

Livewell Southwest

Cycle to Work Scheme Guidance

Provided by:



Version No. 2

Notice to staff using a paper copy of this guidance

The policies and procedures page of the intranet holds the most recent version of this guidance. Staff must ensure they are using the most recent guidance.

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Cycle to Work Scheme Guidance

1 Introduction

- 1.1 The scheme will be administered through a salary sacrifice / hire agreement and will be run in accordance with HM Revenue and Customs guidance. This scheme offers an attractive employee benefit whilst encouraging staff to maintain a healthy and active lifestyle and make substantial savings on the cost of a bike and safety equipment. Employees can select any make/model bike up to a value of £1,000 through independent bike shops taking part in the scheme thereby providing business to local communities.
- 1.2 Livewell Southwest has a service level agreement with Cyclescheme Ltd to provide the cycle to work scheme. Cyclescheme Ltd is an independent company, who have a wealth of knowledge in the cycling industry and a large number of national trade contacts to get more people riding to work on bikes of their choice from their local bike shops.
- 1.3 The scheme gives participants the choice to choose from a wide range of products and doesn't limit them to any particular brand, bike or accessory resulting in a package that best suits their individual needs.

2 General Process

- 2.1 Human Resources will be responsible for sharing details of the cycle scheme opportunity through the intranet pages, weekly newsletters, and appropriate internal promotional activities.
- 2.2 The scheme is a voucher scheme and employees will need to apply for a voucher to redeem against the goods when they collect them from the bike shop. Details of the local retailers who are participating in the providers scheme is available from: <http://www.cyclescheme.co.uk/partners.php>.
- 2.3 The scheme shall be administered and coordinated by the Human Resources department. The Senior HR Administrator shall be responsible for processing vouchers and dealing with general enquiries, with the support of colleagues within the HR department.
- 2.4 Eligibility - the Scheme is open to all full and part-time employees whose term of employment is more than the period of the loan (12 months). The cycle scheme is not available to employees during their probationary period. 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 salary has been reduced. Human Resources will check this upon application.
- 2.5 To obtain a voucher employees need to:
 - **Visit** their local [participating bicycle shop](#) to choose their equipment and obtain a written quote,
 - **Go** to the Cyclescheme website www.cyclescheme.co.uk/838cc7 and complete an online voucher request form,
 - **Sign the online Hire-Agreement** (by signing the Hire Agreement the employee is accepting the Terms & Conditions of the scheme),

- **Contact** Cyclescheme on 0844 879 5101 if they are not a computer user and want their order placed for them. Livewell Southwest will in turn, approve the request providing the employee has met Livewell's eligibility criteria,
- **Livewell pays the invoice** for the cost of the employees bike and any accessories,
- **Voucher posted** to the employees home address on receipt of payment,
- **Redeem** the voucher at the bike shop and collect goods (employees must provide their Livewell Southwest photo ID card to do this),
- **Start** reductions to gross salary, via salary sacrifice. (This will be effective from the next available pay date).

2.6 Ownership - the bike and goods are technically the property of Livewell Southwest but the employee is totally responsible for the bike during the hire period. At the end of the hire period employees may be given the opportunity to buy the bike and any safety equipment/accessories for a fair market value (plus VAT).

3 Salary Sacrifice

3.1 Salary sacrifice happens when an employee gives up their right to receive part of their pay 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 for a 12 month hire period. The employee then pays back the loan on the goods from gross, rather than net, pay for the hire period - hence allowing the employee to benefit from income tax and NI relief.

3.2 Considerations and effects of salary sacrifice on:

3.2.1 Pensions – The scheme may affect an employee's pension as pension contributions will be based upon a reduced salary. This could affect retirement benefits and AVC contributions for those in an occupational pension scheme. Any questions regarding how the cycle scheme may affect individual pension contributions and benefits should be addressed to SBS Pensions on 0303 123 1144.

3.2.2 Statutory Maternity/Sick Pay – Employees with sufficient service and who meet certain conditions may be entitled to statutory maternity payments during a portion of maternity leave which may be affected by participation in the Cycle Scheme. Statutory Maternity pay is calculated on the salary earned in the two months prior to the 15th week before the baby is due. As the value of the salary sacrifice will not be considered to be part of salary, the result could affect the sum of maternity pay that an employee may be eligible for. Livewell Southwest would therefore suggest that any employee likely to take maternity leave while participating in the Cycle Scheme should contact the HR Department for further information. There may also be implications for Statutory Sick Pay while participating in the Cycle Scheme however this is only in connection with earnings falling below the Lower Earnings Limit. If an employee earns below this amount after using Cycle Scheme, entitlement to Statutory Sick Pay ceases.

