

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET

07 February 2017

REPORT AUTHOR: County Councillor Wynne Jones
Portfolio Holder for Finance

SUBJECT: Living Wage Rate Increase

REPORT FOR: Decision

1. Summary

- 1.1** The Living Wage Foundation rate was adopted by Powys County Council with effect from 1 April 2015. The Living Wage Foundation rate is independently-calculated based on the cost of living in the UK. The Foundation meets annually (late autumn) to review and set a revised rate. Organisations who are accredited to the Living Wage Foundation are obliged to increase their living wage rate annually to comply with the rate set by the foundation. Powys County Council opted not to apply for accreditation therefore retaining its own discretion on applying the annual increase.
- 1.2** The decision on applying the increase is made by Cabinet. Following Cabinet's decision the Pay Policy Statement is updated to reflect the position and is subsequently presented to full Council. Potential changes are implemented from the 1st April each year in accordance with the Pay Policy Statement.
- 1.3** Following Powys County Council's decision to adopt the Living Wage Foundation rate, a new 'National Living Wage' was outlined by the Chancellor in the Autumn Statement of 2015. The new National Living Wage became effective from 1 April 2016. As a result, there are now three lower pay level benchmarks, two of which are statutory:-
- The **Living Wage Foundation (LWF)** rate is an informal benchmark, not a legally enforceable minimum level of pay. The rate is currently £8.45 per hour. The rate was announced by the Living Wage Foundation on 31 October 2016. (*Powys County Council currently pay £8.25 per hour, which was effective from 1 April 2016*).

- The **National Minimum Wage (NMW)** is the compulsory minimum level of pay set by the business secretary each year, on the advice of the Low Pay Commission. It currently stands at £6.95 per hour for adults aged 21 to 24, and £5.55 per hour for those aged 18 to 20. From 1 April 2017, those statutory minimum rates will increase to £7.05 per hour and £5.60 per hour respectively.
- The new compulsory **National Living Wage (NLW)** came into force from April 2016. It is paid to workers aged 25 and above. It was initially set at £7.20 an hour and is intended to exceed £9.00 per hour by 2020. The minimum rate effective from 1st April 2017 will be increasing to £7.50 per hour.

2. Proposal

- 2.1** That the Council determines whether to increase the Living Wage Foundation rate from the current £8.25 per hour to £8.45 per hour effective from the 1 April 2017 based on the information contained within points 2.2 to 2.4 below;
- 2.2** Based on pay records following the December payroll run, the annual cost of increasing the Living Wage Foundation rate from the 1 April 2017 would be approximately £ 139k (per annum). This figure includes on-costs for Employers Pension and National Insurance Contributions. The cost is approximate as some of the positions relate to staff who submit timesheets for payment, where there can be fluctuations in hours. The calculation is therefore based on an average of the previous eight weeks or two months claims for these types of positions. A service area breakdown of costs is contained within (Appendix 1)
- 2.3** From 1 April 2016, the current Living Wage Foundation level adopted (£8.25) resulted in NJC spinal column points 6-12 inclusive being uplifted accordingly. An increase to the new Living Wage Foundation rate of £8.45 will ensure that the Council maintains this uplift to the lowest paid employees remunerated at spinal column points 6-12 inclusive.
- 2.4** The Chancellor in his 2015 Autumn Budget Statement set out his intention to introduce a 'National Living Wage' from 1st April 2016, starting at £7.20 per hour and exceeding the £9 per hour level by 2020. Significantly no indication of the value of incremental progression to the proposed 2020 level has been made available, however the rate from 1 April 2017 has been announced at £7.50 per hour, an increase of 30p per hour. Based on this it is proposed that Cabinet will continue to determine annually whether or not to increase the Living Wage Foundation rate. In the event of the Living Wage Foundation rate being incrementally applied by the Council and exceeding £9.00 per hour prior to 2020, no further increases will be applied by the Authority until the National Living Wage level is reached by Westminster. This will ensure that from 2020 onwards the Council will align to the National Living Wage rate.

3. Powys Change Plan

- 3.1** The proposal to increase the Living Wage links into the wellbeing of the residents of Powys is the best that it can be and that their quality of life is improved, in this instance by aiding their financial wellbeing.

4. Options Considered/Available

- 4.1 Option 1 –** Increase to the Living Wage Foundation level from £8.25 per hour to £8.45 per hour effective from 1 April 2017.
- 4.2 Option 2 -** Retain the existing 'Powys' living wage level of £8.25 per hour until this is overtaken by the National Living Wage level.

5. Preferred Choice and Reasons

- 5.1** To approve Option 1 and Increase the Living Wage Foundation level from £8.25 per hour to £8.45 per hour effective from 1 April 2017.

To continue with the commitment to address low pay for council employees, assist in tackling potential poverty, assist towards reducing income inequality and deliver benefits to the staff, employer and Community, whilst mitigating financial risk by integrating the level of National Living Wage up to 2020. This will retain the discretionary decision making on Powys Pay Scale levels.

6. Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc

- 6.1** Equalities: The proposal will contribute towards what is considered to be the root cause of most issues of inequality – low pay. It will also contribute indirectly towards the Council's Strategic Equality Plan 2016-2020 which specifically targets assisting people on low income as well as the gender pay gap.

