

**REPORT TO:** Executive Board Sub Committee  
**DATE:** 17<sup>th</sup> November 2011  
**REPORTING OFFICER:** Strategic Director – Policy and Resources  
**TITLE:** Computer Salary Sacrifice Scheme  
**WARDS:** Borough Wide

## **1.0 PURPOSE OF REPORT**

1.1 To define the proposal for a salary sacrifice scheme to allow all permanent members of Halton Borough staff and temporary employees with a contract lasting longer than the lease be included to take the option to lease personal computer equipment for use within the home.

## **2.0 RECOMMENDED: That**

- (1) the Board supports the development of this Scheme; and**
- (2) the Board waives Standing Orders in relation to procurement allowing the Scheme to be developed and made available by the 30<sup>th</sup> November 2011, prior to Christmas.**

## **3.0 BACKGROUND/SUPPORTING INFORMATION**

3.1 Salary Sacrifice is an accepted financial scheme that allows the employees of an organisation to take advantage of an opportunity to gain the use of equipment and services that would sometimes be unavailable financially if such schemes were not available to offer such opportunity.

3.2 The Personal Computer (PC) Scheme will allow employees the opportunity to budget within their means and take advantage of discounted rates and spread payment options for modern and up to date computer equipment, whilst supported by the added benefit of maintenance and insurance options.

3.3 The PC Scheme in particular is aimed at allowing wider access to what is often expensive technology that for many is not just desirable but necessary to improve an individual's and their respective family's access to the internet and its benefits. General requirements for communication through social media are on the increase for many children and adults. Also a larger proportion of employment opportunities are now expecting a minimum level of computer literacy that can be expensive to maintain.

- 3.4 For those with access to technology within the home already, technology refresh within the home environment is just as important as it is within the workplace. Many families due to the costs associated with technology replacement retain equipment well past the potential of the device and the software within; ultimately restricting their access to the later software packages and their need to be familiar with such systems and communication options for their school and working lives.
- 3.5 Many of us expect to upgrade our mobile phone every two to three years; our home computing environment is just as important. A Scheme such as this PC Scheme will allow individuals the opportunity to budget for such technology as they do with their phone and refresh and maintain essential skills when using modern and up to date equipment.
- 3.6 This benefits the Authority as employees' skills increase through general acceptance and the use of new software within the home. Also the acceptance of change within the working environment becomes less stressful and is accepted quickly.
- 3.7 This Scheme will offer technologies from Apple as well as the more mainstream Microsoft platforms that many employees are currently working with at the moment. The offering made available will also include Tablet computing devices such as the Android OS device and the iPad2 as this market is now starting to dominate the home computer market, for both children and adults.
- 3.8 How will the scheme work within Halton?
- 3.9 It is intended to operate the Scheme twice a year, once before Christmas and again just before the summer as many of the major manufacturers release upgrades or new developments around these times, allowing the Scheme to stay current in its technology offering.
- 3.10 The Scheme will be open to all eligible of staff, whose salary exceeds the legally prescribed National Minimum Wage and checks will also be made prior to the completion of an order that any payments do not reduce any individual's salary below this level.
- 3.11 Equipment will be made available through a dedicated Halton Borough Council internet portal. For those members of staff with no current work or home access to an internet enabled PC the Council's Libraries will be able to offer assistance in this area.
- 3.12 Computer equipment such as laptops and standard PCs will be made available under a 36 month lease with a small final payment for the option to purchase if the individual wishes to do so. If not, the device can be returned and new equipment can be chosen again under the Scheme as you would with a mobile phone contract.

- 3.13 Those devices that are considered to be more technology sensitive such as the iPad2 and the competing Tablet devices, a 24 month lease, will be used as the change of technology and fashion relating to these technologies is quite considerable. Again the return of the device or a small final payment will be an option.
- 3.14 All devices will be covered by a full technical warranty and insurance to cover accidental damage.
- 3.15 Once an eligible employee has accepted the terms and conditions set out within the portal, an order will be placed for the chosen device and delivery will be arranged.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 The process to date has involved the analysis of a number of similar schemes as well as the option of funding the scheme from within the Authority itself. The chosen scheme ~~on offer~~ delivers the least amount of financial risk to the Authority and offers the most financially viable options for the recipients of the Scheme in terms of the overall package inclusive of insurance and warranty supported by competitive rates in relation to the high street and the internet for the actual equipment on offer.
- 4.2 A visit to Shropshire County Council who operates a similar scheme with the supplier the Authority are intending to use has also taken place to evaluate the offering and its success.
- 4.3 Shropshire CC are also looking to operate as the Authority are, a scheme within the Authority's schools allowing parents and pupils to benefit through a similar scheme but utilising the considerable education discount the authorities can gain from the major suppliers such as Microsoft and Apple.
- 4.4 A pilot scheme of 4 schools within the Authority is in the planning stage at the moment, restricted to those schools that operate under the new Halton Schools' SLA. Financially this will benefit both the Authority and the schools whilst offering the pupils of the borough access to heavily discounted software and equipment in a similar scheme to the corporate offering this report is discussing but focused upon educational requirements and allowing wider access to current technology platforms.
- 4.5 The report requests that Standing Orders relating to the procurement of the Scheme and the associated suppliers is waived in order to initiate the availability of the service prior to Christmas. This will enable those members of staff considering the purchase of equipment at this time to consider the salary sacrifice scheme as an option, increasing the take-

up and the financial opportunities associated with the scheme for the Authority.

