

## Topic: Proposed Cycle to Work Scheme

For additional information regarding this proposal please contact the WeST HR Team on the above

### What is a Cycle to Work scheme?

A Cycle to Work scheme is a government sanctioned employee benefit that enables working adults to save 25-39% on the cost of a bike and/or cycling accessories.

The savings are generated by employees paying for their bike and/or accessories from their pre-tax salary (i.e. before tax is assessed or deducted). Obtaining the bike in this way reduces employees' taxable income and creates a tax saving. This mechanism for generating tax savings is known as a 'salary sacrifice'.

You choose a bike, hire it for an agreed length of time, you then have the option to purchase it for a fraction of its original value.

### How does the Cycle to Work scheme offered by Cyclescheme work?

To begin, you select the sort of package that suits your needs i.e. bike only, accessories only or bike and accessories. Cyclescheme have a calculator on their website that will help you check how much you can save. Once you have a budget in mind you can use Cyclescheme's retailer finder to find a local store or online retailer to shop with before making your application on the Cyclescheme website (or you may decide to make your application first).

Once the application has been reviewed and paid for by the Trust you will receive an e-certificate from Cyclescheme that you can exchange for your package at your chosen retailer. Meanwhile the Trust will set up the salary sacrifice for you to pay for the Hire Agreement.

Once the Hire Agreement and your salary sacrifice have come to an end Cyclescheme will contact you regarding your various ownership options which include:

- **Own it later** - You pay a small refundable deposit (either 3% or 7% of your certificate value) and continue to use the equipment for 3 years. No other payments (whatsoever) are required during this time. At the end of the 'Own it later' period, no further action or payment is required if you wish to keep the equipment - Cyclescheme simply retain your deposit and transfer ownership to you. Cyclescheme refunds the deposit if you do not wish to keep the equipment.
- **Own it now** - Take ownership of your package by paying Cyclescheme the market value (for a one-year-old package this would be 18% or 25% of the Certificate value in accordance with [HMRC requirements](#)).
- **Return** - Return the package to Cyclescheme at your own cost and pay no ownership fee.

For a quick summary of the scheme Cyclescheme have provided a short video which is available at <https://help.cyclescheme.co.uk/article/91-how-does-the-cycle-to-work-scheme-work>

## How are Cycle to Work savings made?

A Cycle to Work scheme operates as a salary sacrifice employee benefit. This means that you agree to give up part of your salary in exchange for a benefit – in this case the benefit would be a bike and/or accessories. The salary sacrifice is taken from your gross salary (before tax) which means that you will pay less Income Tax and National Insurance. For more detailed information from Cyclescheme about how this works please see <https://help.cyclescheme.co.uk/article/40-how-are-cycle-to-work-savings-made>

## Are all employees eligible for this scheme?

You must receive your salary via Pay as you Earn (PAYE).

As this is a salary sacrifice scheme there are certain criteria in relation to National Minimum Wage (NMW)/National Living Wage legislation (NLW). Essentially your earnings should be more than the NLW or NMW after the salary sacrifice is taken from your gross salary.

In addition because the scheme involve a Hire Agreement you must be 18 years old or older (or be 16-17 years old and have a guarantor).

Once an employee applies to the scheme an eligibility check based on these criteria would be carried out by the Trust prior to agreeing to the application.

## If I sign up for this Cycle to Work scheme will there be a change to my employment contract with the Trust?

As part of the Cyclescheme Hire Agreement Terms and Conditions you will be asked to electronically sign an Amendment to your Employment Contract (Employment Amendment) to confirm your agreement to take part in the salary sacrifice arrangement. The Trust advises you to read the Terms and Conditions of the Hire Agreement carefully and ensure you understand them before signing.

## Will the salary sacrifice have an impact on my pension?

- **Teachers Pension** – Under the Teachers Pension scheme a Cycle to Work scheme is an approved salary sacrifice scheme therefore the Cycle to Work benefit remains pensionable. Therefore, if you are a member of the Teachers Pension scheme your pension contribution will be based on your full gross salary before the Cycle to Work salary sacrifice is applied.
- **Support Staff** – Under the Local Government Pension Scheme a Cycle to Work benefit is considered to be pensionable. Therefore, if you are a member of the Local Government Pension Scheme administered by Peninsula Pensions or Cornwall Pensions your pension contribution will be based on your full gross salary before the Cycle to Work salary sacrifice is applied.

Please be aware that the salary sacrifice will result in reduced National Insurance Contributions (NIC) which may have an impact on your state pension entitlements. This is particularly the case where your earnings are very near the threshold for making NICs.