7. Children and Young People's Impact Statement - Safeguarding and Wellbeing

8. Local Member(s)

8.1 This applies across the geographical areas of the council.

9. Other Front Line Services

9.1 School Service:

The Senior Manager: "Central Services provides the following comment on behalf of schools service. The schools service supports the proposal to increase in the minimum hourly rate paid to staff in line with the living wage foundation rates. The service requires confirmation that funding will be provided through the budget to meet the above inflationary increases through both direct pay costs and the increased recharge to the service that will be applied as a result of the impact on the direct pay costs on the cleaning and catering services.

The implementation of the living wage foundation salary rates has eroded the pay differentials agreed under the job evaluation process with all posts evaluated on grades 1 - 3 being paid either the proposed rate or £8.55 per hour (top of grade 3). With schools now being responsible for the direct employment of cleaning staff there is evidence emerging that schools and the central service are encountering problems in attracting applications for the higher graded posts in the service area due to the erosion of the pay differential.

As the living wage foundation hourly rate will be above the rate required for a full time employee to be entitled to qualify for free school meals, the implementation of the rate may impact on the numbers eligible for FSM which would consequently impact on the funding received through the RSG and other funding streams in respect of FSM."

9.2 Housing Service:

Head of Service: "Happy to support the increase to the current Living Wage Foundation rate."

9.3 Leisure & Recreation:

9.3.1 *Head of Service: "The report is absent in its referencing of how the increased staff costs will be paid for. It is assumed that the additional costs will be borne corporately. For service such as Catering and Cleaning, the cost implications would be very significant if the services had to fund this directly, and would place a considerable additional burden upon them, with implications for parents and customers. I would ask that the report make the funding clear and that this is*

reflected in the associated Impact Assessment, also not provided for review with this report."

9.3.2 Senior Manager C&C: *"Our concern is with many of our staff on grades 2, 3 and 4 and the narrowing of the gap in hourly rate, we will struggle to attract caretakers and assistant cooks on grade 4. This was an issue pre Job Evaluation, where it was difficult to fill the posts with these responsibilities."*

9.4 Adult Services:

No comments received.

9.5 Regeneration, Property & Commissioning:

No comments received.

10. Support Services (Legal, Finance, HR, ICT, Business Services)

10.1 Legal:

The recommendation can be supported from a legal point of view.

10.2 Finance:

The budget for 2017/18 includes funding for the NLW, both the cost of internal demands, and the potential inflationary cost from external providers and suppliers. Thus the recommendation in this report can be supported and funding will be delegated to all service areas as necessary to cover the additional costs next year.

11. Public Service Board/Partnerships/Stakeholders etc

Not Applicable

12. Corporate Communications

12.1 The report is of considerable public interest and requires a news release/social media activity to communicate the decision.

13. Statutory Officers

- 13.1** The Solicitor to the Council (Monitoring Officer) has commented as follows:
"I note the legal comment and have nothing to add to the report".
- 13.2** The Strategic Director Resources (S151 Officer) notes the comments made by finance.

14. Members' Interests

- 14.1** The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form

Recommendation:	Reason for Recommendation:
To approve Option 1 and Increase the Living Wage Foundation Level from £8.25 per hour to £8.45 per hour effective from 1 April 2017.	To continue with the commitment to address low pay for council employees, assist in tackling potential poverty, assist towards reducing income inequality and deliver benefits to the staff, employer and Community, whilst mitigating financial risk by integrating the level of National Living wage up to 2020. This will retain the discretionary decision making on Powys Pay Scale levels.

Relevant Policy (ies):			
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	All Members
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Person(s) To Implement Decision:	Graham Evans
Date By When Decision To Be Implemented:	1 April 2017

Contact Officer Name:	Tel:	Fax:	Email:
Graham Evans	01597 826609		graham.evans@powys.gov.uk

Background Papers used to prepare Report:

APPENDIX 1

Directorate	Service	Area	Estimated Increase (Gross Salary)	Total On-costs on Increase	Total Estimated Increase including On-costs	Total per Directorate	Total Positions
CEO Function	Corporate Legal & Democratic Services	Corporate Legal & Democratic	992.44	206.27	1,198.71	1,198.71	15
Member Services	Chauffeur		182.35	62.56	244.91	244.91	6
People	Adult Services	Social Care Delivery	319.02	54.85	373.87	566.70	10
	Housing	Landlord Services	146.05	46.78	192.83		2
Place	Leisure & Recreation	Catering Services	26,462.06	8,298.29	34,760.35	59,405.02	268
	Leisure & Recreation	Cleaning Services	16,034.24	4,679.81	20,714.05		216
	Leisure & Recreation	Libraries	2,353.34	732.06	3,085.40		36
	Regeneration Property & Commissioning	Regeneration and Corporate Property	619.49	225.73	845.22		5
Schools & Schools Service	Schools	Primary Schools	35,670.68	11,404.35	47,075.03	77,219.33	737
	Schools	Secondary Schools	20,885.81	6,008.70	26,894.51		272
	Schools	Special Schools	1,066.98	367.20	1,434.18		9
	Schools	Through Schools	1,403.09	412.52	1,815.61		19
Totals:			106,135.55	32,499.12	138,634.67		1,595

(Total People = 1211)