 WARWICK DISTRICT COUNCIL	Employment Committee 7 April 2014	Agenda Item No. 6
Title	National Living Wage	
For further information about this report please contact	Mike Snow 01926 456800 Elaine Priestley 01926 456682	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality and Sustainability Impact Assessment Undertaken	Yes

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	26/3/14	Chris Elliott
Head of Service	26/3/14	Mike Snow
CMT	26/3/14	
Section 151 Officer	26/3/14	Mike Snow
Monitoring Officer	26/3/14	Andrew Jones
Finance	26/3/14	Mike Snow
Portfolio Holder(s)	26/3/14	Andrew Mobbs

Consultation & Community Engagement	
<p>Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.</p> <p>UNISON and GMB have been sent the report. Any feedback will be provided directly to the meeting.</p> <p>Comments have been sought from the Head of Culture, again any feedback will be provided directly to the meeting.</p>	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. **SUMMARY**

- 1.1 A report was considered by the Employment Committee on the National Living Wage. The Committee deferred any decision, requesting more information specifically on the impact of the NLW on those aged under 21.

2. **RECOMMENDATION**

- 2.1 That the Council agrees to introduce the National Living Wage of £7.65 from 1 October 2014, paid as a discretionary supplement to the basic wage rates for all employees earning less than the National Living Wage who are aged 18 or over.
- 2.2 That the Council reviews its commitment to paying any further increase in the National Living Wage from the subsequent April of each year as part of the Budget Process.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 The January Report provides much of the background to the National Living Wage. This is included as an Appendix.
- 3.2 The figures within Section 5 show that the vast majority of employees that would be eligible for the National Living Wage are currently over 21. The National Living Wage Foundation suggests that the Living Wage should apply to all staff over the age of 18.
- 3.3 To become a National Living Wage Accredited Employer, the National Living Wage should apply to contracted staff in addition to those directly employed. As this may present a significant additional cost onto contractors, as well as potentially detailed extensive discussions, it is not suggested that the Council should seek full accreditation at the current time.
- 3.4 As discussed in the previous report, it is suggested that the National Living Wage should be paid as a supplement so as to protect existing grades and differentials. It is recommended that it should only be applied to basic pay, and not to overtime paid at a higher rate (if appropriate). It is also recommended that the supplement should be classed as "discretionary", and not a contractual part of an employee's remuneration.
- 3.5 The Council should review its commitment to paying any increase in the Minimum Living Wage for the following financial year as part of the Budget Process. This will need to have regard specifically to affordability and any other relevant factors.

4. **POLICY FRAMEWORK**

- 4.1 The Council's current policy is to pay salaries and wages in accordance with nationally agreed local government rates. The National Living Wage is outside of the current agreements, and would be part of a local agreement.

5. BUDGETARY FRAMEWORK

- 5.1 The Estimates cost of introducing the National Living Wage for all employees is shown below:-

Estimated Full Year Cost

	Number	Enhancement £
General Fund		
Casuals 2013		
Under 18	6	300
18-20	63	7,500
Over 21	<u>170</u>	<u>34,800</u>
	239	42,600
Permanent	17	<u>11,700</u>
Total General Fund		54,300
HRA	8	<u>6,700</u>
Total HRA+GF		<u>61,000</u>


- 5.2 The figures for casuals have been based upon the April-December 2013 Payroll, grossed up for a full year. It should be recognized that the casual employees working each week/month vary, with the numbers of hours working similarly varying. There are seasonal variations in the overall hours for these employees depending on the nature of the service.
- 5.3 Within the General Fund Budget agreed for 2014/15 £30,000 was agreed for the NLW, on the basis of it being implemented from 1 October 2014. From 2015/16 £60,000 has been provided, allowing for the full year effect.
- 5.4 For the HRA the estimated cost is £6,700. These are all permanent appointments, with there being currently no casuals on grades that would be eligible for the National Living Wage. However, with the proposed staffing structures currently being consulted upon, it is likely that there will be fewer posts on grades that would attract the living wage. The cost on the NLW should be able to be accommodated within the overall HRA pay budget.
- 5.5 The National Living Wage is reviewed annually by the Centre for Research in Social Policy at Loughborough University. It is not linked to the Minimum Wage. It is announced in March, with a view to employers implementing it within the subsequent six months. The calculation of the Living Wage is based on the cost of living. It is understood that the current wage of £7.65 is an abated figure from the main calculations, with the intention that the abatement will reduce in future years. This means that the National Living Wage may increase in future years well above inflation. Consequently the cost for the Council in paying the employees shown above will increase in real terms. In addition, the number of employees eligible for the National Living Wage may significantly increase. This may present a financial burden which the Council is not able to afford. It is therefore recommended that the Council considers its commitment to the National Living Wage as part of the Budget process ahead of potentially introducing the new rate from April of each year.