## Will the salary sacrifice effect any statutory payments I may be entitled to?

Some statutory payments are calculated based on average gross earnings. These include Statutory Maternity Pay, Statutory Sickness Pay, Statutory Paternity Pay, Statutory Shared Parental Pay and

Statutory Adoption Pay. Where there is a salary sacrifice being applied during the period the average is calculated then this will be based on the earnings which NIC are applied to ie. pay after the salary sacrifice has been made but before NIC have been taken.

This may result in your not being entitled to these statutory payments if that lower rate of pay takes you below the NIC threshold.

### **Will the salary sacrifice effect any contractual payments I may be entitled to?**

Some contractual payments are calculated based on gross salary. This includes Contractual Maternity Pay, Contractual Sickness Pay, Contractual Paternity Pay and Contractual Adoption Pay. As the cycle scheme operates as a salary sacrifice scheme and is not a straight deduction from your gross salary it will depend on contractual arrangements with your employer whether your gross salary before the salary sacrifice is made is used to calculate these payment or your gross salary after the salary sacrifice is made. The Trust has agreed that gross pay before the salary sacrifice is taken will be used to calculate these contractual payments.

### **What happens to the salary sacrifice if I need to take extended unpaid leave for some reason?**

If you need to take extended unpaid leave for any reason that results in there being no salary to apply the salary sacrifice to but you remain an employee of the Trust then the Hire Period will temporarily be suspended until you return to work. Once you do this the Hire Period will be extended for a period of time equivalent to the time it was suspended to allow you to complete the payments.

However, the Hire Period will not be extended by more that 6 months beyond an initial 12 months Hire Period. This means that if after 18 months from the start of the Hire Period there are payments under the Hire Agreement still due to be made, the full balance will become payable to the Trust. The Trust may seek to deduct this from any future net salary payments due to you or you may be required to pay the outstanding balance in a single lump sum within 14 days of this being requested by the Trust. The Trust will discuss the best way forward with you should this become a possibility to establish if there are alternative arrangements that can be made.

### **What happens to the salary sacrifice if the pay I receive is reduced temporarily (i.e. because I am on maternity leave, shared parental leave etc.)?**

In these cases the salary sacrifice can continue to be made provided it does not take your gross salary after the salary sacrifice has been taken below the NLW or NMW. If this happens then the salary sacrifice amount will be reduced or suspended. The period of the salary sacrifice would then be extended to allow you to complete the payments.

It is also worth bearing in mind that a salary sacrifice in return for goods and services cannot be taken from any statutory element of the pay you may be receiving. It can only be offset against any contractual element of the pay you may be receiving. This may impact on whether the salary sacrifice amount will need to be reduced or suspended.

Please also note that the rules around extending the Hire Period that apply to taking unpaid leave also apply here.

## **What happens if I leave employment with the Trust?**

If you leave employment or are made redundant during the Hire Period any outstanding salary sacrifice repayments will be taken from your final salary, from net rather than gross pay i.e. without any further tax exemptions.

This is because you will no longer be riding your bike to your original workplace which means you are no longer eligible for the tax saving.

If your final net pay does not cover the outstanding amount you will be required to pay the outstanding balance due to the Trust within 14 days of the date on which your employment ceases.

At this point Cyclescheme will make contact with you to discuss your options around ownership of the bike and/or equipment.

## **Do I have to ride to work everyday?**

To qualify for this scheme you do not have to commute by bike daily. However, you will need to:

- Use the bike and/or accessories mainly for commuting to and, if relevant, between workplaces.
- Ensure that 50% of the bike and/or accessories usage is for work purposes. For example, if you used the bike 10 times in a year, at least 5 of those journeys must be work-related.

The bike and accessories can also be used for non-work purposes.

Please be aware that there is no need to make a log of your journeys. However, you will be unable to claim business mileage allowance when using a bike that is hired to you by the Trust as would be the case here.

## **Are there specific retailers I will need to source my package from?**

Yes. Cyclescheme is in partnership with 2,000 retailers nationwide including 26 in the Trust local area. They have partnered with both national retailers such as Evans and Go Outdoors and local independent retailers. Participating retailers can be found at <https://www.cyclescheme.co.uk/retailers>

## **Where can I find further information regarding this proposed new benefit?**

Please contact the HR Team on 01752 891754 ext 1765 or at [hr@westst.org.uk](mailto:hr@westst.org.uk) Alternatively further information regarding the Cycle to Work scheme offered by Cyclescheme is available on their website at <https://www.cyclescheme.co.uk/>