



Cycle to work scheme

Frequently asked questions

Below are some questions and answers that you may find of interest when considering whether to participate in the Cycle to Work Scheme.

1. What is the Cycle to Work scheme?

The Cycle to Work scheme was introduced by the Department for Transport. The Government allows employees to hire bikes and certain related safety equipment on a tax-free basis known as salary sacrifice scheme (see point 2). The Cycle to Work scheme helps to promote healthier journeys to work, and reduce environmental pollution. The University works with Edinburgh Bicycle Co-operative in order to make the scheme available to staff.

2. What is a salary sacrifice scheme?

Under a salary sacrifice arrangement an employee gives up the right to part of his or her salary and receives a non-cash benefit from the employer in return which will not be subject to tax or national insurance deductions. Further details about salary sacrifice are available on the HMRC website at: http://www.hmrc.gov.uk/specialist/salary_sacrifice.pdf

3. How long is the hire period?

The hire period is fixed for a period of 48 months. HMRC have issued guidance to provide a simplified method for the valuation of bikes at the end of the hire period, in the form of a 'Valuation Table'. The hire period of 48 months has therefore chosen to minimise the market value payment, payable by you, at the end of the hire agreement period and is not negotiable.

Deductions from your monthly salary will, where possible, start from the first salary payment after you signed the hire agreement. There will be 17 equal monthly instalments in the first 17 months, with a final market value payment in month 48

4. How much will I save?

The overall saving depends on the initial cost of the bike and whether you are a basic or higher rate tax payer.

For Example:

An employee who is a standard rate tax payer, selects a commuting bike for £400 and equipment (i.e., rack, lock, lights, helmet, and high visibility clothes) that cost £150. The package total is £550 including VAT. The example also assumes that this employee has elected to pay the final market value at the end of the hire period to purchase the bike. This example is indicative only as not all staff have exactly these tax arrangements.

Total value of equipment:	£550.00
Monthly reduction in gross pay over 17 instalments	£ 32.35
Less tax (20%) and NI (12%) savings:	£ 10.35
Net cost each month:	£ 22.00
Net cost over 17 months:	£374.00
Final month 48 payment (£400 x 3% x VAT 20%)	£ 14.40
Amount saved overall:	£161.60

Examples of net monthly cost and net overall cost of leasing the bike;

Bike Value	Net Monthly Cost*	Net Cost of Leasing the Bike**
£300	£12.00	£215
£400	£16.00	£286
£500	£20.00	£382
£600	£24.01	£458
£700	£28.00	£535
£800	£32.00	£611
£900	£36.00	£688
£1,000	£40.00	£764

The figures in this table assume a salary up to £40,000. Costs are for tax year 2016/17 and a 17 month repayment period has been set.* Figures rounded to nearest penny. **Figures rounded to nearest pound & includes final market value payment

Bike Value	Net Monthly Cost*	Net Cost of Leasing the Bike**
£300	£10.24	£185
£400	£13.65	£246
£500	£17.06	£332
£600	£20.48	£399
£700	£23.89	£465
£800	£27.30	£531
£900	£30.70	£598
£1,000	£34.12	£664

The figures in this table assume a salary over £50,000, Costs are for tax year 2016/17 and a 17 month repayment period has been set. *Figures rounded to nearest penny ** Figures rounded to nearest pound & includes final market value payment

5. Why is the hire period so long?

As mentioned in question 3 above, HMRC guidance has been published which sets out in detail the guidance in relation to the market value to be used at the end of the hire period; <http://www.hmrc.gov.uk/manuals/eimanual/EIM21667a.htm>. The valuation table below provides the HMRC matrix for calculating the market value;

Age of bike	Acceptable disposal value percentage	
	Original price of bike less than £500	Original price of bike £500 or more
1 year	18%	25%
18 months	16%	21%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%

6. Can I join the scheme?

Yes, providing you have been a University of Leeds staff member for at least three months. Your current contract of employment should have fixed hours and not be scheduled to end before the hire payment period of 17 months.

