

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Employment & Appeals Committee

**DATE:** 21<sup>st</sup> January 2016

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### **PART I**

#### **FOR DECISION**

#### **LIVING WAGE, NATIONAL LIVING WAGE AND PAY AWARD 2016/17 and 2017/18**

##### **1. Purpose of Report**

The purpose of this report is to advise the Employment and Appeals Committee of the Council's position in relation to the Living Wage (currently £8.25 per hour), the National Living Wage (£7.20 for all employees aged 25+ as from 1<sup>st</sup> April 2016) and the pay award for 2016/17 and 2017/18, and to recommend the way forward.

N.B. Although the Slough Labour Party commitment to paying the living wage to the staff of contractors is noted in this report, the implications of this are not considered here. The Assistant Director for Procurement and Commercial Services is aware of the Council's commitment regarding contractors and will consider this separately, as necessary.

##### **2. Recommendation**

It is recommended that the Employment and Appeals Committee agree:

- i). To pay the 2015 Living Wage as a salary supplement, to six affected employees, and 19 agency workers, backdated to 3<sup>rd</sup> November 2015, the date from which the 2015 rate applied, to cease on 31<sup>st</sup> March 2016, assuming commencement of the pay award for 2016/17 from 1<sup>st</sup> April 2016.
- ii). To pay the new national compulsory Living Wage with effect from 1<sup>st</sup> April 2016 noting that this has now taken over from the voluntary Living Wage.

N.B. With effect from 1<sup>st</sup> April 2016, taking into account the anticipated pay award, SBC will for 2016/17 be paying a salary which is above the National Living Wage to all our employees regardless of their age.

iii). That the AD for OD/HR should write to schools to:

- Encourage, but not direct them, to pay the 2015 Living Wage from 3<sup>rd</sup> November 2015 to 31<sup>st</sup> March 2016.
- Advise them of their legal obligation to pay the National Living Wage to those aged 25+ with effect from 1<sup>st</sup> April 2016.
- Advise them that SBC will pay the National Living Wage with effect from 1<sup>st</sup> April 2016, as this has taken over from the Living Wage.

### **3. Background**

#### Living Wage

The Living Wage is an hourly rate set independently by the Living Wage Foundation and updated annually in the autumn each year. Employers choose to pay the Living wage on a voluntary basis.

SBC has paid the Living Wage to our employees since 2012, and the SBC Labour Party Manifesto 2014 reaffirms this commitment as follows. This manifesto commitment was adopted as Council policy following the re-election of the Labour party in the 2015 elections.

“Since the 2012 local elections we have:

- Made Slough Council a ‘Living Wage Employer’ by ensuring all our staff are paid the Living Wage.

If re-elected by the 2015 local elections in Slough we will:

Ensure that when we re-let major Council contracts, apprenticeships for local young people and payment of the Living Wage to contractors’ staff are included in the contract terms.”

The 2015 UK Living Wage is currently £8.25 per hour. The 2015 rate was announced on 30<sup>th</sup> October 2015 and applied from 3<sup>rd</sup> November 2015, a rise of 40p per hour from the 2014 rate of £7.85 per hour. SBC is currently paying the 2014 rate at Level 1 (scp 9) on our grading structure, an annual salary of £15,144.90, inclusive of local weighting.

#### National Living Wage

In July 2015 the Chancellor of the Exchequer announced that the UK Government will introduce a compulsory National Living Wage of £7.20 for all employees aged 25+ with effect from 1<sup>st</sup> April 2016.

The Government has instructed the Low Pay Commission that the living wage for over 25s should reach 60% of median earnings by 2020. This would mean a rise to around £9.35 per hour by 2020.

### Pay Award Negotiations

On the 9<sup>th</sup> December 2015, the national employers met with the unions and made a final two-year pay offer for 2016/17 and 2017/18. This consisted of 1% in each year, in addition to increasing the bottom pay points to take account of the new National Living Wage.

In making this offer the employers were mindful of the challenge faced in coming years to increase the bottom of the pay spine to achieve the Government's target of 60% of median earnings (currently forecast to be around £9.35 per hour by 2020), and of the associated need to increase subsequent pay points in order to maintain differentials. The National Employers have therefore asked to work with the unions over the coming months to find a way that fairly and affordably meets this longer term objective and the offer was constructed in a way that supports this longer term target of restructuring the national pay spine.