3.2.3 Working Tax Credit – Despite the exceptions outlined above, the vast majority of staff will benefit from joining the Cycle Scheme. However individual personal circumstances may mean that it is not beneficial. This is most likely to be the case for those on a low income affected by Working Tax Credit, which may cancel out the savings made on Income Tax and National Insurance Contributions. There may be other cases where the benefit of the Cycle Scheme will be outweighed by possible reductions in working tax credits. Please seek advice from HMRC for individual circumstances.

3.2.4 Child Tax Credit – There may be implications on Child Tax Credit for employees in a salary sacrifice scheme. Please seek advice from HMRC for individual circumstances.

3.3 Savings - Tax and National Insurance savings are typically between 31% and 41% of the original cost of the bike, depending on personal taxation and NI status. Should employees be offered and decide to purchase the bike, the fair market value of 5% will be charged to you plus VAT. See savings calculator using the link below for further information http://www.cyclescheme.co.uk/employee_calculator.htm

4 Additional Information

4.1 Insurance - the employee is responsible for insuring the bicycle and Livewell Southwest will bear no liability in the event of loss/theft. It is therefore very important to insure the bike, and any goods fitted to the bike, to safeguard against the losses following theft. Household insurance policies are usually much cheaper than specialist bike insurance policies but it is the responsibility of the employee to ensure that the insurer covers the bike when in storage away from home and any other eventuality that may occur. Employees also need to check that the upper limit on a claim is appropriate in light of the cost of the bike.

4.2 Warranty/Maintenance - the employee is responsible for maintaining the bike during its use and s/he agrees to this when signing the hire agreement. All Cyclescheme bikes come with a warranty for the duration of the hire period. The retail supplier will be able to advise employees about necessary servicing, depending on how to use the bike. They are also likely to give the bike a first free service once bedded in.

4.3 Storage - Livewell Southwest has limited spaces for parking bicycles and prior to signing the Hire Agreement the employee should give some thought to where they will secure the bicycle. Livewell accepts no liability for the any loss or damage to the bicycle and/or locks.

4.4 Health & Safety - set out below is information from Devon & Cornwall. In order to keep your bicycle secure employees should consider the following information:

- Lock the bike, even if for a short amount of time, to a suitable fixed point. e.g. cycle rack.
- Avoid leaving the bike in an isolated or poorly lit area.
- Use a quality lock such as a hardened D-shaped lock. Seek out the Sold Secure logo, which shows testing has been carried out independently.
- Remember to secure all removable parts of the bike such as quick release wheels.
- Make the bike difficult to remove by keeping the gap between the lock and bike as small as possible and keeping the lock away from the ground.
- Always lock the bike away in a secure location when it is not in use.

Employees may also wish to consider registering your cycle (model, make and frame number) on the Immobilise Register - see <http://www.immobilise.com>

4.5 Cycle Training - employees who haven't cycled for quite some time or are unfamiliar on how to safely navigate around the busy roads in the area, may wish to register for free cycling training such as that provided by Plymouth City Council. Please click on the link below for details: <http://www.plymouth.gov.uk/homepage/transportandroads/plymotion/plymotioncycling/plymotioncyclingtraining.htm>.

Appendix A - Frequently Asked Questions

Below is a selection of frequently asked questions relating to the cycle to work scheme.

- **Who do I contact with queries?**

The Human Resource department are the Livewell Southwest contact for any queries and available on Tel: 01752 434649 or Email: PCHCIC.hr-pch@nhs.net. Alternatively please contact Cyclescheme on 01225 448933 or email info@cyclescheme.co.uk.

- **Does my employer need a Consumer Credit Licence?**

The government has issued a blanket consumer credit licence to all participating employers to purchase bike packages up to £1,000 including VAT and safety equipment. When you sign the Hire Agreement, the resulting relationship is defined under the terms and conditions of the Credit Consumer Act.

- **Can I use Cyclescheme to get a sale bike?**

Yes, but this is subject to the bike shop's discretion. You must mention cyclescheme when obtaining a quote for your bike and safety equipment.

