THE EXECUTIVE

13 SEPTEMBER 2005

JOINT REPORT OF THE DIRECTOR OF FINANCE AND THE DIRECTOR OF CORPORATE STRATEGY

DEPARTMENT OF TRADE AND INDUSTRY (DTI) INITIATIVE ON EMPLOYER PROVIDED HOME COMPUTER INITIATIVE (HCI) SCHEME	FOR DECISION

This report updates Members on progress regarding the Home Computer Initiative (HCI) and now seeks approval to introduce a HCI scheme.

Summary:

The Department of Trade and Industry (DTI), together with Industry and Trade Unions are promoting the spread of computing skills by a Home Computing Initiative (HCI Scheme). Details of the Scheme and financial implications for the Council and employees are included.

Wards Affected: None

Implications:

Financial:

This proposal requires a 'one-off' sum of £10,000.

Legal:

Legal Advice for this London-wide scheme is to be provided by the City of London Corporation.

Risk Management:

The key risks for the Authority are that by not participating in a HCI scheme could potentially disadvantage our staff by not promoting the spread of IT skills. Also it would not enhance the Council's reputation as a good employer and affect the promotion of our Community Leadership Role.

Social Inclusion and Diversity:

The Race Relations (Amendment) Act 2000 places a requirement on local authorities to make an assessment of the impact of new and revised policies in terms of race equality. Existing policies have already been subjected to impact assessments. This Authority has adopted an approach of extending the impact to cover gender, disability, sexuality, faith, age and community cohesion.

As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.

Crime and Disorder:

There are no specific implications insofar as this report is concerned.

Recommendation(s)
The Executive is asked to agree: 1. The participation in a London-wide scheme led by the Greater London Association (GLA) for all permanent staff. 2. Approve the sum of £10,000 from reserves as a 'spend to save' initiative which will be recouped as savings accrue from take-up of the scheme.

Reason(s)
1.   To help staff in the introduction of IT skills or to improve their skills. 2.   To assist the Council in its Community Leadership role.

Contact Officers:	Title:	Contact Details:
Malcolm Simons	Head of Business Services	Tel: 020-8227-2002 Fax: 020-8227-2868 Minicom: 020-8227-2413 Email: malcolm.simons@lbbd.gov.uk
David Wells	Business Services Manager	Tel: 020-827-2553 Fax: 020-8227-2868 Minicom: 020-8227-2413 Email: david.wells@lbbd.gov.uk

1.   Introduction & Background

1.1   At the meeting on 19th October 2004, Members agreed in principle to some initial staff consultation about the possible introduction of a Home Computer Initiative scheme (HCI) at Barking and Dagenham. The scheme allows staff to obtain IT equipment for their personal use at reduced cost through deductions from salary. Some London Boroughs already have their own scheme in operation. Initial funding of £5,000 was agreed to enable some specialist advice to be obtained on how a scheme might operate and what issues need to be considered in connection with such an initiative. Details of how the scheme works are attached as Appendix A.

1.2   Following a tendering exercise with specialist, independent consultants the quotation from SOCITIM was accepted as providing the best arrangement for the Council. Whilst there are many companies that are offering advice and support on the introduction of an HCI scheme, it was felt to be necessary to ensure that a consultant was selected that was independent of any sales organisation.

1.3   An explanatory note about the scheme was provided for all permanent staff (weekly, monthly, teachers, part- and full-time) and circulated with pay slips during February, together with an article in the Council's "People Matters" magazine. Enclosed with the note and the "People Matters" item was a return slip for staff to express an initial interest in a scheme or for them to attend one of four briefing sessions that were held at the Town Hall and Civic Centre during March.

1.4   The briefings included a short video with presentations by representatives from the Trades Union Congress (as the scheme is supported nationally by the TU's), Confederation of British Industry and Institute of Directors, an outline of how the scheme works by the SOCITIM consultant, comments by local Trade Union

representatives and Senior Business Services staff on the possible introduction of a local scheme, future actions and timetabling.

2. Current Position

2.1 Approximately 10% of staff have expressed an interest and the Trade Unions provided speakers at the presentation to offer their support for this Initiative. The Trade Unions have been very pro-active promoting the introduction of a scheme at Barking & Dagenham and have been keen to assist officers wherever possible.

