



Cycle to Work Scheme (C2W) Policy

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CELT Cycle to Work (C2W) Scheme

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What is the Cycle to Work Scheme (C2W)?

To promote healthier journeys to work and to reduce environmental pollution, the Finance Act 1999 introduced an annual tax exemption that permits employers to loan cycles for active travel and cyclists' safety equipment to their employees as a tax-free benefit (please note that as of 2013 this also applies to safety equipment only too – see below). C2W encourages employees to cycle to work and allows employers to reap the benefits of a healthier workforce. For society as a whole it means lower congestion and better air quality.

How are the savings made?

The cycle to work scheme is in the first instance a 'hire scheme'. In order to hire a bike and/or safety equipment, an employee agrees to a monthly reduction in earnings equal to 1/12 of the cost to the Trust for one year. This is a 'salary exchange' arrangement with the employer called salary sacrifice, so it is the amount of your salary after the exchange that is assessed for income tax and National Insurance (NI). This reduces the amount of tax and NI paid so that savings can be made in the first year, according to your tax band.

Here is an example:

The Trust agrees to loan you a cycle and safety equipment with a retail value of £600, and in return your gross salary is reduced by £50 per month for 12 months. For a basic rate tax payer, the equivalent monthly CELT reduction in pay would be around £35 and for a higher rate taxpayer, around £30.

What is the maximum value?

The maximum retail value through the majority of cycle to work schemes for cycles and safety equipment will normally be £1,000 or the equivalent of a month's salary multiplied by 12, whichever is the higher amount. A salary sacrifice arrangement must not reduce an employee's cash earnings below the National Living Wage (NLW) or National Minimum Wage (NMW) rates (i.e. your earnings should be more than the NLW/NMW after the salary sacrifice is taken from your gross salary). If you are paid on or near NLW/NMW CELT may be able to offer an alternative means of applying to participate in the scheme. CELT is also, in specific circumstances, able to access the Green Cycle Initiative (see below).

Can I place an order above £1,000?

The Trust can approve orders of up to £1,000 or the equivalent of a month's salary multiplied by 12, whichever is the higher amount. As mentioned above, a salary sacrifice arrangement must not reduce an employee's cash earnings below the NLW/NMW rates. If you wish to purchase a bike/safety equipment where the value exceeds this amount, it is your responsibility to agree payment of the excess with your chosen bike shop. However, if you have particular circumstances that mean you wish to purchase a bike/safety equipment where the value exceeds this amount, e.g. an e-bike, please contact the HR team to discuss your individual needs as there is an option to do this through Green Commute Initiative Ltd (GCI), who are authorised and regulated by the Financial Conduct Authority. Further information about how the GCI scheme works can be found at www.greencommuteinitiative.uk.

Which bikes and safety equipment are eligible?

Eligible equipment includes cycles for active travel and cyclists' safety equipment. The tax exemption defines a "cycle" as 'a bicycle, a tricycle, or a cycle having four or more wheels, not being in any case a motor vehicle' (192(1) of the Road Traffic Act 1988 (c.52)). An electrically assisted pedal cycle can be included under the scheme. Cyclists' safety equipment is not similarly defined in the legislation so a common-sense approach should be taken to the equipment provided. This could include:

- Cycle helmets
- 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/bags and straps to allow luggage to be safely carried
- Child safety seats
- 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
- Replacement parts to keep a cycle roadworthy, e.g. tyres, groupsets, brake levers
- Adaptations for disability/mobility issues
- E-bikes and E-bike conversion kits
- Reflective clothing or reflective cycle equipment, e.g. spoke reflectors
- Cycle trailers

Excluded: GPS ride trackers/navigation devices, bike racks for cars, cameras, turbo trainers or rollers, headphones etc are not permitted.

How do I order a cycle and/or safety equipment?

The Trust has teamed up with Cyclescheme (www.cyclescheme.co.uk). Cyclescheme has a network of over 2000 retailers nationwide so you can order a bike and/or safety equipment from any of them (click 'shop now' on Cyclescheme's homepage).

- To order a cycle and/or safety equipment, you first need to get a paper quote for the retail value of your chosen bike and/or safety equipment from your selected store. You will need the Trust's employer code, which is: fdf9e8.
- Enter the paper quote for the retail value online at www.cyclescheme.co.uk type in the employer code (fdf9e8) on the homepage and click 'let's get started'.
- Follow the on-screen directions.