6. RISKS

- 6.1 In introducing the National Living Wage the Payroll/HR system will need to be amended. This work is reliant on WCC who provide the system to the Council. It is recognised that with other changes relating to Payroll/HR currently happening, eg 2014 Local Government Pension Scheme, there may be limits on the resources that WCC are able to put into this.
- 6.2 There is the risk that in future the National Living Wage may introduce above levels which the Council is able to afford, in which case it would need to freeze, reduce or stop paying the National Living Wage supplements.

7. ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 Members may choose not to agree to introduce the National Living Wage.
- 7.2 Legal advice has been sought on whether it is possible to introduce the National Living Wage only to those aged over 21. The advice has confirmed that the Council would have the flexibility to stipulate that the National Living Wage can be paid to only those over 21. Research and an Equality Impact Assessment has been undertaken from which whilst it is legally possible to justify not paying the National Living Wage to those aged 18-20 research into bodies paying the National Living Wage has not shown any employers who are not paying it to those aged 18-20, nor provided any justification for doing so.
- 7.3 If the Council chooses to only pay the National Living Wage for employees aged over 21, it is estimated that the cost to the General Fund will be approximately £8,000 less than the figures shown in Section 5.

 Employment Committee 8 January 2014		Agenda Item No.
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Contrary to the policy framework:	No
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Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	Yes/No (If No state why below)

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive	16/12/13	Chris Elliott
Head of Service		
CMT		
Section 151 Officer		Author
Monitoring Officer	18/12/13	Andrew Jones
Finance		
Portfolio Holder(s)	16/12/13	Andrew Mobbs
Consultation & Community Engagement		
<p>Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.</p> <p>Staff from Human Resources and Payroll have been involved in compiling this report</p>		
Final Decision?	Yes/No	
Suggested next steps (if not final decision please set out below)		

1. **SUMMARY**

- 1.1 This report is presented to members to consider the implementation of the National Living Wage for all Council employees.

2. **RECOMMENDATION**

- 2.1 The Living Wage be implemented in Warwick District Council with effect from 1 September 2014, or earlier if possible, subject to Executive agreeing the additional funding.
- 2.2 That once implemented, the level of Living Wage paid to Council employees be reviewed annually as part of the budget process, informed by information available from national pay negotiations.

3. **REASONS FOR THE RECOMMENDATION**

- 3.1 The concept of a Living Wage is well established, although a number of different rates and concepts have been promoted in recent years such as the national minimum wage and the Council of Europe Decency Threshold. The national minimum wage is currently £6.31 per hour for employees aged 21 and over and is a statutory requirement, whereas the Living Wage, currently £7.65 per hour, is voluntary.
- 3.2 Living Wage Employers are leading the way on responsible employment and procurement practice. Over 100 private, public and third sector organisations have joined the Living Wage Employer group. Local Authorities that have introduced the Living Wage include Coventry, Stoke on Trent, Malvern Hills, Bromsgrove, Glasgow, Preston, Birmingham, Newcastle, Oxford and Cardiff, as well as a number of London Councils.
- 3.3 In order to preserve the integrity of the current pay and grading structure it is proposed that 'a supplement' be paid as an addition to basic pay to achieve the Living Wage of £7.65 per hour. This means that no council employee will receive less than £7.65 per hour and is similar to how other employers have approached the issue. Applying this approach to the Living Wage will enable the arrangements to be monitored so that any future necessary adjustments can be made. This could include where a change to someone's basic pay takes them above the Living Wage threshold, for example if they are awarded a further pay increment or receive a promotion.
- 3.4 It is important to stress that the Living Wage is not about the role or the job – it is about the cost of living. To ensure that any potential equal pay risks are mitigated, it is essential that the principles of the Living Wage are applied consistently across the Council to all eligible employees. In order for the Council to continue to justify and defend challenges to its job evaluation scheme, it is also essential that grade differentials are maintained in line with established job evaluation scores.
- 3.5 The Living Wage payment will be pensionable and therefore incur the employer's contribution for those who pay into the pension scheme. With effect from 1 April 2014, any additional hours will also become pensionable which will increase the employer's contribution.

- 3.6 Adopting a Living Wage policy commits the council to an on-going uplift of salaries in line with any changes to the national rate (if agreed). It should be noted that the determination of the Living Wage rate is based on a variety of factors and criteria which are significantly different to how local government annual pay awards are determined. Therefore there is potential for these two pay elements to change and increase at very different rates.
- 3.7 Annual pay increases at the council are linked to nationally negotiated pay awards negotiated by the Local Government Employers Organisation on behalf of local authorities. Changes to the Living Wage rate are determined by the Centre for Research in Social Policy with no input or influence from the Employers Organisation. In reality this means the council having no influence over some of its pay decisions. It is recommended, therefore, that consideration be given to reviewing the Living Wage Policy each year as part of the annual budget setting process.
- 3.8 Application of the Living wage to the council's current pay and grading structure will have the effect of lifting Grade J staff to pay rates equivalent to mid-Grade I. Whilst the impact on any differentials will need to be monitored, it is the organisation's view that the overriding issue is that of its desire to pay people at the Living Wage rate of £7.65 per hour.
- 3.9 The introduction of the Living Wage will require changes to the Payroll System (owned and maintained by WCC). Currently other changes to payroll system are still being implemented, these being:-
- Real Time Information
 - Auto Enrolment
 - New Local Government Pension Scheme (starting April 2014)

These other projects are having to take priority for WDC and WCC staff. Also, until a new HR/OD Manager is appointed, there is uncertainty as to who would lead on this project. Accordingly, it is not possible to propose implementation of the National Living Wage in the short term, with a proposed date of 1 October 2014 (or sooner if possible).