2.2 Members may recall from the previous report that the introduction of an HCI scheme could be achieved at "nil cost" to the Council as any initial set-up expenses or additional administrative support could be off-set by savings in employer's National Insurance contributions, as the hire of the equipment is paid for by the employee as a "salary sacrifice".

3. Report Detail

3.1 Since the staff consultation exercise the GLA (Greater London Authority) circulated details of a seminar to all London Authorities regarding a London wide HCI scheme. The GLA Scheme will be operated by Citizens Online which is a charitable organisation established to further the introduction of Information Technology into homes.

3.2 The benefit of participating in a London-wide scheme is better leasing and negotiation power with suppliers because of the potential number of employees that may be included in the scheme which could be in the region of as many as 200,000 across London. Because of the potential customer base the customer support provided by the computer equipment supplier is likely to be better and therefore more beneficial to the employees in the scheme.

3.3 As a result of the GLA seminar and subsequent meeting approximately half of the London Authorities have indicated an interest in participating in a scheme. The City of London is providing legal advice and support together with preparation of the contract documentation so that a tendering exercise could be undertaken by Citizens Online on behalf of the participating Authorities.

3.4 It is envisaged that officers from the participating Authorities will work collaboratively in a series of Working Groups to ensure the smooth operation of the scheme. If the Council agree to London Borough of Barking and Dagenham's participation in the project, it is felt that we could offer some support regarding participation in the Working Group for marketing and promotion of the scheme, in view of the work that has already been done locally.

3.5 The GLA Scheme is likely to be available by November so that orders   can be delivered before Christmas 2005.

3.6 Members may also be interested to know that, as part of the Basic Skills Learning Initiative, any 'front-line' employees without direct access to a computer, are being encouraged to pick-up basic IT skills which is supported by the Trade Unions who have provided the majority of Learner Representatives.

3.7   Learning Representatives are available within the workforce to assist and computer access is provided to enable use of the Council's Intranet, the internet and other programs.

3.8   The HCI Scheme will further this learning initiative.

4.   Implications

4.1   A scheme of this nature still needs local support and administration. In the short term there could be some significant work in the areas of:

- Further liaison with staff
- Adjustment of Corporate IT system to facilitate special deduction arrangements
- Collation of confirmed participation in the scheme by employees
- Circulation of scheme details and marketing literature
- Receipt and collation of equipment to be purchased
- Adjustment to Payroll data to affect Salary Sacrifice and   deductions from pay.

The estimate cost of this temporary support is in the region of a one-off cost of £10,000.

4.2   When added to the initial £5,000 that Members agreed in 2004/05 which was spent on the consultant support and some publicity material, in total this means an initial outlay of £15,000. These will be recouped from the first year savings. Details of the savings are shown below.

	£	£
Equipment Lease Costs	1,000	1,500
Annual saving per employee	42.69	64.00
Take-Up 5% (annual saving)	19,210	28,880
Take-Up 10% (annual saving)	38,421	57,600
Take-Up 15% (annual saving)	57,631	86,400

4.3   As over half of the workforce live locally this HCI Scheme would help to project the DTI Initiative and enhance the Authority's Community Leadership function by giving local people greater access to IT.

4.4   It should also be noted that this project could also provide the Council with a valuable financial benefit.

4.5   The Executive are asked to approve the participation in a London-wide scheme led by the GLA and the scheme to be available for all permanent members of staff.

4.6   Members are asked to approve an additional £10,000 to set-up the scheme which will be repaid as savings accrue.

5.   Consultees

Executive October 2004
Original report CMT September 2004
Solicitor to the Council
Head of Corporate HR
Trade Unions

Background Papers

- Department of Trade and Industry (DTI)/Cabinet Office paper: 'Maximising Potential in the Workplace'

- DTI/Cabinet Office/Department for Education and Skills papers: 'Case Studies – Royal Mail and Air Products'

How does this scheme work?

Any employer who takes up a Home Computing Initiative will be able to offer computers to staff at a bulk purchase price and from income which is free of tax and National Insurance.

