

Agenda item: 

**Title of meeting:** Employment Committee

**Date of meeting:** 15<sup>th</sup> January 2013

**Subject:** Long Service Awards

**Report by:** Head of HR, Legal & Performance

**Wards affected:** N/A

**Key decision:** No

**Full Council decision:** No

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### 1. Purpose of report

The purpose of this report is to provide Employment Committee with information to review the current value of the Long Service Award and consider providing an alternative to the PCC voucher currently awarded to the individual.

### 2. Recommendations

It is recommended that Employment Committee:

- Review the value of the Long Service Award and endorse that this remains at the current rate.
- Agree that the PCC Voucher currently presented is discontinued and an alternative award is provided in its place. Members are asked to express a preference for Option 1 or Option 2.

### 3. Background

At present, we provide a Long Service Award to the value of £255 to employees who achieve 25 years' service with Portsmouth City Council. This amounts to an average annual cost of £15,000 to the authority. The current value is reviewed in line with pay increases and has therefore not increased in recent years due to the public sector pay restraint.

A recent survey of Local Authorities within the South East Region shows that there are differing Long Service Award values ranging from £100 to £400 for 25 years' service. The most common value is £250.

A small annual saving of approximately £9,000 could be made towards the council's budget if we were to reduce the value of the Long Service Award to the lowest value used in the South East region of £100.

If we retain the existing value of £255, the costs will remain at approximately £15,000 per annum however this will vary from year to year depending on the number of employees achieving 25 years' service within any one year. Based on current data, we expect 225 employees (excluding schools) to reach 25 years' service within the next 5 years.

#### **4. Alternative Awards**

At present, we provide the employee with a £255 PCC Voucher which they may present to any high street retailer/supplier to purchase goods. Many retailers will not accept the voucher as they do not believe it to be a recognised scheme. As a result, it is becoming increasingly difficult for the employee to redeem their voucher and we receive frequent complaints from staff that the spending experience is difficult and this somewhat devalues the award. When an employee finds a retailer who will accept the voucher, the retailer provides a VAT invoice to Portsmouth City Council and we then make settlement to the supplier and claim the VAT back from HMRC. This amounts to £42.50 (effectively reducing the cost of the Long Service Award to the authority to £212.50).

There are alternative options of providing Long Service Awards and these are set out below:

**Option 1:** To pay the Long Service Award through the payroll system. The value will be subject to Tax and NI deductions. If the award remains at the existing value of £255, this will give the employee a net award of approximately £200 (\*assuming lower tax bracket). This scenario would also cost the Council more in respect of the increased employers national insurance contribution on the award (please see table below) The advantage of this option is that it is quick to process and the additional money is included in the employees net pay which means they are free to spend it wherever and however they wish.

**Option 2:** To use an external organisation to provide the Long Service Award to our employees. The individual would receive a voucher which can be spent on high street vouchers (including online options), experience days, travel & hotels, etc. The employee would also have the option to add to the value of the voucher personally, if they wished to purchase something to a greater value.

This would be subject to the required procurement process. However, it is likely the authority would receive a discount on the voucher purchased of between 2% and 7%. In this scenario the City Council would no longer be able to claim the VAT back from HMRC but this would be offset in part by the amount of discount received (please see table below) The advantage of this option is that the external organisation will provide the voucher which reduces the administration for the Travel & Benefits team. In addition, the employee will have far more choice on where and what to spend their voucher on, compared to the existing scheme.

Table showing costs of options:

Scenario	Amount of Award	VAT Reclaimed	Increased Costs of Employment (average)	Discount (say 5%)	Cost to City Council	Increased cost to existing scheme (per award)
Existing Scheme	£255.00	£42.50	N/A	N/A	£212.50	N/A
Option 1 – Pay through payroll	£255.00	N/A	£26.50	N/A	£281.50	£69.00
Option 2 – Use external organisation	£255.00	N/A	N/A	£12.75	£242.25	£29.75

**5. Equality impact assessment (EIA)**

A preliminary Equality Impact Assessment has been completed.

**6. Head of legal, licensing & registrars’ comments**

There are no legal implications arising from this report.

**7. Head of finance’s comments**

As Long Service Awards are funded from within existing approved service budgets the financial implications arising from the option selected will have to be contained therein.

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 Signed by:

**Appendices:**

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/  
rejected by ..... on .....

.....  
Signed by: