

IN FOCUS: Flexible Working

WORKING WITH

DWP

Department for
Work and Pensions

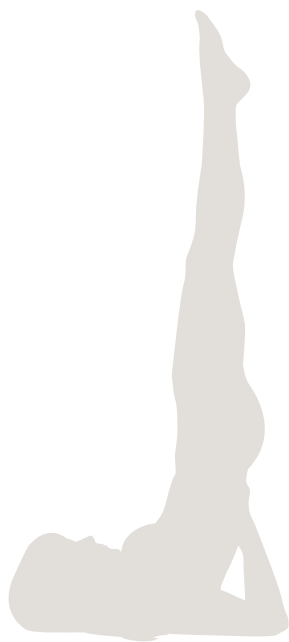


ACCA'S PARTNERS

ACCA's members in practice are often the first port of call for advice on all areas of business. ACCA is working with selected organisations to provide content, information and advice for members in small and medium sized practices and their SME clients, which helps them run their businesses efficiently and effectively.

In focus: flexible working brings together **ACCA UK**'s advisory services for an overview of the tax considerations, **BT Business** to help you harness the true potential of today's technologies and the **Department for Work and Pensions** (DWP) to provide guidance on a range of employment and age related issues that are central to operating flexibly.

INTRODUCTION



IN FOCUS: Flexible Working

THE PHRASE 'FLEXIBLE WORKING' DESCRIBES A WORKING PATTERN THAT SUITS AN INDIVIDUAL'S NEEDS; WHETHER THAT'S ARRIVING AND LEAVING WORK AT DIFFERENT TIMES, WORKING FROM HOME OR EVEN WHILST TRAVELLING.

THERE ARE NUMEROUS BENEFITS OF FLEXIBLE WORKING - FOR EMPLOYERS, EMPLOYEES AND THEIR FAMILIES; INCLUDING INCREASED PRODUCTIVITY, IMPROVED QUALITY OF LIFE AND REDUCED TRAVEL TIME.

AS OUR RELATIONSHIPS WITH WORK, LIFE AND LEISURE CONTINUE TO EVOLVE, MANY EMPLOYERS NOW RECOGNISE THAT FLEXIBLE WORKING MAKES GOOD BUSINESS SENSE FOR SMALL AND LARGE BUSINESSES ALIKE.

FLEXIBLE WORKING ACCOMMODATES THE NEED FOR EMPLOYEES TO ACHIEVE A WORK-LIFE BALANCE, WHILST RETAINING THE SKILLS AND EXPERIENCE OF EMPLOYEES WHO MIGHT

BE TEMPTED TO LEAVE OR RETIRE ENSURING THESE VALUABLE ASSETS REMAIN WITHIN THE BUSINESS.

TECHNOLOGY ALSO PLAYS A CENTRAL ROLE IN ACHIEVING FLEXIBLE WORKING. WITH TODAY'S SOPHISTICATED TECHNOLOGY MANY BUSINESSES, AND INDIVIDUALS, HAVE ALREADY STARTED TO ENJOY THE NUMEROUS BENEFITS THAT FLEXIBLE WORKING CAN HAVE.

IN THE CURRENT ECONOMIC CONDITIONS, AND WITH EXPENSIVE RECRUITMENT COSTS, MANY BUSINESSES RECOGNISE THAT THEY NEED TO ATTRACT AND RETAIN VALUABLE STAFF.

THIS GUIDE TO FLEXIBLE WORKING BRINGS TOGETHER THE EXPERTISE OF ACCA UK, BT BUSINESS AND THE DEPARTMENT FOR WORK AND PENSIONS TO EXPLORE THE KEY CONSIDERATIONS AND IMPLICATIONS OF FLEXIBLE WORKING - FOR BOTH THE EMPLOYER AND EMPLOYEE.

Flexible working- tax considerations

BUSINESSES NEED, AND BENEFIT FROM, A TRULY FLEXIBLE WORKFORCE. BUT BEFORE YOU TAKE ADVANTAGE OF THE FLEXIBLE WORKING OPPORTUNITIES YOU HAVE TO CAREFULLY CONSIDER THE TAX CONSEQUENCES. SOME WILL BE POSITIVE AND OTHERS LESS SO.

Working from home

It is vital that the payment and reimbursement structure allows the employee to work from home as they would in an office without suffering an additional tax burden.

Employers and employees looking to take advantage of flexible working relationships should acquaint themselves with the general tax rule for home working payments, Section 316 ITEPA 2003 (S316). There is no tax charge on the expense that an employer incurs providing employees with supplies and services that:

- are provided other than on the employer's premises (e.g. employees who work at home or whilst travelling), and
- are provided for the sole purpose of enabling the employee to perform the duties of the employment and
- that the individual uses in performing the duties of the employment, and any use for the employee's private purposes is not significant.

As S316 exemption only applies to payments made by the employer, it does not allow an employee to deduct unreimbursed expenses. The exemption in S316 does not apply where an employee contracts

for supplies or services and the employer either reimburses the cost to the employee, or pays the service provider directly on the employee's behalf.

To deduct unreimbursed household expenses an employee must satisfy the much more restrictive tests of S336 ITEPA. The strict rules for expenses payments must be satisfied for there to be a deduction available under Section 336. The requirement will be that the expenditure is incurred wholly, exclusively and necessarily in the performance of the duties of employment.

Use of house by employees

Home working arrangements apply where there are arrangements between the employer and the employee and the employee works at home regularly under those arrangements.

The exemption does not apply where an employee works at home informally and not by arrangement with the employer. It applies where an employee works from home by an arrangement with the employer instead of working on the employer's premises. The arrangements need not be in writing but usually will be.

It is difficult to calculate the amount that should be paid to an employee to meet the reasonable additional household expenditure they incur. The payments to an employee working from home can include payments made to meet, or reimburse, reasonable additional household expenditure. This can include the additional costs of heat and light, water, internet access, mortgage interest, rent, insurance or, if applicable, business rates. Payments for building alterations or the cost of furniture are excluded from the household expenditure calculation.

The calculation of the expenditure and recordkeeping can be difficult and

time consuming for both employer and employee. A simple solution for employees who work regularly at home is to adopt HMRC's agreed payment of £3 per week. Alternatively, a scale rate or payment to meet the actual costs can be made. HMRC recognise scale rates can help reduce the additional paperwork and once the initial calculation has been made the rate can be increased with inflation with the employer performing sample checks.

The two sections, s316 and s336, can interact with employees claiming for additional costs incurred but not reimbursed and HMRC manuals have useful worked examples.

Use of equipment by employees

S316 exemption also covers the provision of supplies and services for employees, such as:

- office furniture and equipment
- stationery and normal office or workshop materials and supplies
- home telephone lines
- computer equipment.

Some benefits are excluded, the main exemptions being any motor vehicle and the extension, conversion or alteration of any living accommodation, or the construction or alteration of any building or structure on land adjacent to living accommodation

Telephone lines

There will be no additional tax due for a telephone line in the employee's home, for which the employer is the subscriber, if:

- there is a clear business need for the employer to provide the employee with a telephone. For example, if making and receiving telephone calls from the home are vital and a central part of the employee's duties and



REQUESTING FLEXIBLE WORKING

- Flexible working can be requested by the employee. A statutory right exists for employees who have worked for the employer and have parental responsibility for a child.
- The government has extended flexible working eligibility, introduced by the Employment Act 2002. The extension relates to the increase of age limit, now relates to children up to the age of 16 (previously up to 6).
- To read the latest updates on flexible working and other technical advice visit www.accaglobal.com/advisory

- the employer has procedures to monitor, control and minimise the cost to him/her of private use and
- the employer has no intention of rewarding the employee.

The employer may control and minimise the cost to him/her of private use by the employee paying for the cost of private calls or ensuring that the cost of any private calls is kept to a minimum.

Broadband

Employers who provide for broadband connections in the home, on the condition that it is solely for work purposes and private use being insignificant, do not have to treat the cost as a taxable benefit. Section 316 provisions apply as long as private use is not significant. However, if the employee is billed for, and pays for, broadband being reimbursed by the employer a taxable benefit will have occurred. Its possible HMRC will allow the additional reasonable cost to be claimed.

Travel

Travel and an employee's place of work is an area where considerable disagreement can occur between HMRC, employers and employees.

Even where the employee's home is treated as the workplace, for the travel not to be taxable the following conditions will have to be considered:

- is the travel from home to a temporary workplace, or
- does the employee has a travelling appointment, or
- is the employee's home a place of work and the place where the employee lives as dictated by the requirements of the job?

For a large number of employees, deduction will rest on whether an employee's home is a workplace. HMRC state 'a deduction can be permitted for the cost of travel between home and a permanent workplace only during those times that the employee's home is a workplace.'

Flexible working – why introduce it into your business?