Please see question 21 regarding the position if you leave before the end of the 48 month hire agreement, and refer to the market value table above.

Under Minimum Wage legislation, you will not be able to participate if the hire fee will result in your gross pay falling below the National Minimum Wage (NMW), currently £7.30 an hour (Oct

2016) (Workers aged 22 and over). If you would like to take advantage of the scheme and think that it may take you below the NMW please contact staffbenefits@leeds.ac.uk Ext. 33966.

7. When can I order my bike and safety equipment?

The scheme is available all year round. You can participate as soon as you have been employed for more than 3 months.

8. What are the conditions of hire?

You will be required to sign a hire agreement which is the key legal agreement with the University. It has been written to comply with Consumer Credit Law. Whilst we hope there aren't any, for legal reasons, the terms of this agreement prevail over any inconsistencies that there may be with this document. All hires must be from Edinburgh Bicycle Co-operative.

9. Why is Edinburgh Bicycle Co-op the only shop I can use?

After a formal tender process Edinburgh Bicycle Co-op came top because of their experience with the scheme, ease of administration and their range of products. The University prefers to deal with only one supplier at a time in order to keep the administration low and avoid different terms and conditions.

10. How do I get to the Edinburgh Bicycle Shop?

The Edinburgh Bike shop is located on 140 Woodland Lane in Chapel Allerton, LS7 4QG. It is easily reached by bus from the Leeds City Centre. The First bus number 2 goes from Vicar Lane (stop number V4). Get off at Harrogate Road opposite Short Lane. During the day this bus goes every 10 minutes. First bus number 91 runs every half an hour from Headingley (North Lane) into Harrogate Road opposite Ingle Row. Edinburgh Bike Co-operative also provides free car and cycle parking facilities. The shop is open 7 days from 10.00 to 18.00 and Thursdays until 19.00.

11. Who owns the bicycle?

Although you will have full use of the bike for the period of the hire, in order to obtain the tax advantages it is a requirement that ownership of the bike remains with the University until the end of the hire period.

12. How do I choose a bicycle and equipment?

Step 1: Read through this information and familiarise yourself with the terms and conditions.

Step 2: Visit the [Edinburgh Bicycle Co-operative](#) store at, Chapel Allerton, to decide on the bike and safety equipment you want.

Remember to take along your **Staff ID card** and **two recent payslips** as proof of employment with the University.

Edinburgh Bicycle Co-operative will reserve the goods and give you a printed receipt to take to the Staff Benefits Department.

Step 3: Once you have this receipt please arrange an appointment with the Staff Benefits Team, ext. 33966 or staffbenefits@leeds.ac.uk. The team are located in the HR office, Room 11.11, EC Stoner Building.

You should bring with you the **receipt** from Edinburgh Bicycle Co-operative and your **Staff ID Card**. The Staff Benefits Department will check your eligibility and ask you to complete and sign the Employee Hire Agreement.

Please note, once the Hire Agreement is signed salary deductions will start from the next available payroll, even if you fail to collect your bike.

Step 4: The Staff Benefits Department will issue you with a letter of authorisation (voucher).

Step 5: Collect your bike and safety equipment on the agreed date. Remember to take your letter of authorisation and photographic ID with you. You will not be able to collect your bike and safety equipment without these.

13. Can I use the bike for other purposes than commuting?

The bike and equipment must be used mainly (a minimum of 50% of the time) for the journey to and from your work at the University or in between your University workplaces. If this does not happen then you may no longer be entitled to the tax exemptions.

14. What bike equipment will be available to me for hire?

You are able to select from a range of bikes from Edinburgh Bicycle Co-operative. The bike must be suitable for journeys to and from work. As well as the bike, the salary sacrifice scheme also covers cyclists' safety equipment from the following list:

- helmets (European standard EN 1078),
- bells and bulb horns,
- lights, including dynamo packs,
- mirrors and mudguards to ensure riders visibility is not impaired,
- cycle clips and dress guards,
- panniers, luggage carriers and straps to allow luggage to be safely carried,
- locks and chains to ensure cycle can be safely secured,
- pumps, puncture repair kits, cycle tool kits and tyre sealant to allow for minor repairs,
- reflective clothing along with white front reflectors and spoke reflectors.

