

AGENDA ITEM 9

POLICY FINANCE AND ADMINISTRATION COMMITTEE

13 APRIL 2016

REPORT OF HEAD OF COMMUNICATIONS

LIVING WAGE

1.0 PURPOSE OF REPORT

- 1.1 To seek approval to make changes to the Pay Policy from 2017/18 in relation to the Living Wage as recommended by Budget and Strategic Planning Working Group.

2.0 RECOMMENDATIONS

- 2.1 That the committee recommend to Full Council that the Pay Policy for 2017/18 takes into consideration the recommendations by the Budget and Strategic Planning Working Group in relation to the Living Wage;
- 2.2 That the committee recommend to Full Council the adoption of the National Living Wage to replace the Living Wage Foundation rate from 1 April 2017;
- 2.3 That staff receiving the Living Wage Foundation rate at 1 April 2016 are retained at the current rate until the National Living Wage is equal to or exceeds that rate;
- 2.4 That the National Living Wage is applied to employees under the age of 25 with the exception of those on an approved apprenticeship programme.

3.0 KEY ISSUES

- 3.1 In December 2012 the Policy, Finance and Administration Committee approved the Council pay the equivalent of the Living Wage which came into effect on the 1 April 2013. This means the minimum hourly rate for employees (excluding employees on an approved apprenticeship) is currently £8.25 (from 1 April 2016). Full accreditation to the Living Wage Foundation was not been made.
- 3.2 The Government implemented the National Living Wage from 1 April 2016 which is currently set at £7.20. It is expected that by 2020 the National Living Wage will be up to about £9.35 (60% of the median UK earnings)
- 3.3 The Living Wage is a voluntary rate managed by the campaign group the Living Wage Foundation while the National Living Wage is set by Government supported by the Low Pay Commission and is the statutory minimum an employer can pay employees over the age of 25.
- 3.4 A report was taken to the Budget and Strategic Planning Working Group (BSPWG) in November 2015 to review the impact of the Living Wage on the salary budget, in light of the introduction of the national living wage, for the next five years. It is unclear how both the Living Wage and the National Living Wage will increase over the five years, there is only the predicted target hourly rate for 2020 provided. An assumption was made that the increase would be even across the years. The cost of implementing the Living Wage over the period 2016/17 to 2020/21 is estimated as £153k compared to the National Living Wage of approx. £40K.

- 3.5 Based on our current salary banding, both the predicted Living Wage and the National Living Wage rate will take out our Band 5 (administration) posts within 5 years. The predicted Living Wage rate will also remove our Band 6 pay band within 5 years. Currently 17 employees are paid the Living Wage rate. It is estimated that if we continued to pay the Living Wage rate, by 2020 73 employees would be paid the Living Wage rate which is the equivalent of 35% of the workforce. In this context the BSPWG have recommended that consideration be given to replacing the Living Wage rate with the National Living Wage.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 A change to the way employees are paid requires a change to the Pay Policy Statement and consultation with employees. The 1 April 2017 is considered the best time to implement any changes to pay.
- 4.2 The Pay Policy Statement is approved by Full Council each year and published on the website. This is a requirement of the Localism Act 2011. The Pay Policy Statement for 2017/18 will require an amendment and approval by Full council In January 2017 however early notification can be provided to Full Council in April 2016.
- 4.3 In order to avoid staff receiving a detriment to their hourly rate on the 1 April 2017, it is recommended that pay is retained at £8.25.
- 4.4 Due to the existing systems for job evaluation and paying employees, introducing a pay differential based on age is likely to be complex to administrate and work against the existing equalities policies in place. The recommendation above at 2.4 addresses this point as it will be paid to all staff regardless of age except those on approved apprenticeship programmes.

It is anticipated there will be pay differentials for staff. This will require further consideration and review of the current salary bands. It is expected there may be national guidelines and /or guidance to address this issue. However, in the absence of national guidelines or to supplement them, local work will be undertaken in consultation with the recognised trade unions at the appropriate time.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 Payroll predictions based on the estimated rates and even progression show the potential cost of the increased rates on the authority :

National Living Wage

	2016-17	2017-18	2018-19	2019-20	2020-21
	£	£	£	£	£
Gen Fund	2,267.81	4,646.11	9,535.79	18,817.52	28,721.95
HRA	1,458.87	3,260.34	5,096.99	8,438.41	11,499.91
Total	3,726.68	7,906.45	14,632.78	27,255.93	40,221.86

Living Wage Foundation rate

	2016-17	2017-18	2018-19	2019-20	2020-21
	£	£	£	£	£
Gen Fund	4,012.28	16,066.10	34,552.56	69,936.64	109,314.96
HRA	2,999.24	7,053.98	14,291.02	27,931.41	43,422.51
Total	7,011.53	23,120.08	48,843.58	97,868.05	152,737.47

Differential

	2016-17	2017-18	2018-19	2019-20	2020-21
	£	£	£	£	£
	3,284.85	15,213.63	34,210.80	70,612.32	112,515.61

5.2 The impact of the National Living Wage has already been built into the Medium Term Financial Strategy. The estimated cost of implementing the Living Wage Foundation rate (estimated at being £10.30 per hour by 2020) is shown in the differential table and is estimated at an extra £112k over four years over the national living wage and would therefore if continued to be paid increase the current deficit shown in the MTFS significantly.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 There is a statutory requirement to pay employees over the age of 25 at least the National Living Wage.

7.0 COMMUNITY SAFETY

7.1 There are no direct community safety implications to this report.

8.0 EQUALITIES

8.1 The requirement to implement the National Living Wage only applies to employees over the age of 25. Although this is national guidance, consideration has been given to how this sits with our policy on equality and ensuring we do not discriminate against employees as a result of their age. The national living wage will be applied regardless of age thus addressing this issue.

9.0 RISKS

9.1

Probability

Very High A				
High B		4		
Significant C				
Low D				
Very Low E		2,3	1	
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

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↑
Impact →

Risk No.	Description
1	Living Wage rate continues to be paid instead of recommended National Living wage, creating a significant shortfall in the budget and savings will be required from other service areas to meet the potential shortfall
2	If recommendation 2.4 is not accepted and adequate systems are not set up to recognise employees reaching the age of 25 then it could result in underpaying staff
3	If 2.4 not accepted Equalities challenge in relation to age
4	If Foundation rate is kept savings will have to be made from other service areas

10.0 CLIMATE CHANGE

10.1 There are no climate change risks to this Policy.

11.0 **CONSULTATION**

11.1 Management Team and Joint Staff Working Group (including recognised Trade Union representatives) have been previously consulted on this matter.

12.0 **WARDS AFFECTED**

12.1 All

Contact Officer A Tebbutt, Head of Communications
Date: March 2016

Appendices :

Background Papers: BSPWG - Impact of Living Wage Report

Reference : X:\Cttee, Council & Sub Cttees\PFA\2015-16\13 April 2016\ AT – Living Wage