

August 2014

HUMAN RESOURCES

Cycle to Work Scheme



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1. Introduction

- 1.1 Royal Greenwich, in conjunction with Cyclescheme, has implemented a Government Scheme where part of an employee's salary can be exchanged for the loan of a bike (and bicycle equipment) by Royal Greenwich which must be used (at least 50% of the time) for commuting to work. The aim of the scheme is to make cycling more attractive as a way of commuting to work by enabling currently available tax and National Insurance reliefs.
- 1.2 It is important to note that this is a hire or loan agreement and at no time is the employee the actual legal owner of the bike (otherwise benefit in kind tax liabilities arise). Near the end of the hire agreement, employees will be written to explaining what options are available should they wish to carry on using the bicycle and any equipment hired. Section 9 provides information on transfer of ownership, if this is something an employee would like to consider.
- 1.3 The scheme is not financed internally by Royal Greenwich but the bikes and equipment are leased by Asset Finance & Management Limited (AFM), the finance company, to Royal Greenwich. Bike stores that are contracted to work with Cyclescheme will therefore invoice the finance company when bikes are hired. The finance company is paid on a monthly basis by Royal Greenwich in conjunction with employee salary sacrifice agreements.
- 1.4 Royal Greenwich offers this scheme to all employees, including schools, as a discretionary benefit and will only run future schemes where it is practical to do so. Where schools opt out from Royal Greenwich services, separate arrangements will need to be set with own payroll providers if the school wants to participate in Cycle to Work.
- 1.5 Cyclescheme has a track record in helping Royal Greenwich set up and run cycle schemes. They have an online system that is simple to use and they have industry experience and a supplier network of independent bike shops of which 5 are located within the Greenwich area and approximately 100 partner stores within 10 miles of the SE18 post code.
- 1.6 AFM is a preferred finance partner to Cyclescheme and has funded such schemes for NHS, Local Authorities and other large employers.

2. Eligibility to join the scheme

- 2.1 The scheme is open to all staff employed by Royal Greenwich, whether full or part time including schools. However the ability to make regular loan hire payments is required and those on short-term contracts, for example less than 12 months, will need to make up any short fall from net salary and therefore may not find the financial benefit attractive. The scheme duration and rental agreement is set at 12 months and ideally, the employee should have a contract for at least this period. Evidence may be required for those

undertaking sessional and supply type work that regular deductions can be made based on previous earnings history.

- 2.2 No employee can enter into an agreement if the salary sacrifice takes their hourly pay rate below the national minimum wage.
- 2.3 As under 18's are not allowed to sign a hire agreement, a loan agreement can be arranged with Cyclescheme to enable a bike to be hired. The loan agreement works in exactly the same way as a hire agreement. Employee's are able to receive all the savings via salary sacrifice. By law under 18's are not allowed to sign a hire agreement but HM Revenue & Custom guidelines states that the scheme has to be offered to all employees including under 18's.
- 2.4 The bike obtained must be used for commuting to work (see above). Employees that reside outside the borough may be required to explain how they intend to get to work.

3. Rules of the Scheme

- 3.1 Under the scheme the maximum expenditure is £1000 as Royal Greenwich does not have a scheme consumer credit licence. Employees are not permitted to add their own money to the total amount to increase the expenditure as this would be viewed as a purchase and not a salary sacrifice. There is no minimum cycle cost. Hire of equipment alone is not allowed.
- 3.2 Under the rules of the scheme, employees can not hire a further bike or bikes until they have completed the first hire agreement, therefore 12 months must have elapsed from joining the scheme. A maximum of two adult bicycles can be hired per employee at the commencement of the hire period. Children's bicycles are not allowed. Two bicycles are permitted as it helps to facilitate those employees who wish to cycle to a train station, leaving a bicycle at their departure station and then using another bicycle at their arrival station.
- 3.3 Employees that join the scheme cannot claim Royal Greenwich mileage allowances under the Staff Travel Policy for business travel when using their Cyclescheme bike. Employees that use their own bike can claim mileage allowance for business travel. Any employee considering joining the scheme will need to consider whether they would prefer to use their own bicycle, and be able to claim the allowance for any business miles they travel, as opposed to joining the Cycle to Work scheme.
- 3.4 HR Payroll retains the right to charge a small administration fee to recover cost of any requested early terminations from the scheme.