- 4.6 Contractual agreements are with Legal at the moment and documents will be finalised for approval by the relevant signatories. Inclusive of both the intended hire agreement and the variation to an individual's employment contract.
- 4.7 The delivery of the web portal will be completed if approvals are gained for launch on the 30<sup>th</sup> November 2011.
- 4.8 This project has had involvement of the Payroll and HR Teams. Following discussion with HMRC, HR have been advised that the full tax and national insurance implications will not become clear until the HMRC Clearance Team have assessed the terms of the salary sacrifice scheme, i.e., the scheme can be set up in principle but the liabilities on the employee and employer are determined once the scheme has been submitted to the Clearance Team. Financial advice and support has been obtained from the Authority's Finance Team in assessing the lease arrangements and the viability of the scheme.

## **5.0 OTHER IMPLICATIONS**

### **5.1 Example Costs:**

Product Samsung 15.6" 500GB, 2.2Ghz Note Book

Warranty Term 36 month warranty

#### Scheme Costs

Hardware Costs	£339.98
Warranty Cost	£50.00
Delivery cost	£10.00
Total Package Price	£399.98
VAT	£80.00
Sub Total	£479.98
Insurance cost	£78.45
Total Package Price	£558.43

Total Package Price (inc finance) £634.66

COST OF BORROWING £76.24

Monthly deduction from Gross Salary £17.63

Weekly deduction from Gross Salary £4.07

### **5.2 A GUIDE TO HIGHER RATE SAVINGS**

Income tax saving £2.82

National Insurance saving	£0.35
Total Saving	£3.17

Total Payroll Savings Over Scheme      £114.24

High Street Savings                              23%

### 5.3 **40% Tax Payer**

Approximate net cost per week	£3.34
Approximate net cost per month	£14.46
Approximate cost of lease	£520.42
Employee's Package Price	£560.02
Example of Final payment	£19.80

### 5.4 **A GUIDE TO BASIC RATE SAVINGS**

Income tax saving	£1.41
National Insurance saving	£1.94
Total Savings	£3.35

Total Payroll Savings Over Scheme      £120.59

High Street Savings                              24%

### 5.5 **20% Tax Payer**

Approximate net cost per week	£3.30
Approximate net cost per month	£14.28
Approximate cost of lease	£514.08
Employee's Package Price	£553.67
Example of Final payment	£19.80

### 5.6 **Employer NIC Savings Over Scheme                      £35.03**

Authority income margin to be 10% of the hardware value ex VAT.

### 5.7 **Employer NIC Costs of Running the Scheme**

Class 1a NIC will be payable by the Authority on the “benefit in kind” of providing the computer to the employee.

## 6.0 **IMPLICATIONS FOR THE COUNCIL’S PRIORITIES**

### 6.1 **Children and Young People in Halton**

6.1.1 Supporting the Council’s employees and families in improving access to technology that would have potentially been out of reach for many. The development of a schools’ scheme over the next 12 months will enhance this further.

## **6.2 Employment, Learning and Skills in Halton**

6.2.1 Supporting the Council's employees and families in improving access to technology that would have potentially been out of reach for many. Improving adult learning and supporting the improvements in internet use.

## **6.3 A Healthy Halton**

6.3.1 Improved internet access to key services and information services.

## **6.4 A Safer Halton**

6.4.1 Improved internet access to key services and information services.

## **6.5 Halton's Urban Renewal**

6.5.1 With the advent of the schools' schemes developing a greater base of individuals of all age groups that have access to and skills in using current technology and the platforms within

## **7.0 RISK ANALYSIS**

7.1 The associated risk with this Scheme financially is limited, but as with any scheme such as this a small percentage of recipients will abuse the process and the potential for a small number of bad debts will be a fact. It is proposed that 15% of the income received from this Scheme is set aside to insure against such issues arising.

7.2 As noted within the body of the document careful consideration has been given to the ability of individuals to not over extend themselves financially. Whilst the Authority has no control over individuals' spending patterns, financial advice in the form of the contractual obligations and financial budgeting will be a prominent feature of the web portal. To support this it has been decided that only eligible employees who earn a salary that will remain above the legally set National Minimum Wage once deductions have been taken will be eligible for this Scheme.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 None

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

9.1 None.