As you are signing an agreement under the Consumer Credit Act, we recommend that you print a copy for your own records. If you do not have access to the internet you can call Cyclescheme on 0344 879 5101 to register your quote. Once registered, Cyclescheme will ask the Trust to accept or reject your application. You will be accepted, provided you are eligible to take part.

What are the eligibility criteria?

The scheme is open to all employees who are able to exchange the amounts needed for a period of 12 months. We must ensure that your salary would not fall below the National Living Wage/National Minimum Wage as a result of you participating in this and any other salary exchange arrangement.

Approval

Once your application is approved, the Trust will pay the full amount to Cyclescheme for your cycle and/or equipment. Cyclescheme will then send a certificate for the total amount via email or to your home address, (you can select which) for you to redeem at your cycle shop.

Your monthly salary will be reduced by 1/12 of the total cost starting from the payroll immediately following settlement with Cyclescheme. Should we not be able to approve your application we will contact you immediately.

How long does this process take?

From application to redemption, the process usually takes around 3-14 days. However, some applications may take longer.

What happens at the end of the 12-month agreement?

The Cycle to Work scheme is based on bike/equipment hire with no automatic right to ownership at the end of the hire period. You will not own the bike during the hire period and an ownership fee will be due at the end of the hire period. This is to avoid tax liability and to ensure ownership of the bike/equipment is smoothly and effectively transferred from the employer to you. At the end of the hire period (usually 12 months from the point you received your Certificate used to collect your bike), you select an ownership option. Cyclescheme will contact you with your ownership options at the end of your hire period.

If you choose the 'Own it Now' option you pay your ownership fee and own the bike/equipment.

If you do not want to own the bike/equipment at this stage, it may be possible to enter into a secondary 'Own it Later' agreement for a fixed period. You would be required to pay a one-off continuation deposit with no further payments due during the extended hire period. At the end of the extended hire period when your package is 4 years old, you may be given the opportunity to become the owner of the bike/equipment, or return it to Cyclescheme. If you wish to own the bike/equipment your deposit will become your ownership fee, Cyclescheme will retain the continuation deposit.

The third option is to return the bike/equipment to Cyclescheme and you do not have to pay an ownership fee.

For more details on the options after 12 months and a short video guide to Cyclescheme's easy end of hire process, please see: www.cyclescheme.co.uk/help/faqs/end-of-hire.

For further information about the ownership fee, please see:

www.help.cyclescheme.co.uk/article/72-how-is-the-cycle-to-work-ownership-fee-calculated.

What will be the Fair Market Value (FMV)?

HMRC permits employers to follow a simplified valuation approach for establishing FMV. It has published a table of acceptable FMV levels that vary according to the age of the bike and the original

purchase price including equipment; for example, after one year the FMV of a cycle and/or equipment originally costing under £500 would be 18%, and after 4 years 3%.

Please follow the link for the complete table and further information:
www.hmrc.gov.uk/manuals/eimanual/EIM21667a.htm.

Can the Trust pass on VAT savings?

The Trust is VAT registered and will be able to reclaim VAT on the bike purchase, however, the monthly payment from you must include a charge for VAT and subsequently no savings can be passed to you.

What happens if I leave the Trust before the 12-month agreement has ended?

The tax and NI concessions are available only whilst you are an employee. Therefore, on leaving the Trust, an amount equivalent to the salary you would have exchanged over the remaining term of the agreement will be due to the Trust and this will be taken from your final net salary payment as a CELT pay deduction, i.e. without any tax exemptions. You may also be given the option of buying the bike at the end of the 12-month agreement, by following the FMV process described earlier.

If your agreement is with GCI, any outstanding amount on the loan must be repaid within 14 days of leaving the employment. However, the final salary payment must not take you below the minimum wage. If the outstanding amount owed is not fully covered by the final salary payment, you must pay it through your own means. This will mean that you lose the tax-free benefit on any amount not paid via your salary. The GCI salary sacrifice agreement is attached at Appendix 1.

Does taking part affect my pension or any other entitlements?

Obtaining a bike under C2W does not affect your Trust pension, however, should you have any particular questions relating to this scheme and your pension membership, please email your pension manager.

Do I need to insure the cycle?