The details will not be the same in every workplace, but in a typical scheme an employer will offer a range of different computers and accessories, probably from a catalogue. Staff will give up a small amount of their pay, sufficient to meet the cost over three years.

The Scheme works on the basis of a salary sacrifice by the employee to equate to the amount that has to be recovered to cover the lease costs of the equipment. A salary sacrifice happens when an employee gives up the right to receive part of their 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 computing equipment).

For a benefit such as a loaned computer, where there is a specific tax exemption, the employee can receive a tax and National Insurance Contribution (NIC) - free benefit instead of salary on which tax and Class 1 NICs would have been fully payable.

After around three years with a typical HCI scheme staff will get the option of buying the computer outright at a very good price, or returning it to their employer and, if they want, starting the scheme again with a more advanced machine.

Both public and private sector employers can take up the scheme.

> Employees benefit because:

- the government is providing a generous tax break
- bulk purchasing is likely to help bring the price down
- payment is by instalments without the high costs of some hire or   loan schemes.

It can mean anything from a third to a half off the cost of a new computer depending on how the employer sets up the scheme.

Based on information received from the DTI, the Council could achieve a cost saving resulting from a reduction in employer's National Insurance contributions, because the employee makes the salary sacrifice to pay for the equipment.

Why is the government doing this?

Official research shows that there are fewer people in the UK workforce with good computer skills than in many other countries, and that part of the reason is that many homes are without a computer.

HCI schemes aim to spread home computer ownership and give people the chance to get the latest equipment by providing up to date PCs at a price that can be paid in installments directly deducted from the employees' pay.

Spreading computer skills more widely through the workforce will make the country more prosperous, and help people get better paid.

Why are unions backing this?

The TUC agrees with the government that people need to increase their computer skills. We know that most jump at any opportunity to learn new computing and this can help them get on at work. This scheme puts the two together. This is similar to the one introduced in Sweden, pioneered by their trade unions.

Locally, the Trade Unions have expressed their strong support for such a scheme and wish to work closely with the Council in taking it forward.

Why should employers do this?

It is in the interest of most employers to help improve the skill levels of their workforce, and they are getting a small tax break too – the saving on employer's NI on the part of the salary 'given up'. The CBI is backing the scheme.

Computer suppliers are working with government and employers to ensure the scheme is as simple as possible to operate. And it's a real perk which is worthwhile and easy for any good employer to offer their staff.

Why should employees get a computer?

A home computer can make life easier and more fun for everyone. Here are just some of the benefits:

Education - computers now play an essential role in educational groups. Whether it's GCSE course work or adult home learning or word processing tools, the Internet and other popular tools make it easy to learn and fun to learn at your pace, when you've got the time.

Entertainment - most new PCs and laptops support the latest video games, music downloads, DVDs and other popular multimedia formats.

Keeping in touch - email has changed for ever the way that we communicate. It's now cheap and easy to stay in touch with friends or relatives, whether they are round the corner or the other side of the globe. And of course it's easy to get the latest information from suppliers, news, sport and media online.

Convenience - there are thousands of shops online from famous high street names to specialist electronic retailers. Security for financial transactions is greater than ever. Most banks and other financial institutions enable PC users to manage their accounts via the Internet.

Saving money - It easy to compare prices and search out discounts.

Financial Implications

From initial quotes obtained the cost to the employee will depend on the computer package and employees salary level, but could vary from around £4 to £7.50 a week over three years. An example of a typical cost make-up is as follows:-

Estimated cost of Computer System - £1070

Gross Monthly Salary Deduction (repayable over 36 months)	£29.74
National Insurance Contribution saving	£3.27
Income tax saved	£6.54
Employee pays - net monthly cost	£19.93
Weekly equivalent	£4.60

Note 1 Based on basic rate income tax. 40% tax payers would pay net monthly cost of £17.55
Weekly equivalent £4.05

Using the example above based on equipment value at £1070 to be repaid over 3 years, each year the employee would sacrifice approx £357 of gross salary generating employers national insurance contribution savings of £45.69 per employee per annum. The total saving to the Authority would depend upon the employee take-up for this scheme and the cost of the equipment.