You must hire a bike in order to hire safety equipment.

You may hire a bike without hiring safety equipment.

A common sense approach should be taken when choosing equipment to hire.

Please note the following are examples of items not available to hire on the scheme: Magazines, books, maps, all food and drink, child seats, boot racks, roof racks, frames only (a complete bike must be hired). This is not a comprehensive list of the safety equipment which is not available to choose on the scheme.

15. How much can I spend?

You can spend up to a maximum value of £1,000.00 on the combined value of bike and safety equipment. You can only hire a bike and safety equipment the once.

16. What happens if I want a bike that costs more than £1,000.00?

The maximum you can hire your bike and accessories for is £1,000.00 and you cannot spend more than this by paying additional money to Edinburgh Bicycle. If you do require additional items that will take you over the £1,000.00 limit, the staff at Edinburgh Bicycle Co-operative will be able to help you purchase these via a transaction that is separate from your salary sacrifice arrangement.

The view of the HMRC (Inland Revenue) is that if an employee was to contribute towards the value of a bike or equipment, this would be deemed shared ownership and the hire would not be covered by the tax exemption.

17. What do I do if I experience problems with the bike or accessories?

Maintenance of the bike and safety equipment is your responsibility and you must keep it in good working order. Edinburgh Bicycle Co-op offers a free safety check after six weeks. They will send you a postcard as a reminder in due time.

18. What happens if the bike or equipment is damaged, lost or stolen?

It is your responsibility to insure the bike against damage and theft. If the bike is damaged or stolen the hire agreement is not cancellable and you will still be required to pay monthly for the bike and safety equipment hired, this will also include the final market value payment. If damaged, you will also be required to pay for repairs.

Bikes can be covered by your household contents insurance and treated like any other possession. Check your insurance's policy and make sure it covers the bike nationwide and that it pays for a replacement in case of a "total loss".

To reduce the risk of having your bike stolen, please ensure that you use an appropriate lock. General advice on theft prevention can include methods such as using an 'Approved Lock' which can lower insurance premiums, (these appear on the website of the Master Locksmiths Association, under the brand 'Sold Secure') please see www.soldsecure.com/leisure.htm for more information.

A number of proprietary marking and tagging systems are also available, the link below gives advice on effective marking, as well as general bikes theft prevention: <http://www.crimereduction.homeoffice.gov.uk/vehiclecrime/vehiclecrime063.htm>

Other insurances like Endsleigh, Cyclecover (Butterworth), or Cycleguard cover you in case of loss of or damage to your bike and accessories in a crash, theft of a bike and accessories (but not theft of accessories alone) and malicious damage.

Cyclists' Touring Club (CTC) members benefit from a free third party liability cover and legal advice.

19. Where can I park the bicycle on campus?

The University continuously installs new cycle facilities. There are about 1,000 stands and lockers available. There is a charge of £25 a year to hire a locker. If you want to know your nearest location or take advantage of one of the lockers please e-mail transport@leeds.ac.uk for further details.

What happens to the bike and equipment at the end of the hire period?

After 48 months, with hire payments in the first 17 months, the University must seek to dispose of the bike/equipment for a fair market value. The University cannot guarantee it will sell the bike/equipment to the person who has hired them.

Please see the table in question 5, which details the recommended HMRC fair market value percentages, these will apply to the cost of the bike and not to any equipment which has been purchased.

The University anticipates that interest in purchasing a bike and equipment will come exclusively from the member of staff that has hired such bike and equipment before.

21. What if I leave the University before I have repaid the full amount?

If your employment with the University terminates for any reason before the end of the hire period of 48 months, the University will offer you the opportunity to buy the bike in the same way as detailed under 20.

