

Cycle to Work

Operational Guidelines

To promote healthier journeys to work and to reduce environmental pollution, the 1999 Finance Act introduced an annual tax exemption, which allows employers to loan cycles and cyclists' safety equipment to employees as a tax-free benefit.

The Moray Council has operated the Cycle to Work scheme a number of times, and following changes in guidance from HMRC, these notes have been developed. They are for guidance only and reflect the legal position at the time of writing. They are to be used as a general operational guideline. Any further questions please contact HR on telephone (01343) 563261 or HR@moray.gov.uk

Contents

- Eligibility
- Cycle Ownership
- Salary Sacrifice
- Cycle and additional equipment
- Independent Retailers
- Additional Cycles
- Insurance
- Scheme Administration
- Leaving the Scheme
- Miscellaneous

Eligibility

Employees are required to have at least 6 months service and a contract for 12 months or longer from the month following the closure of the Election Period to be eligible to participate in the scheme.

Part-time employees can apply as long as the deductions do not bring them below the National Minimum Wage levels. The Payments Section will carry out this check.

The Department of Transport and HMRC guidelines states that the cycle must be used to cycle primarily to and from work, this should be around 50% of the usage.

Cycle Ownership

The bicycle is the property of Moray Council until the end of the lease (12 months). *There is no automatic entitlement for the employee to take ownership of the cycle and cyclists' safety equipment at the end of the loan period.*

However, at the end of the hire period, the Council may choose to allow employees to hire the equipment over an extended period of 6 years at the end of the original

Hire Term at no additional cost. This will allow the bike's value to depreciate sufficiently, thereby minimizing the cost to you.

To facilitate this transfer at the end of the extended period, HMRC guidance would be used to establish the residual value of the bike. The current guidelines state the following values would apply if an employer wanted to sell a bike to an employee following completion of the Hire Term (employers must follow this matrix to ensure continued scheme compliance):

Age of cycle Acceptable disposal value percentage

	Original price less than £500	Original price £500+
1 year	18%	25%
2 years	13%	17%
3 years	8%	12%
4 years	3%	7%
5 years	Negligible	2%
6 years & over	Negligible	Negligible

Salary Sacrifice

A salary sacrifice happens when an employee gives up the right to receive part of their cash pay due under their contract of employment. A salary sacrifice is neither a deduction from salary nor is it a charge on salary, it is where the employee agrees to accept a lower amount of salary - usually in return for the employer's agreement to provide some form of non-cash benefit (in this case the loan of cycle or cyclists' safety equipment).

If an employee is absent from work during the period covered by the agreement, the salary reduction will remain in place and will apply to any pay received (e.g. sick pay, maternity). By entering into an agreement, an employee agrees that the amount of monthly salary reduction may be deducted from such payments. If an employee is temporarily not in receipt of salary payments for any reason, but remains an employee of the Council, the agreement will remain in place, and be extended for a period equivalent to the period where the employee is not in receipt of salary payments, repayment hereunder to recommence when salary payments recommence.

Cycle and Additional Equipment

Participants can choose their bicycle from the entire range of Halfords bicycles, online provider or a number of independent retailers, plus take advantage of any in-house deals that are ongoing at the time.

Eligible equipment includes cycles and cyclists' safety equipment. This could include:

- Cycle helmets which conform to 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
- 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
- Reflective clothing along with white front reflectors and spoke reflectors

Independent retailers:

Please find a list of local independent retailers, for a full list of suppliers in Scotland, please contact Employee Benefits in Human Resources.

Cycle Circle, 7 High Street, Elgin, Moray, IV30 1EQ, UK

The Bike Bothy, 105 High St, Forres, IV36 1AA, UK

Additional Cycles

It is possible for an employee to have 2 bikes at the same time if they can demonstrate that both are used to cycle to work (for example, if a cycle was needed at either end of a train journey between their home and place of work). However, in all other circumstances, if an employee wants more than one cycle then they will be required to settle the value of the original leased cycle at that time.

Insurance

The Moray Council and Halfords are not responsible for any damage or loss occurring to the Goods since you first collected or accepted delivery of the Goods under the Existing Hire Agreement. You are therefore advised to take out separate insurance for the Goods or to ensure that the Goods are covered by your home contents insurance policy.

Scheme Administration

The Cycle to Work Scheme is now administered online. Process:

- 1) Have a look at the cycles and safety accessories available at the Halfords store, Elgin, online or at a local provider
- 2) Decide how much you need to spend
- 3) Complete the Halfords Hire Agreement by logging on to www.cycle2work.info
- 4) Sign' an electronic version and payroll and HR will be alerted that you have applied
- 5) After processing the Hire Agreement it will be countersigned by Human Resources and you will receive a letter of collection via email
- 6) Once you receive your Letter of Collection go to Halfords (or the store you have chosen) and place your order.

NB: Please note that change from the voucher amount will not be given therefore it is important to plan carefully the value of the Letter of Collection you require.

Should the online process be problematic, please call **Halfords** on **03455 046444**.
Or HR on 01343 563261.

Leaving the Scheme

The cycle to work Hire Agreement is a 12 month agreement. However, if an employee leaves employment they will no longer be able to benefit from the tax exemption under the cycle to work agreement. Therefore if employment with the Council ceases for any reason during the initial 12 month term, the employee will be required to pay a termination fee to the Council. The termination fee will not exceed a value equal to the outstanding monthly salary reductions. This will be collected by the Council from any remaining net salary payments. Should this not be possible for any reason, or the outstanding liabilities exceed any remaining net salary payments, the Council will require settlement of any outstanding liabilities within 14 days of employment ceasing.

Should an employee leave the Council during the term of The Replacement Agreement which is for a 60 month period, the Replacement Agreement will terminate when your employment with the Moray Council ceases. A fee will be charged to transfer ownership, this payment is calculated using the HMRC matrix and will be taken from your final salary.

Miscellaneous

Any agreement is governed by Scottish Law. The Council, Halfords, their nominated agents and you submit to the jurisdiction of the Scottish courts to settle any dispute arising under or in connection with any agreement.

If you default on your obligations you must pay any reasonable legal, administrative and any other costs or expenses that the Council incur in enforcing their rights under any agreement.