4. **POLICY FRAMEWORK**

- 4.1 The Council's current policy is to pay salaries and wages in accordance with nationally agreed local government rates. The National Living Wage is outside of the current agreements, and would be part of a local agreement.

5. **BUDGETARY FRAMEWORK**

- 5.1 The estimated cost of introducing the Living Wage is approximately £18,000 for all contracted employees, broadly split £10,000 General Fund and £8,000 Housing Revenue Account. There will be further costs in respect of casual employees, for which it has not been possible to obtain the detailed costs as yet, although these are expected not to exceed £20,000.
- 5.2 If Employment Committee wish for the National Living Wage to be paid, this will need to be subject to the Executive agreeing the funding as part of the February Budget report. If, when details of the likely costs in respect of casuals are available, they exceed the costs shown within Paragraph 5.1, the policy and

funding will need further consideration by members ahead of the proposed implementation date of 1 October 2014.

- 5.3 To date no pay award has been agreed from 1 April 2014. The Joint NJC Trade Unions have unanimously agreed the NJC pay claim for 2014-15. The claim is for a minimum increase of £1 an hour on scale point 5 to achieve the Living Wage and the same flat rate increase on all other scale points. This would increase the Council's pay bill by around £1.2m, broadly 10% overall.

6. **ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 In this section the reporting officer would set out the alternative options which have been considered before making their recommendation. This section is required because it is a requirement of any Executive decision taken to consider and record alternative options before taking the decision.

7. **BACKGROUND**

- 7.1 The following information has been extracted from the Living Wage Foundation's website.

7.1.1 ***What is the Living Wage?***

- An hourly rate set independently and updated annually.
- The Living Wage is calculated according to the basic cost of living in the UK.
- Employers choose to pay the Living Wage on a voluntary basis.
- The Living Wage enjoys cross party support

7.1.2 ***What are the benefits?***

- Good for Business
 - An independent study examining the business benefits of implementing a Living Wage policy in London found that more than 80% of employers believe that the Living Wage had enhanced the quality of the work of their staff, while absenteeism had fallen by approximately 25%.
 - Two thirds of employers reported a significant impact on recruitment and retention within their organisation. 70% of employers felt that the Living Wage had increased consumer awareness of their organisation's commitment to be an ethical employer.
 - Following the adoption of the Living Wage PwC found turnover of contractors fell from 4% to 1%.
- Good for the Individual
 - The Living Wage affords people the opportunity to provide for themselves and their families.
 - 75% of employees reported increases in work quality as a result of receiving the Living Wage.
 - 50% of employees felt that the Living Wage had made them more willing to implement changes in their working practices; enabled them to require fewer concessions to effect change; and made them more likely to adopt changes more quickly.
- Good for Society

- The Living Wage campaign was launched in 2001 by parents in East London, who were frustrated that working two minimum wage jobs left no time for family life.
- The causes of poverty are complex and in order to improve lives there should be a package of solutions across policy areas. The Living Wage can be part of the solution.

7.1.3 The calculation

- The London Living Wage is currently £8.80 per hour. This figure is set annually by the Greater London Authority and covers all boroughs in Greater London. The UK Living Wage for outside of London is currently £7.65 per hour. This figure is set annually by the Centre for Research in Social Policy at Loughborough University.
- From November 2012 both Living Wage figures have been announced annually in November of each year.
- Employers should implement the new rate as soon as possible and within 6 months of the annual announcement .

7.1.4 Historical Data

Year	National Min Wage £	UK Living Wage £	Difference £
2011	6.08	7.20	1.12
2012	6.19	7.45	1.26
2013	6.31	7.65	1.34

7.2 Scope

Circa 6 permanent and temporary Council employees on Grade J (spinal points 5-7) would be affected by the introduction of the Living Wage. These employees are primarily cleaners within housing schemes.

Circa 19 Grade I (currently spinal points 8 – 10 of Grade I) would be affected by the introduction of the Living Wage. This group of staff includes some leisure and Spa Centre assistants, and some Warwick Response assistants

Casuals would also be affected by the introduction of the Living Wage. The detailed numbers and likely costs are still being sought from the WCC Payroll system.

The scope of the Living Wage does not include apprentices and, therefore, apprentice numbers have not been included in the above figures.

The Council does not have any agency staff currently paid below the living wage.