You will have the chance to pay the outstanding amount of the hire before your employment finishes together with the appropriate market value relevant to the age of the bike, as set out in 5. The University will deduct the outstanding amount from your final salary payments.

If this is not sufficient or does not happen for any reason, you must reimburse the University for any outstanding amounts upon demand. The University will then dispose of the bicycle/equipment as at the end of the hire agreement (see 20).

As stated under 24, the University believes that outstanding amounts outside of the agreed instalment arrangement will no longer be subject to the tax benefits.

22. What if I wish to pay the final market value before the end of the hire period?

It is possible to pay the final market value before the end of the hire agreement. The value would be calculated in accordance with the table in question 5. You may wish to consider this, for example, if you wish to purchase a new bike under the cycle to work scheme.

23. What happens if I am absent from work for a long period or deductions have not been made for other reasons?

If you are absent from work for long periods, for example on maternity leave, paternity leave or sick leave or any other extended leave, you will continue to have the bike and equipment on hire during your absence and your payments will continue as normal.

If you are not being paid at all, and you start earning again within the 48 months, deductions from salary, including recovery of outstanding amounts, will immediately re-commence.

If you are on reduced pay, deductions will continue from the monthly salary. If the amount in your salary is insufficient to meet the required payments, deductions from the amount available may continue. If the monthly salary increases again beyond the fixed monthly deduction, further deductions will be made to recover outstanding amounts.

Regardless of whether deductions have been made, for whatever reason (relating to absence or otherwise), you must repay the full hire fee within the 48 months or the shorter duration of the hire agreement in certain circumstances (e.g. leaving the University's employment before the end of the 48 months).

24. What is the tax position if you do not pay instalments exactly as agreed under the hire agreement?

If for any reason you have not made all 17 monthly payments in the amount and pattern of instalments required at the beginning of your hire agreement, the University understands that in accordance with HMRC rules, you will no longer be entitled to the tax benefits on any outstanding payments.

25. Will work-related pay benefits be affected?

Yes, there may be an impact on your entitlement to benefit payments such as statutory maternity or paternity pay, statutory sick pay and working tax credits, as these will be calculated on your reduced salary. There may also be an impact on your pension depending which scheme you are in (see 26). You are advised to consider carefully the effect that a reduction in pay may have before you decide to join the scheme.

More details on salary sacrifice and the impact on benefits are available on the HMRC Website at ; http://www.hmrc.gov.uk/specialist/salary_sacrifice.pdf

26. Will participating in the scheme affect my pension?

The implementation of salary sacrifice arrangements for the cycle to work scheme may have to be taken into consideration where you are also a pension scheme member. If there are any queries in relation to the impact of the Cycle to work Scheme and pension scheme benefits, please contact the Pensions Department.

USS, PAS and TPS members

The employee and employer contribution will continue to be based on the employee's pre-sacrifice salary. The pensions department will use a notional, pre-sacrifice, salary for pension benefit purposes, so there will be no impact on pension benefits in this period.

NHS

The employee and employer contribution will be based on the reduced, post-sacrifice salary. This will have the effect of reducing the pensionable pay, which could impact on any benefits such as ill-health retirement, death benefits or leaving service benefits which become payable in this period, or become payable within a year of receipt of these vouchers.

27. Mileage allowance

Cycling mileage allowance for business trips cannot be claimed by employees hiring a bike.

Important contact information;

Edinburgh Bicycle Cooperative, 140 Woodland Lane, Chapel Allerton, LS7 4QG, 0845 257 0808

Elizabeth Horne, Staff Benefits Department: e.horne@adm.leeds.ac.uk 0113 34 33966

Jill Nimmo, Staff Benefits & Pensions Manager, j.nimmo@adm.leeds.ac.uk 0113 34 34138

Staff benefits e-mail address; Staffbenefits@leeds.ac.uk

Staff Benefits Travel Website: <http://www.leeds.ac.uk/hr/benefits/travel.htm>