

Ealing Schools Cycle to Work Scheme Guidance

2018

EALING COUNCIL

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What is the Cycle to Work Scheme?.....	2
What are the benefits for the employer?	2
What are the benefits for the employee?	2
Other benefits	2
How do the employers set one up?.....	2
What does it cost the employer?.....	3
Considerations.....	3
How it works if your school is a:.....	3
Local Authority Maintained school that uses Ealing Council for their Payroll.....	3
Non -Local Authority maintained school that does not use Ealing Council for their Payroll	4
Non -Local Authority maintained school that does use Ealing Council for their Payroll	5
Local Authority maintained school that does not use Ealing Council for their Payroll ..	5
FAQ	5
Further information.....	5

What is the Cycle to Work Scheme?

The Cycle to Work Scheme is a government tax exemption initiative to promote healthy journeys to work and reduce environmental pollution. It is a salary sacrifice scheme whereby the employee agrees to accept a lower amount of salary in return for the employer to provide them with a non-cash benefit (in this instance, a bicycle, plus equipment if required).

As an employee you are able to hire a bicycle (and equipment if required) up to the value of £1,000 and pay this over 12 months from your gross salary, saving you tax and National Insurance on the amount paid back. After the payback period and at the discretion of your employer, you

may then be able to purchase the bike and equipment for a nominal sum under a separate agreement; for more information see 'Considerations'.

What are the benefits for the employer?

- Reduction in employer National Insurance Contributions (NICs) of up to 12.8%.
- Fitter, healthier staff, leading to increased productivity and attendance.
- Fewer parking issues at your site. In the long term you could spend less on leasing / buying parking spaces for staff.
- Employee recruitment and retention; the scheme is seen as a key staff benefit.

What are the benefits for the employee?

- Reduction in employee income tax / National Insurance paid (up to 40% depending on rate of tax paid and how the scheme is run). See how much you could save here: <https://www.cyclescheme.co.uk/calculator>
- Become fitter and healthier as a result of cycling! see: <http://cycletoworkalliance.org.uk/about-us/>
- Be more productive at work – Cycle to Work Alliance found that 61% of participants in the scheme believe that cycling to work has improved their productivity at work!
- You won't need to struggle to find a car parking space anymore!
- Save money in the long term by cycling to work and therefore avoiding public transport costs or motor vehicle running costs!

Other benefits

- Increased cycling levels lead to environmental benefits such as reduced congestion, carbon and particulate emissions and therefore reduced contribution to climate change.

How do the employers set one up?

The employer needs to appoint a scheme provider, who will administer and manage the scheme for you, including liaising with retailers. It is advised that a number of scheme providers should be contacted in order to assess the option best for your workplace. If your school is a Local Authority maintained school AND uses Ealing Council to do their payroll, then all school employees will be eligible to use Ealing Council's scheme. If your school is neither or only one of those, please go to the relevant sections of this document for further information.

What does it cost the employer?

Scheme providers do not charge employers for running the scheme. The scheme in fact saves the employer money, by way of reduced NICs. There will be some staff time involved in administering the scheme – this can involve as a minimum the following tasks:

- Confirming to the scheme provider that the employee works for the company
- Making initial outlay payment to scheme provider (which is then claimed back from employee)
- Taking payroll deductions from employees (usually over 12 months)

Considerations

- If an employee's salary falls below the National Minimum Wage (NMW) by taking part in the scheme, they cannot participate
- At the end of the payback period, the 'fair market value' of the bicycle (and equipment if applicable) must be paid by the employee in order to officially become the owner, otherwise, the employer remains the official owner, or Cyclescheme, if applicable (see 9. on page 4 for more information). This must be in accordance with the HMRC guidelines and there are a number of ways of doing this, depending on the scheme provider.
- For a Cyclescheme package under £500, the 'fair market value' of the bicycle and accessories will be 3% of the original value; for a package over £500, it's 7%. Therefore a maximum of £70 would be due for a £1,000 package. The bike remains 'hired' until the Cyclescheme package is 4 years old, but with no more monthly payments. Ownership can then officially be transferred to the employee at no extra cost.
- Carefully consider scheme providers, particularly noting the above described 'end of scheme options' for employee / employer, as well as the range of retailers included under the scheme provider.

How it works if:

Your school is a Local Authority Maintained school that uses Ealing Council for their Payroll

1. Ealing Council uses Cyclescheme as their provider, so school employee must locate suitable Cyclescheme Partner Shop. Please see <https://www.cyclescheme.co.uk/retailers/>.
2. Employee visits Cyclescheme Partner Shop and gets a written quote for the bicycle and equipment they wish to obtain through Cyclescheme, up to £1000 (incl. VAT). Details are provided on a quotation form.
3. Employee accesses Ealing Council's Cyclescheme extranet site, set up for employees - www.cyclescheme.co.uk/fa2414. Employee requests certificate by entering details from

the quotation form into Extranet site. Employees need to ensure they have all their personal and employment details to hand for this – addresses, postcodes and payroll number.

4. Upon the employee signing the Hire Agreement electronically, the scheme is set up so that the bicycle and equipment are purchased by the employer and hired back to the employee over a 12-month period, allowing a savings of 25-41%, depending on the employee's tax rate.
5. The certificate request is processed through Cyclescheme and the employer verifies their eligibility.
6. The employer pays for the certificate and the certificate is sent to the employee's home address or if the electronic version is selected, an email containing the certificate is sent immediately after the invoice has been paid.
7. Employee takes the certificate to partner bicycle shop and redeems it for bicycle and equipment. It is recommended that the employee calls the bike shop before they go to collect their order, to ensure it's ready.
8. Payroll commences salary sacrifice for 12 months - from employee's gross earnings.
9. Once the employee has completed the 12-month hire agreement, subject to the employer's discretion, the employee may be able to purchase the bicycle and equipment from the employer, for an amount called the "fair market value" of the bicycle. HMRC clarified the meaning of "fair market value" in 2010. At the end of 12 months, your bicycle is still valued quite highly. However at year four, the fair market value decreases significantly. In this regard, Cyclescheme has worked out a legitimate way to extend your agreement with them in order for you to achieve the best savings. At the end of twelve months, employees will find it best value to extend their hire agreement. You will not pay any more monthly payments. You will only pay a one-time "continuation deposit" that is equal to the fair market value of your bicycle at year four (3 - 7%, see <http://www.hmrc.gov.uk/manuals/eimanual/eim21667a.htm> for details).

After the extension period is over, Cyclescheme will ask you if you would like to keep the bicycle or return it to them. If you would like to keep the bicycle, they keep your continuation deposit.

IMPORTANT NOTE: At the end of your term, to generate the expected savings, you will need to "extend" your agreement with Cyclescheme. This has no adverse financial impact and you can participate in the scheme again (if you wish) whilst you are in the "extension" period.

How it works if:

Your school is a non-Local Authority maintained school that does not use Ealing Council for their Payroll

1. Your employer will need to select a Cycle to Work Scheme provider and then register with them. There are several to choose from but below are links to the four main companies:

www.cyclescheme.co.uk

www.cyclesolutions.co.uk

www.evanscycles.com/b2b/ride-to-work

www.cycle2work.info

Each company will operate slightly differently, provide access to different bikes/retailers, and may also have a slightly different end of hire agreement. In general however, registration is free and usually only takes 10 minutes.

2. Follow steps 2-8 in the previous guidance
3. Follow the end of hire agreement of the selected Cycle to Work Scheme provider.

How it works if:

Your school is a non-Local Authority maintained school that does use Ealing Council for their Payroll

OR

Your school is a Local Authority maintained school that does not use Ealing Council for their Payroll

Unfortunately, your school will neither be able to register with a Cycle to Work Scheme provider, nor take advantage of Ealing Council's scheme provider. This is because even though Ealing Council would be able to implement salary deductions, they would not be able to verify that an employee works for the school because they do not run the school's Human Resources department, both of which are needed to use either an external provider or the council's internal one. This is an unfortunate circumstance for employees at such schools.

FAQ

Do I have to cycle to work every day?

Technically, the tax exemption only applies when an employee mainly uses the bike and equipment for qualifying journeys. This can mean a journey, or part of a journey between home and workplace, or between one workplace and another. However, there is no system to verify usage. We recommend using it as much as possible to get the most benefit out of it.

Further information

- Department for Transport – Cycle to work scheme implementation guidance
<https://www.gov.uk/government/publications/cycle-to-work-scheme-implementation-guidance>
- Cycle to work alliance (a group of leading scheme providers):
<http://www.cycletoworkalliance.org.uk/>
- Cycle Scheme - Providers of the Ealing Borough Council Cycle to Work Scheme:
<https://www.cyclescheme.co.uk/>
- HMRC – Fair market valuation of bicycle at the end of the loan period:
<http://www.hmrc.gov.uk/manuals/eimanual/eim21667a.htm>
- A voluntary initiative for businesses/schools to sign up to is the Cycle to Work Guarantee, which challenges businesses to provide employees with further facilities and incentives to get them cycling to work. This is great for employees and an attractive benefit for companies to provide. <http://www.cycletoworkguarantee.org.uk/>
- Cyclescheme ownership process FAQs
<https://www.cyclescheme.co.uk/employers/employer-updates/hmrc-update>
- Cycle to work scheme FAQs <https://www.cyclescheme.co.uk/help/faqs/how-does-it-work>