

ANGUS COUNCIL

RESOURCES AND CENTRAL SERVICES COMMITTEE – 20 OCTOBER 2005

HOME COMPUTER INITIATIVE SCHEME

REPORT BY THE CHIEF EXECUTIVE

ABSTRACT

This report proposes the introduction of a Home Computer Initiative scheme.

1. RECOMMENDATION

The committee is recommended to :

- a) approve the introduction of a Home Computer Initiative (HCI) scheme for council employees; and
- b) approve the use of the Home Computer Initiative Framework Contract already agreed between the Scottish Executive and BT, Fujitsu Siemens and Club IT; and
- c) approve the award of the contract for delivery of the Home Computer Initiative for a three year period to the preferred supplier under the Scottish Executive Framework Contract; and
- d) approve a Salary Sacrifice scheme as the method of payment by those who are eligible to participate in the Home Computer Initiative.

2. BACKGROUND

The Finance Act 1999 and Income Tax (Earnings and Pensions) Act 2003 introduced legislation allowing employers to utilise Salary Sacrifice Schemes to deliver tax-free benefits directly to employees. The government has applied the legislation to personal computers and ancillary equipment (PC's) as a mechanism to increase the penetration of PC's in UK homes, thus bringing the vision of a Digital Britain closer to reality.

In general terms, this scheme enables eligible employees to lease new PC's through the council with the added benefit of savings in their National Insurance and Income Tax.

Operating this scheme will attract a saving to the council in terms of reduced employers' National Insurance contributions, the amount of which cannot be estimated until the uptake has been confirmed.

Historically, the uptake of HCI Schemes in the Public Sector in Scotland was negligible. Research showed that the reluctance to participate was due to the perceived length, cost and administration burden of the procurement cycle. Recognising this, the Scottish Executive ran a procurement exercise on behalf of the entire Public Sector in Scotland to determine the best placed HCI Providers and agree contractual terms and conditions of supply with these HCI Providers.

The Scottish Executive's procurement resulted in a Framework Contract being awarded to three HCI Providers: BT, Fujitsu Siemens and Club IT in January 2005. The Framework award was for a three year period with an option to extend for a further two years.

The Framework Contract provides for public sector bodies such as local authorities to access the benefits of the Framework Contract by entering a contract directly with the preferred supplier.

The contract between the council and the preferred supplier will be for a period of three years from the commencement date for the supply of equipment on new leases. There will be an option to further extend the contract for two further periods of one year. There will also be a separate contract between the council and a finance company associated with the preferred supplier to fund the leased equipment in terms of the proposed arrangements.

The council will be responsible for deducting payments from the salaries of participating employees and remitting a monthly payment to the finance company. Payments will continue for three years from the date of last equipment provision under the contract.

The selection of the Framework Contract preferred supplier means that the council will obtain the benefit of the procurement exercise carried out by the Scottish Executive on behalf of the Public Sector without having to undertake a tender of its own. This means access to an established HCI Provider at competitive rates and agreed service levels in terms of delivery, service and support to the consumer. In addition, the HCI Provider will undertake certain aspects of the promotion and marketing of the Scheme to employees at no additional cost to the council.

Employees will obtain the benefit of a recognised PC brand at a lower relative cost, supported by a recognised service provider for the duration of the lease. Employees will also receive guidance with the selection and ordering process, delivery and installation of the products chosen and on-going user support from the provider through telephone and web channels.

Utilising the Scottish Executive Framework employees will be able to enjoy significant savings compared with High Street PC prices.

3. PROPOSAL

It is proposed that the council introduce a Home Computer Initiative scheme using the Scottish Executive Framework Contract for eligible employees. The scheme will be administered by the Chief Executive's Department (Personnel Services) with operational support from Finance Department.

Eligibility criteria will be established to ensure so far as is possible that employees are able to meet the obligations under the lease scheme arrangements. Eligibility vetting will be carried out by the Chief Executive's Department (Personnel Services) in conjunction with Finance prior to providing access to the scheme.

An information pack will be provided to employees, including a series of Frequently Asked Questions about the scheme, the Lease Agreement they will be required to sign, and an Equipment Catalogue.

Anticipated take up, based on the experience of other councils, is in the range of 10% to 20% of staff at initial launch of the scheme, this represents between 555 and 1110 staff obtaining the benefit of the scheme.

Through this scheme employees can lease a computer through the council with the benefit of savings in National Insurance and Tax. The council will also be in a position to generate operational savings through a reduction in National Insurance employers' contributions.

The scheme operates via a 'Salary Sacrifice'. What this means is that an employee formally agrees to give up the right to receive part of their pay under their contract of employment, in return for the employer's agreement to provide the employee with some form of non-cash benefit. In summary, the 'sacrifice' is achieved by varying the employee's terms and conditions of employment to permit the deduction from salary for the duration of the Lease Agreement.

It is the intention to maximise the use of services offered by the preferred supplier under the Framework Contract, in terms of scheme promotion, employee information and equipment catalogue, to minimise the internal resource requirement to administer the scheme wherever possible.

The timetable for introduction of the scheme is governed in part by the approvals required from the Office of Fair Trading and HM Revenue and Customs. We are advised that these approvals take in the region of ten weeks to complete from date of application. The Framework Contract is in the process of preferred supplier re-selection by the Scottish Executive. It is anticipated, therefore, that the proposed scheme will require some time to establish to allow the council and the preferred supplier to ensure that arrangements for the scheme are complete and comprehensive. It is hoped that initial deliveries of equipment to staff will begin early in 2006.

4. FINANCIAL IMPLICATIONS

Given that the salary sacrifice is from gross pay affecting National Insurance and Income Tax deductions, there will be a beneficial consequence on the amount the council pays over as employer to the Inland Revenue in respect of National Insurance and it is proposed to accrue this saving to a central account within the Miscellaneous Services section of the council's budget. This amount cannot be estimated in advance as it is dependent on the level of take up. There is however a high level of likelihood that it will exceed the amount that will be charged to the scheme in respect of Finance and Chief Executive's Department (Personnel Services) recharges. It is also likely to cover any write-offs that may exceptionally arise under the scheme.

Unless the take-up is far greater than envisaged the extra workload arising from the scheme will be absorbed by both Finance and Chief Executive's Department (Personnel Services). If there is an exceptional take up requiring additional resources then a further report will be submitted, with any additional resource cost in this circumstance likely to be covered by the NI contribution reduction.

Where an employee leaves the council all outstanding payments remaining on an employee's Lease Agreement will become due and will be deducted from any final net salary payment. If the amount due is greater than the final net salary payment then the balance owing will payable to the council as a debt within 4 weeks of

leaving. Unpaid debts will be pursued through the council's normal debt recovery procedures. Again, the level of such instances or costs cannot be estimated.

5. HUMAN RIGHTS IMPLICATIONS

There are no human rights implications arising from this report.

6. CONSULTATION

The Director of Law and Administration, the Acting Director of Finance and all other members of the Management Team have been consulted in the preparation of this report.

D Sawers
Chief Executive

20.10.2005

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.