded securely from the extranet to be completed and signed by the employee.
- Vouchers will be sent from Cyclescheme to HR and these will be sent on to the employee.
- Employee redeems the voucher at the bike shop and receives their bike and equipment.
- Salary sacrifice begins.
- At the end of the hire period, Cyclescheme contacts the employee to explain their options with regards to the ownership of the bike.

Appendix 2 - Example of savings*

Cost of bike	£600
Cost of accessories	£54.99
TOTAL	£654.99

Income tax saving over hire period:	£131.00
NI saving over hire period:	£72.05
Cost of bike and accessories after Tax & NI Savings	£451.94

Total Saving**	£203.05
Gross monthly Salary Sacrifice, based on 12 month hire period	£54.58
Percentage saving over RRP:	31%

*The figures shown above only represent the possible savings under Cyclescheme, not your actual savings.

**Please note: A market value fee or continuation deposit will be payable at the end of the lease period.