## 4. Implications for SBC Employees

### Payment of the 2015 Living Wage

There are currently six SBC employees paid below the 2015 Living Wage. All six are currently paid on scp 9, £15,144.90 per annum, pro-rata for part-time hours (the 2014 Living Wage). Paying the 2015 Living Wage of £8.25 per hour would have the affect of increasing the annual full-time salary of these posts to £15,873, thereby overtaking scp 10 (but not reaching scp 11), as shown in the table below.

Level	SCP	Current Hourly Rate (£)	Current Inclusive annual salary (£)	Annual Salary w.e.f. 1 <sup>st</sup> April 2016 with the pay award	Annual Salary at the Living Wage 2015 Rate	No. of posts
1	9	7.84	£15,144.90 (£14,269.90 +£875 local weighting) (2014 Living Wage)	£16,044.90 (£14,269.90 +£875 local weighting + £900 pay award).  N.B. Scp 9 on the SBC salary scale falls between scp 9 (£14,075) and 10 (£14,338) on the national salary scale. The pay offer for scp 9 is	15, 873 (2015 Living Wage)	6 posts:  Business Support Admin x 1 (22.5 hpw)  Support Emp Service x 1 (21 hpw)  School

				£900 (6.4%) and for scp 10 is also £900 (6.3%).		Crossing Patrol x 4 (9 hpw)
2	10	7.89	£15,213 (£14,338 + £875 local weighting)	16,113 (£14,338 + £875 local weighting + £900 pay award, 6.3%)	15,873	0

In respect of the 2015 Living Wage, the Council's commitment to paying the Living Wage to employees can be achieved in one of 3 ways, with Option A being the recommended option:

		Advantages	Disadvantages
<b>Option A – recommended</b>	Pay the 2015 Living Wage as a salary supplement, backdated to 3 <sup>rd</sup> November 2015, the date on which the 2015 rate applied, to cease on 31st March 2016, assuming commencement of the pay award for 2016/17 from this date.	No impact on the current SBC salary scale.	
<b>Option B – not recommended</b>	Increase the salary of the affected employees to £15,873, backdated to 3 <sup>rd</sup> November 2015.		Meeting this commitment would affect SBCs scp's 9 and 10 both of which are currently below the 2015 Living Wage. In effect therefore, these would merge, and scp 9 would cease to exist.
<b>Option C – not recommended</b>	Take no action prior to the 2016/17 pay award	Straightforward to implement.	Doesn't meet the Council's current commitment to pay the Living Wage.

#### Payment of the Living Wage / National Living Wage from 1<sup>st</sup> April 2016 Onwards

Assuming that the pay award for 2016 – 2018 is agreed, and that it takes effect from 1<sup>st</sup> April 2016, this will mean that the hourly rate for scp 9 will be £8.34 per hour for all SBC employees regardless of age. This will therefore be £1.14 above the 2015/16

compulsory National Living Wage for those aged 25+. There is therefore no need for SBC to take any further action in respect of the National Living Wage, for 2016/17.

Additionally, the National Employers are alert to the challenges facing local authorities in respect of the National Living Wage in future years, and have agreed to work with the trade unions to determine the best way forward in respect of restructuring the national pay spine to meet this challenge.

In view of the above, and given the financial challenges currently facing SBC, it is recommended that SBC agrees to pay the national Living Wage with effect from 1<sup>st</sup> April 2016 as this has now taken over from the Living Wage.

## **5. Agency Workers**

There are currently 19 agency workers working in Adult Social Care who are paid below the 2015 Living Wage. It is therefore recommended that a salary supplement is paid to these workers to cover the period 3<sup>rd</sup> November 2015 – 31<sup>st</sup> March 2016, to bring their pay into line with that of SBC employees.

## **6. Implications for Schools**

Approximately 109 schools staff (80 in SBC schools) are currently paid below the 2015 Living Wage. In previous years, SBC has written to schools and encouraged, but not directed them, to comply with the Living Wage. It is therefore recommended that SBC takes a similar approach this year in respect of the 2015 Living Wage.

It is further recommended that, at the same time, SBC advises schools of their legal obligation to pay the National Living Wage to those aged 25+ with effect from 1<sup>st</sup> April 2016.

It is also recommended that schools are informed of the member decision to pay the national Living Wage with effect from 1<sup>st</sup> April 2016 as this has now taken over from the Living Wage.