MOST EMPLOYERS RECOGNISE THAT IN ORDER TO STAY AHEAD OF THE COMPETITION, YOU DON'T JUST NEED TO ATTRACT QUALITY STAFF; YOU NEED TO KEEP THEM. THE DEPARTMENT FOR WORK AND PENSIONS (DWP) LOOKS AT HOW FLEXIBLE WORKING COULD HELP YOU TO FULFIL THIS AIM.

Although some businesses are cautious, research shows flexible working brings significant benefits, including increasing the number of quality recruits coming through your door. But in a time when businesses are focusing on retaining skills and experience rather than recruiting, flexible working can also be used to keep hold of valuable staff who could otherwise be tempted to leave or retire.

How an age-diverse workforce will benefit your business

The skills and experience of your older workers could be key to your survival throughout the economic downturn and your eventual recovery.

Businesses are increasingly recognising the value of older workers as they bring valuable skills, ideas and experience with them.

Innovation and business development

Stoke-based housing repairs company BGC Ltd was launched eight years ago as a gas-fitting business employing a small team of fitters. Its management team feels that its open-minded approach to a mixed-age workforce has enabled rapid expansion and it now employs over 100 people ranging

from ages 16 to 69. Managing director Martin Smith says; 'We have an open recruitment policy, so if we have a potential candidate who has ability and talent, we'll consider them, irrespective of age. That person might have a skill which could open other doors.'

Address skills shortages

With many businesses still facing skills shortages and tight labour markets it makes sense to encourage older workers to stay.

Sofa manufacturer LBA Couture in East Lancashire removed its retirement age in an effort to retain its experienced employees. Staff who choose to scale back their hours as they get older have their needs accommodated wherever possible.

Stuart Redman, managing director says; 'In order to maintain the quality and individuality of the pieces we produce we have to harness the years of furniture-making experience our craftsmen have. Some of the traditional manufacturing skills are very hard to come by these days so we encourage staff to work for as long as they are able to do the job.'

The manufacturing workforce is substantially older than the workforce in general, and although a high proportion of workers leave in their fifties, only one firm in five employs someone over 65.

Train and motivate new staff

The skills and experience of older workers also benefit younger or less experienced colleagues. LBA Couture relies on its older workers to develop and train new staff, which preserves traditional crafts and creates a stable platform from which they can develop.

This approach also worked for South Wales Forgemasters, who improved training

by involving experienced workers in the company's apprenticeship scheme.

Draw on valuable skills and experience

Coca-Cola Enterprises (CCE) offers flexible conditions to attract older workers and capitalise on their skills and experience. Steve, 61, came on board to take time out and try a new working environment and industry. Previously an advertising director in the City, he started weekend work at the company's Sidcup site as a technical operator.

Steve progressed to the role of permanent line technical operator, coming up with an innovative idea for the line that took him to Italy to see it through to production. After around two years on the production lines Steve project-managed the design and implementation of a new database and progressed to management level.

Access to more of the right people for your company

JD Wetherspoon attracts diverse age ranges by offering flexible hours, enabling the business to cover its core hours. For example, lunchtime is a particularly busy period and the company has found that some older workers - who might be looking to work for a few hours a week - are happy to work at this time.

Thorpe Park Hotel & Spa is happy to accommodate staff who wish to work flexibly beyond their retirement to avoid losing their skills and positive attitude. Some may want to reduce their hours, for example, and this is incorporated into the business wherever possible. If a reduction in hours doesn't fit the requirements of the business, the hotel works with the individual to find an alternative role.

Marjorie, 68, is a food services assistant; 'I want to work as long as I can

as I enjoy my job and love being part of a team. But many people in my age group have lots of other things they want to do besides work, such as spending time with family and hobbies, so the hours I work are very flexible and fit into my life.'

Such flexibility benefits the business as well as the staff. Marjorie is always given the opportunity to work more hours at particularly busy periods such as Christmas, and is usually happy to say yes as she enjoys the work.

Rooms assistant Pat Green, 60, was also happy to stay at the hotel when she was offered a three instead of five-day week to balance things out with her pension. This is ideal as she wanted to continue doing a job she enjoys but with more flexibility.

General manager, Gordon Jackson says; 'Ultimately, we offer as much support for people to stay as possible. We work with the individual and fit their requirements into the operation. I don't mind whether someone is 16 or 60 as long as their attitude to customer service is right, but mature workers have particular strengths that are crucial in the hospitality business.'