Despite the cycle being 'loaned' the rules of the scheme clearly state the employee takes responsibility for the maintenance and security of the cycle. Therefore, it is strongly advised that insurance is taken out for both at and away from home. We recommend that you also obtain an excellent quality lock to protect your bike. If the bike is stolen you will remain liable for the hire payments and potentially an ownership fee too. In addition, if you cannot ride the bike to work (because it's been stolen) you will no longer be eligible for the tax-efficient savings.

How often do I need to cycle to work, does it need to be the whole way and can I get more than one bike?

Under the rules of the scheme, you should use the cycle and/or safety equipment to get to work for at least 50% of the cycle's/safety equipment's usage. This can be for part of the journey, e.g. to a train station. You can purchase two cycles at one time but they must both be needed for the work journey

(e.g. either end of a train journey) and both be for yourself. Please note that the £1,000 salary exchange limit still applies, any additional cost would be paid direct to the bike shop, subject to their agreement.

Changes to C2W

If HMRC changes the rules that govern salary exchange arrangements such as C2W, the Trust reserves the absolute right to change, suspend or withdraw the scheme without notice.

Any more questions?

For any further queries, please contact the CELT Payroll Team:

Email payroll@celtrust.org

Phone 01726 216652

Visit Cyclescheme's website or contact them directly for further detail and general scheme queries:

Web www.cyclescheme.co.uk

Email info@cyclescheme.co.uk

Phone 0344 879 5101

Visit Green Commute Initiative Ltd's website or contact them directly for further detail and general scheme queries:

Web www.greencommuteinitiative.uk

Email info@GreenCommuteInitiative.uk

Phone 020 3740 1836

Department for Transport guidance:

Web www.gov.uk/government/publications/cycle-to-work-scheme-implementation-guidance

HMRC guidance:

Web www.hmrc.gov.uk/manuals/eimanual/EIM21664.htm

Salary Sacrifice Agreement **Between:**



Cornwall Education Learning Trust of

Atlantic Centre, Trenance Leisure Park, Cornwall, TR7 2LZ (Employer) and

[Name] of

[Address] (You)

Whereas the Employer has purchased a voucher for the hire of a Commuter Package of your choice from the Green Commute Initiative Limited.

The Commuter Package comprises a **[Bike model]** chosen by you.

In return for the provision of the voucher, You and the Employer agree:

1. That you will accept a new remuneration package, which includes a combination of cash and benefits, to enable you to take advantage of the regulations for the provision of a bicycle and associated safety equipment as a tax-free benefit in kind under section 244 of the Income Tax (Earnings and Pensions) Act 2003.
2. That your gross salary will be reduced by **one amount of £[Amount] and 11 amounts of £[Amount]**. The total reduction of your gross pay is **£[Total amount]**.
3. That the majority of the use of equipment provided to you will be for commuting purposes and that you are not required to keep any log or record of your usage of the equipment.
4. That in the event of you not being in receipt of your salary or that your salary is reduced so that the reduction specified above would take your salary below the national minimum wage, that the reduction shall be suspended until you are once again in receipt of sufficient salary for the reduction to resume. You will continue to have the use of the package during such periods.
5. That in the event of your employment terminating for any reason all monies outstanding under this agreement shall be paid to the Employer from any monies owing to you by them such as but not limited to: outstanding salary, holiday pay, or bonuses.
6. In the event that such monies are insufficient to settle the outstanding amount you agree to pay the Employer any shortfall within fourteen days of the termination of your employment.
7. That your new remuneration package will take effect from the commencement of the whole salary period following your next salary payment date that occurs at least fourteen days after your signing of this agreement.
8. You may only cancel this agreement within fourteen days of electronically signing provided you have not collected and used any part of your package. If you have collected or used any part of the package you forfeit the right to cancel. You can inform us and Green Commute Initiative of your intention to cancel by e-mail or in writing. Green Commute Initiative Ltd can be contacted by emailing cancellation@greencommuteinitiative.uk or by writing to 71-75 Shelton Street, Covent Garden, London, WC2H 9JQ. In this event any voucher issued to you will be cancelled and neither the Employer or Green Commute Initiative Ltd shall have any liability to you.
9. If you cancel this agreement, the salary sacrifice will remain in place unless there is a subsequent variation in your terms and conditions.
10. That your liability and payments due under this agreement will continue even if the Package or any part of it is stolen, lost, destroyed or otherwise made temporarily or permanently unavailable.
11. That this agreement shall be signed electronically.

Should you require further information, please contact

The Governance Officer.

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