

Cycle Scheme Policy and Procedure

Ratification Process

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Approved on and by:	June 2016 Joint Consultation and Negotiating Partnership (JCNP)
Ratified on and by:	March 2017 C&P CCG Remuneration & Terms of Service Committee
Version Number:	2
Latest revision date:	March 2019
Review date:	March 2021

**Cambridgeshire & Peterborough CCG
Cycle Scheme Policy and Procedure**

Document Control Sheet

Development and Consultation:	This policy was developed by the CCG HR team and consulted upon with senior managers and staff representatives. This policy has been approved through the Joint Consultation and Negotiating Partnership (JCNP).
Dissemination	All new and updated policies and procedures are notified to senior managers via email for dissemination to their staff. Notification is also sent to all staff via the bi-weekly staff newsletters.
Implementation	Employees will be responsible for seeking out quotes for bikes and using the Cyclescheme 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	The CCG HR team will organise to inform managers of this policy.
Audit	The CCG HR Team will hold a database of all policies and a reminder will be sent when a policy is due for renewal.
Review	This policy will be reviewed by the CCG HR Team and JCNP every two years, unless an earlier review is required e.g. due to changes in legislation or in NHS direction.
Links with other documents	This policy should be read in conjunction with: CCG Travel and Related Expenses Policy and Procedure CCG Pay Policy



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Revisions

Version	Page/ Paragraph no.	Description of change	Date approved
2	Page 2, document control sheet	Links with other documents updated to include CCG Pay Policy	19/07/2016

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1. Introduction

- 1.1. The Cycle 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.
- 1.2. Cambridgeshire & Peterborough Clinical Commissioning Group (CCG) purchases 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 month hire period 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

- 2.1. The CCG recognises it has a responsibility to contribute towards tackling climate change. It is also committed to encouraging its workforce to improve their health through increased fitness.
- 2.2. The CCG has identified that by offering the cycle to work scheme to employees it is 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 level of fitness.
- 2.3. 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 the CCG:

- 3.1. The CCG HR Team has a responsibility to make all staff aware of the availability of the cycle to work scheme. It also has a responsibility to ensure that voucher requests are processed in a timely manner.
- 3.2. Cyclescheme has a responsibility to provide a good level of service to all employees using the scheme.

4. Cyclescheme Eligibility

- 4.1. Cyclescheme has been chosen by the CCG 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.

- 4.2. Cyclescheme 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.
- 4.3. 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.
- 4.4. The scheme is open to all full and part-time employees of CCG whose term of employment has more than the period of hire (12 months) to run and who are paid by the CCG.
- 4.5. To take advantage of the tax breaks that result from salary sacrifice please also note:
- a. You need to be a UK taxpayer;
 - b. You need to be over 18 years of age to comply with Consumer Credit Act legislation;
 - c. You need to be earning more than the National Minimum Wage after your loan repayment has been deducted.
- 4.6. A bike purchased under the scheme should be used for at least part of 50% of the journeys an employee travels to and from 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 journeys. Employees can use the bike for leisure at weekends and on holiday.

5. Financial Details

5.1. 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 from the employee's gross, rather than net, salary for the 12 months of the hire period.

5.2. Saving

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

5.3. Spend Limit

Employees can spend up to £1000.00 to purchase a bike, safety equipment and

accessories. This amount will also need to include VAT.



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6. Responsibility

6.1. Ownership

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

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

6.3. 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.

6.4. Insurance

It is the employee's 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 there is no upper limit on a claim, (if they have chosen a reasonably expensive bike).

6.5. If an employee's home insurance does not cover their bike, then there are specialist insurers available. Cyclescheme recommend Cycleguard for insurance and Fetch for free services. Fetch will expedite an employee's claim and ensure that they are able to replace their bike using the bike shop of their choice:

- a. <http://www.cycleguard.co.uk> Telephone: 02476 851 000
- b. <http://www.fetchinsurance.co.uk> Telephone: 0870 460 8167

7. Salary Sacrifice Considerations

7.1. 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.

7.2. Pension

An employee's 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 SERCO Employment Services on telephone: 0800 0181 990 or via email at contactemploymentservices.asp@serco.nhs.uk

7.3. 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 the CCG were not able to collect payments.

7.4. Maternity, Paternity, Parental, Adoption and Sickness Leave

An employee's reduced income may have an effect on the following:

- a. 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.
- b. 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 Cambridgeshire & Peterborough CCG.

7.5. Student loan repayment

Employees making student loan repayments via deduction from payroll will be affected. Under salary sacrifice the employee's total gross salary on which National insurance is paid will reduce, so their loan repayments will reduce.

7.6. Childcare tax credit

Current advice from the HMRC suggest that employees can still apply for Childcare Tax Credit whilst being in a salary sacrifice scheme. For more information check with the HMRC tax credit advice line on telephone 0345 300 3900.

7.7. Working tax credit

The vast majority of staff at the CCG will benefit from joining the cycle 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 the HMRC tax credit advice line on telephone 0345 300 3900.

8. Terminating Events

8.1. 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 below sets out what percentage of the original voucher value the employee should pay according to the age of the bicycle.

Age of bicycle	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%	 Cambridgeshire and Peterborough
3 years	8%	12%	
4 years	3%	7%	

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- 8.2. When an employee reaches the end of the 12 month hire period they can opt to sign a modifying agreement with Cyclescheme, which transfers the ownership of the bike to Cyclescheme 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.
- 8.3. When an employee signs the modifying agreement they 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.
- 8.4. At the end of the extended hire period, the employee 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' they have already paid. The employee will not be asked to pay anything further as the market value fee is offset against the 'continuation deposit' they have already paid.
- 8.5. 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.
- 8.6. 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, most likely to a charity.
- 8.7. 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'.

9. Leaving the Organisation

- 9.1. If the employee leaves the CCG 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 the employee leaves the CCG, they also leave the cycle scheme and are no longer eligible to benefit from the Income Tax savings.
- 9.2. If the employee leaves the CCG 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**.

9.3. Cancelling the agreement

Under the terms of the cycle 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 the 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 an employee must be sure they are happy entering the scheme and with the cycle selection they have made.

10. Further Information

10.1. 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).

10.2. 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 the CCG has a licence in place. When the employee and the CCG sign the hire agreement, the resulting relationship is defined under the terms and conditions of the Credit Consumer Act.

10.3. 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, specifically with regard to obtaining advice, servicing, after sales and warranty.

11. Definitions

11.1. Hire period

The hire period will be 12 months from the date the Cyclescheme voucher is issued.

11.2. Payback period

The payback period will be over 12 months, with a monthly salary sacrifice.

Appendix 1 – How to Order through Cyclescheme

Cyclescheme 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/>)

In order for an employee to obtain a voucher:

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

Appendix 3 – Example of Cyclescheme Savings

The figures shown below only represent the possible savings under Cyclescheme, not your actual 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%

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