Introducing flexible working into your business

Employers are increasingly looking at ways to accommodate the growing demand for things like flexitime, shift work, job sharing and home working.

Yorkshire Water allows older employees to customise their own working patterns. Some employees who are approaching retirement even change jobs within the company to a role that better suits them, an arrangement which includes the option to take a combination of pay and pension; pay for the time they work, and pension payments for the days or hours taken off. Bear in mind that some staff, including older

workers, may not know how to go about asking. With this in mind, it's important that staff, managers and supervisors are made aware of what options are available and how decisions are made.

Transport company FirstGroup found that getting buy-in from stakeholders was a real challenge, particularly in an industry where employees traditionally work long hours and shifts. There was a need to change long-held views on the nature of working life within the industry, fostering perceptions that it is possible to work part-time and still be a committed and effective employee.

FirstGroup did this by:

- Delivering briefings within each operating company
- Including trade unions in the introduction of The First UK Bus Pension Scheme
- Ensuring that employees clearly

understood that the scheme might mean a smaller pension on retirement, although working for longer could increase that amount

- Using real examples of employees who wished to work on, which helped persuade all parties of how the flexible pension options could help improve retention, cut recruitment costs and address the needs and wishes of older workers

How having a flexible working culture will help your business attract, and keep, older workers

The demand for changes to work patterns fluctuates during different stages of life. For example, parents with young children may want to work during the school term and older workers may prefer to reduce their hours when they approach retirement or decide to continue working.



FLEXIBLE WORKING – THE BUSINESS BENEFITS

- Reduced premises costs as more people work from home
- Increased customer satisfaction as their needs are met around the clock
- Better staff motivation, leading to increased productivity
- Makes your business more attractive to skilled employees
- Falling absenteeism and sickness, owing to lower stress and higher morale

Flexible working – making technology work for you

THREE QUARTERS OF THE UK'S SMALL AND MEDIUM-SIZED BUSINESSES ARE ALREADY OPERATING SOME FORM OF FLEXIBLE WORKING. IT'S NOT HARD TO SEE WHY. THE BENEFITS RANGE FROM IMPROVED PRODUCTIVITY AND STAFF MORALE TO COST SAVINGS AND ENVIRONMENTAL GAINS.

In today's tough economic climate it is more important than ever for businesses to make the right choices when it comes to investment in technology.

BT Business has been at the forefront of flexible working for over a decade; with 63,000 employees working flexibly and over 12,000 others working at home. As a company it has saved over £220m in the last 10 years from real estate costs alone. Travel costs have been reduced by £9.7m per annum and 1,800 years of travel time is saved each year.

Another benefit has been the retention of key skills and the ability to attract talent, reducing employee turnover. In fact, it was having the structure in place to support all of BT's 12,000 homeworkers, that led to the creation of 'IT Support Manager'. Based on the same methods that BT uses for its own people, this nationwide support mechanism provides a business IT support service for computers or servers. It's available to all customers with an active broadband connection, either from BT or from any other internet service provider.

The key to successful flexible working is ensuring that the right technology is in place. Technologies that were once the

reserve of big business are now available for any business, big or small.

Getting the best from your existing IT

With flexible working there is no 'one size fits all' solution. The primary goal is to let you and your colleagues take your office anywhere – something that is fundamental to effective remote or flexible working. You need to be able to access any network, anytime, and you need the technology in place to make this happen securely.

To start with, the availability and affordability of business broadband packages mean that companies can quickly and easily link employees' home PCs to the business network. Similarly, online communities such as BT Tradespace are springing up, bringing small businesses together with potential customers. All this makes it possible for staff to work effectively when out of the office; though this is just the tip of the iceberg when it comes to arming your employees with all they need to be productive when on the move.

Below is a concise guide to the bare essentials of what you need, along with the whys and hows to get you started.

- **Virtual Private Networks (VPN)**

This is one of the most fundamental elements in allowing efficient flexible working – it allows offices and remote computers to connect together over a shared network using a secure, encrypted 'tunnel'. This lets your employees communicate and collaborate reliably and securely when away from the office.

The best part about setting up a VPN is that everything you need for a 'software VPN' is already built into your network server, offering a relatively robust and secure option for remote

computers to connect. Consult your server's own documentation to find out how.

- **Voice over Internet Protocol (VoIP)**
VoIP services have been around for a while, and are an easy way of cutting costs in the current climate, by allowing for calls to be made anywhere in the world using your existing broadband connection, either for free or at significantly reduced costs. As such, VoIP gives you complete control over spending, with packages that offer unlimited calls to local and national numbers for a fixed monthly cost and capped rates to mobiles and international destinations.