- **What is the fair market value payment?**

A fair market value payment is the amount that a willing buyer would pay to a willing seller to purchase certain property at a particular point in time. After a period of 12 months, this is typically 5% of the original cost of the bicycle and safety equipment plus VAT.

- **When do I pay the fair market value to make the bike mine?**

At the end of the 12-month hire period the bike may be bought for a fair market value. This payment is subject to 17.5% VAT. This is a separate agreement and does not form part of the Hire Agreement.

- **What happens if I leave my job before I've finished paying for my bike?**

Under the terms of the Hire Agreement and the Credit Consumer Act, the agreement to pay your employees' loan is non-cancellable. This means that you would need to settle all outstanding monies should you leave Livewell Southwest employment before the end of the Hire Agreement. The outstanding balances will be recovered from your final net salary payment. Settlement will be from net pay because once you leave Livewell; you also leave the Cycle Scheme, and are no longer eligible for tax/NI concessions. For those leaving before the end of the Hire Agreement period a termination fee will be charged. The termination fee will not exceed a value equal to the outstanding monthly salary reductions but may also include a sum equating to the fair market value at the time of termination (to transfer ownership of the bike to the employee). The fair market value may be greater than 5% of the cost of the bike depending on the number of months you have been in the scheme. You will be advised at the time of leaving of any purchase / administration sum due.

- **What happens if I go on unpaid leave?**

During approved unpaid leave such as extended maternity leave or career break, the Hire Agreement period may be extended by the number of months in which your salary was either not paid or you were in receipt of a statutory payment only and Livewell Southwest was not able to collect payments. During maternity/paternity/parental/adoption/shared parental leave you will continue to have the bike and equipment on loan during your absence with your gross salary still at the reduced level according to the salary sacrifice arrangements. You will accrue a debt that will be recovered when you return to work and start receiving a payment from Livewell.

- **What happens if the bike gets lost / stolen before I've paid for it?**

If the bike is stolen then you will be required to continue to meet your financial responsibilities

for the remainder of the hire period. The insurance that you will have purchased for the bike can then be used to provide a replacement. Safety equipment is available from Cyclescheme Ltd's partnering shops, where you can ask for Home Office-approved 'Sold Secure' D-locks and cable locks to conform to insurance companies' requirements.

- **What happens if I don't want the bike at the end of the loan period?**

It is Livewell's choice whether it opts to sell you the bike at the end of the hire period. If you choose to become the owner of the bike, you may be offered the opportunity to pay the Fair Market Value from your net salary. If you choose not to buy the bike you will be charged the equivalent of the Fair Market Value to dispose of the goods, to a charity.

- **How many times a week do I have to use the bike for work?**

There is no requirement for you to cycle to work for a specified number of days throughout the year to be eligible to participate in the scheme and there is no special requirement for you to record your travel. You can also use the bike for leisure at weekends and on holiday.

- **Can I use the bike for business purposes during the working day?**

Yes, you can use your bike for business purposes during the working day, although you may not claim expenses for business trips made on a bike obtained through this scheme until the hire period ends. Employees should ensure they are covered for third party, personal accident and theft during these trips.

- **What is the Employer Reference Number?**

The Employer Reference Number is 838cc7

- **What happens when there is a pay award?**

You will receive any relevant pay awards based on your unreduced salary.

- **Will the repayments affect student loan payments?**

Yes. Your student loan repayment is 9% of your earnings over £15k. This will alter as the trigger point is based on the salary on which you are liable to pay National Insurance Contributions (NICs). Under salary sacrifice your total gross salary on which NI is paid will reduce, so your loan repayments will reduce.

- **How will this affect my credit status, e.g. when applying for a mortgage?**

By entering into the scheme you agree to forfeit part of your salary and this may have an impact when Livewell reply to credit reference checks on your behalf. Livewell will quote the pre sacrifice amount and will also quote the post sacrifice amount. It is up to providers to determine which salary they will use for their calculations. Please make enquiries with your financial institution regarding what their processes are in these instances.

- **Does anyone need to tell HMRC about this benefit?**

The Cycle Scheme is a government-sponsored initiative that has been set up so that you do not have to pay tax and NI on items bought under the agreement. There is no need for you to contact HMRC about participation in the scheme.