4. Application Process (see [Process Flow Chart](#))

- 4.1 Royal Greenwich will run a promotion campaign to advertise the scheme twice a year and invite employees to participate during specified dates (the scheme is not run all year round because all payments need to be processed together). Employee's should visit one of the participating stores (there is a search facility for local stores on Cyclescheme's homepage www.cyclescheme.co.uk) and obtain a written quote for a bicycle and equipment. The next step is for the employee to log on to Cyclescheme's on-line ordering system (Extranet) at www.cyclescheme.co.uk/735632. Follow the instructions, choose the total value of the bike and accessories and request a bike certificate.
- 4.2 As Royal Greenwich employs a diverse workforce and where English is not the first language, or there may be another reason for having difficulty with understanding the scheme such as a disability, it is important that the employee seeks independent financial advice, so they fully understand the implications before making an application.
- 4.3 When deciding on a bike value, employee's need to consider carefully the amount of salary that they can afford to sacrifice each month and the type of bike that best suits their needs for commuting.
- 4.4 Employees on making an on-line digital request will also be required to digitally sign a hire agreement. Under 18's sign a loan agreement with guarantor form. Both need to be read properly first as this is a legally binding contract. On completion, an automated email informs the Royal Greenwich Contract Manager and employee of bike certificate request.
- 4.5 Royal Greenwich Contract Manager will authorise and digitally counter sign hire agreements or decline requests after checking eligibility. It is important employees provide their correct payroll number when applying on-line. Where request are declined this will be done in conjunction with the Head of Pensions Payroll and Corporate Financial Systems whose decision is final.
- 4.6 Once the total value of all applications is confirmed after the promotion end date, Cyclescheme will invoice Royal Greenwich for the cost of the bicycles and safety equipment. The finance company, AFM then create and send the Royal Greenwich an equipment schedule to sign and return. Cyclescheme issue an invoice to the AFM and AFM pays Cyclescheme their invoice. At this point, the bike certificates will be released. They can then be redeemed in a partner bike store (must provide bike shop with photographic ID e.g. passport for photo driving licence).
- 4.7 HR Payroll adjust employee's gross pay via a downloadable file from Cyclescheme Extranet. The first adjustment will be made in the month following the end of the promotion period.

- 4.8 Near the end of the hire period, Royal Greenwich will write to employees to outline options available.

5. Salary Sacrifice

- 5.1 Salary Sacrifice is a system through which employees formally agree to a reduction in taxable gross pay normally in return for the employer providing some form of non-cash benefit (in this case the loan of a cycle or cyclist safety equipment). For a benefit such as a loaned cycle, where there are tax exemptions, employees can receive benefits free of tax and National Insurance deductions.
- 5.2 Employees will be required to sign a hire agreement that gives authorisation to waive part of their contractual pay in return for a bike loan through Salary Sacrifice and agree to amending their terms and conditions of employment. This is done on line when requesting the bike certificate.
- 5.3 The amount of salary sacrificed each month will be exempt from tax and national insurance deductions. Typical savings are between 32% for a basic rate tax payer and 42% for a higher rate tax payer (current 2014/15 financial year). Please note the actual savings will depend upon the employee's personal tax band. The full savings are shown when making an order on-line. Note that the deduction shown on the hire agreement is from gross pay and will differ from actual savings made. The salary sacrifice reduction will be shown as a separate element on payslips.
- 5.4 Joining the scheme will not make a difference to other payments received. It has been agreed that all Royal Greenwich benefits such as overtime, redundancy and pay increases will be calculated on gross salary before the Cyclescheme salary sacrifice is deducted. Employees will continue paying the same amount of pension as they would have before they joined the scheme.
- 5.5 Please note that Royal Greenwich is not able to advise on the impact (if any) on tax credits or statutory Maternity Pay (if applicable) and further advice should be sought from HM Revenue and Customs.

6. Employee Responsibilities

- 6.1 To notify Human Resources in writing immediately of any changes in personal circumstances that might affect the hire agreement. For example starting maternity leave or any contractual variation in hours worked.
- 6.2 A bike loan may affect any Tax Credits received and advice should be sought from HM Revenue and Customs or from the Tax Credits helpline [0345 300 3900] before an application is made to join the scheme.
- 6.3 For Health and Safety reasons, employees are encouraged to make contact with the Royal Greenwich Cycle Training Co-ordinator if they are new to

cycling or have not ridden a bicycle for some time for adult cycle instruction training. Six cyclists are seriously injured everyday in the UK and cycling in London requires special attention.

- 6.4 Royal Greenwich advises that all participants in this scheme should always wear a helmet when cycling. The cost of the helmet and any other accessories can be included with the bike hire. Note the use of cycle helmets in the UK is not a legal requirement. However when the appropriate size and fitted properly they substantially reduced head injuries in accidents.
- 6.5 Be Safe, Be Seen. Safety and visibility are paramount, particularly on dull days or riding at night. Reflective clothing, cycle lights, cycle lock and even flashing pedals can be included with the bike hire.
- 6.6 Employees who knowingly supply false information, abuse the scheme rules such as hiring a bike for a partner or try and make a claim for business mileage will be subject to disciplinary action as this could put the scheme at risk with HM Revenue and Customs.
- 6.7 Royal Greenwich has shower and secure cycle parking facilities and it is the employee's responsibility to be at work on time and dressed appropriately.

7. Loss or Damage to Bicycle

- 7.1 If the bicycle or equipment is lost, damaged or stolen during the bike loan period, and the employee is unable to continue to cycle to work, then the hire agreement is void and they must pay the remaining hire payments via their net salary. This is because they are unable to continue to cycle to work. If the equipment is insured and gets replaced then they are able to continue to cycle to work and the agreement can continue. If a bike is stolen, it must be reported to the Police. Royal Greenwich can not be held responsible for any damage, maintenance or warranty issues and this is not covered by the Royal Greenwich's insurance. The warranty is with the cycle store where the bike was selected.
- 7.2 Royal Greenwich strongly recommends that employees take out cycle insurance or ensure that the bicycle is covered by an adequate amount on home contents insurance. Cyclescheme provide insurance cover and a quote can be obtained from their website at www.cycleguard.co.uk/cs.