All you need is a phone connected to your remote broadband connection, and a VoIP calling package from your broadband supplier.

- **Conferencing**
Audio, web and video conferencing enable two-way interaction with workers and clients who are either out of the office or in different offices. Conferencing can speed up your response times to save you money, improve staff morale and even contribute to reducing your carbon footprint.

By eliminating travel expenses, emissions are reduced and cost savings can be substantial. Then think of the saved travel time, allowing your staff to be more productive, and save employees expending their personal time travelling at the start and end of the working day, enhancing their work-life balance and satisfaction.

Audio conferencing is easy to do, it just requires a phone on both



ends. Pay-as-you-go packages are available, in addition to special value packages; either can be scheduled instantly and are facilitated using a dedicated dial-in number and PIN code. Web conferencing simply requires the addition of a PC with broadband connection. Again using a dedicated log in, documents and your desktop can be shared with anyone, anywhere.

Video conferencing can be done either by attaching a simple webcam to each PC, or through comprehensive video conferencing solutions, available from major IT suppliers.

- **Collaboration tools**

Online collaboration tools for data and ideas, such as shared workspaces and intranet cafés, allow for easier communication between employees.

By sharing and storing this more effectively, businesses can become smarter, more agile, and more responsive. It can also help bring together remote workers, both facilitating effective remote working and minimising remote worker isolation.

BT Business offers tools such as LiveMeeting and Webex, that allow you to create your own virtual meeting room, share documents, deliver presentations and even demo applications – all in real time.

- **Mobile broadband**

Mobile broadband is becoming an essential tool to compete effectively and increase your overall daily billable hours, making use of travel down time.

Mobile broadband 'dongles' can be used alongside Wi-Fi internet access at various sites across the UK, including city centres, hotels and coffee shops.

These technologies involve nothing more complicated than plugging the device into the side of a laptop, or entering a Wi-Fi voucher code. All enable your laptop to operate in exactly the same way as your desktop office computer, so essentially your office moves with you.

There has never been a better time to invest in mobile broadband technologies; heightened interest in broadband and increased competition has led to prices that can be afforded by everyone; for example, BT Business now offers a mobile broadband dongle free with its Total Broadband Option 3 package – see www.btbusiness.com for more details.

Help your business thrive through flexible working

As technology becomes more and more sophisticated, businesses are reaping the rewards of installing 'virtual office' scenarios. Productivity improves as you offer total location independence and greater autonomy for employees in the way they manage and plan their work.

Technologies such as Unified Communications (UC) take flexible working one step further, allowing colleagues, partners and even clients to know where they are and how they are best contacted at that moment. So as clients place greater demands on you, flexible working could be the answer.

www.bt.com/work-flexibly

For more information on managing and growing a business, see BT business' range of articles at www.accaglobal.com/advisory and click on 'managing and growing your business'

CASE STUDY: BRIAN KELSEY & CO. LTD

BRIAN KELSEY & CO LTD

**DEPLOYED BT BUSINESS FLEXIBLE
WORKING PRODUCTS TO MAKE
THEM A LEAN, PRODUCTIVE
FIRM.**

Brian Kelsey & Co, an accountancy firm based in Faversham, holds ACCA Approved Employer - trainee development status at platinum level and practising certificate development status

The firm adopted flexible working seven years ago. A family-run business, staff often work on the move and Brian regularly outsources a variety of accountancy and administration to freelancers who home work, making full use of the technology Brian has made available to them.

Four years ago, in response to increasing customer demand Brian put out an advert for freelance accountants. He emphasised the flexible hours and location independence he could provide, realising that so much talent was unused due to the traditional confines of an office.

'All our freelancers have families, all work from home. We don't mind when the work gets done as long as it's produced – and this suits them and their personal lives perfectly. We keep in touch regularly via email and phone – all in all it feels very similar to working with them in the same office.

'All of this is completely down to the technology you have in place. Each person has a laptop and we have set up a secure VPN to enable full and part-time workers access when ever and where ever they are. This has streamlined how we work, providing a central system that we all operate from. Without flexible working technologies, we would not be able to be as responsive to our clients, and work where and how we do'.

For the latest updates from *ACCA UK* advisory services visit
WWW.ACCAGLOBAL.COM/ADVISORY

ACCA UK

29 Lincoln's Inn Fields
London WC2A 3EE

uk.accaglobal.com