8. Early Termination

- 8.1 In the event that employment is terminated, for example dismissal or redundancy, employees will be withdrawn from the scheme with effect from the last day of employment. The same applies if your employment becomes subject to a TUPE transfer during the hire period and the scheme can not be transferred to the new employer. No protections apply and full repayment of the outstanding bike hire amount and transfer fee will be required from net

salary. Note an extended lease can not be approved where termination is made before the required 12 months in the scheme.

- 8.2 The bike hire agreement requires participation over a period of 12 months. Employees will only be able to withdraw voluntarily from the scheme if there is a significant lifestyle event which affects ability to continue, for example circumstances linked to serious accident or bereavement. Employees may be asked to provide evidence. Royal Greenwich will continue to pay the full lease payments to AFM but still seek to recover these payments from the employee.
- 8.3 Employees must inform Royal Greenwich's Contract Manager in writing with immediate effect and state why it is necessary that to withdraw from the scheme. HR Payroll will write to confirm the outstanding hire balance that will need to be paid.
- 8.4 Any outstanding hire agreement amounts (balance and transfer fee) are to be deducted from the final net salary. This means that the deductions are without the tax and national insurance savings. The transfer fee will be 18 to 25% (depending if original price of cycle is less or more than £500) of the bike cost. If the final net salary payment is insufficient to cover the amount outstanding, the employee must ensure that the balance is repaid prior to their last working day to avoid debt recovery measures. An extended lease can not be approved where termination is made before the required 12 months in the scheme.
- 8.5 If the employee confirms that they wish to return the bike to Royal Greenwich, the transfer fee will not be deducted. The employee must contact Royal Greenwich Contract Manager immediately they know that they will be terminating early from the scheme to arrange collection of the bike. Note the outstanding hire agreement amount is still deducted from final net salary.
- 8.6 Once an agreement is signed, it is binding and can not be cancelled unless an employee exercises their right under the Consumer Credit Act 1974 within the required timescales as stated on the Hire Agreement. Further to this, the bicycle is not permitted to be 'resold' during the period of the hire agreement.

9. Transfer of ownership

- 9.1 The loan agreement is a hire agreement under the Consumer Credit Act and does not allow for ownership of the cycle and cyclists' safety equipment to pass to the employee during or at the end of the loan period. However, AFM may offer employees the opportunity to purchase cycles at the end of the 12 month hire period at the prevailing market value of the equipment. What the Market values are, are now suggested via an HM Revenue and Customs table [HMRC end of term fair value valuation table](#). If a bike cost below £500, an 18% charge based on original price, could be levied. If above £500, a 25%

charge could apply. A sliding scale of transfer payment may be used over 5 years.

- 9.2 Alternatively employees can arrange an extended lease arrangement for a fixed sum (£20 plus VAT for 2012/13) with AFM. There are no monthly deductions during the extended lease, just this one off payment. While the employee does not obtain bike ownership, HMRC's valuation table currently offers a view that after 5 years the fair market value becomes negligible suggesting there would be no transfer payment required at the end of year 5.
- 9.3 Where an extended lease is agreed at the end of the original hire agreement and an employee then leaves Royal Greenwich's employment inside a period of 5 years of the disposal transfer value becoming negligible (as per HMRC's suggested fair values), the employee may then be offered the opportunity to purchase the cycle at prevailing market value or in accordance with HMRC's table of fair values. If no payment is received from the employee by the date of leaving Royal Greenwich, the market value of the bike at date of leaving will be reported to HMRC on expenses/benefits form P11D as a personal taxable benefit.

10. Further information

- 10.1 For further information, please contact Royal Greenwich's Contract Manager or HR and Payroll (see [relevant contact details](#)).

HR Professional Services

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Relevant Contact Details

Cyclescheme

Website: cyclescheme.co.uk/735632

Telephone: 01225 448933

E-mail: info@cyclescheme.co.uk

AFM Solutions (Finance Company to Royal Greenwich)

Website: afmgroup-solutions.co.uk

Telephone: 01732 873826

E-mail: gseeley@afmgroup-solutions.co.uk

Department for Transport

Website: gov.uk/government/organisations/department-for-transport

Adult Cycling Instructor Training Co-ordinator

Telephone: 0208 921 8074

Payroll

Telephone: 0208 921 4935/8347

E-mail: payroll@royalgreenwich.gov.uk

Royal Greenwich Contract Manager

Telephone: 0208 921 8202

E-mail: sarah.thompson@royalgreenwich.gov.uk

HMRC

Website: www.gov.uk/income-tax

Telephone: 0300 200 3300

HMRC end of term fair value valuation table

Age of cycle	Acceptable disposable value percentage	
	Original price of the cycle - Less than £500	Original Price - £500+
1 year	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%
5 years	Negligible	2%
6 years and over	Negligible	Negligible

Process Flow Chart

