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| Meeting | Remuneration Committee |
| Date | 14 October 2013 |
| Subject | Proposals for implementing the London Living Wage rate of pay in 2013/14 |
| Report of Summary | Chief Executive This report sets out for Committee proposals to introduce the London Living Wage rate of pay for employees of Barnet Council in 2013/14. |

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| Officer Contributors | Graham Thurston, Unified Reward Project Manager |
| Status (public or exempt) | Public |
| Wards Affected | - |
| Key Decision | Remuneration Committee |
| Reason for urgency / exemption from call-in | Not applicable |
| Function of | Council |
| Enclosures | Not applicable |
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1. RECOMMENDATIONS

- 1.1. To recommend to Council that it incorporates a statement in its annual Pay Policy Statement regarding the minimum wage rate for Council employees that will be effective from April each year.**
- 1.2. To recommend to Council that the Pay Policy Statement for 2013/14 be amended to include such a statement that sets the Council's minimum wage as being equal to the London Living Wage (LLW) rate of pay published in October 2013, with the increase being paid from October 2013.**
- 1.3. To recommend to Council that the Pay Policy Statement for 2014/15 sets the Council's minimum wage as being equal to the London Living Wage (LLW) rate of pay published in October 2013.**

2. PREVIOUS RELEVANT DECISIONS

- 2.1. Council meeting 16 July 2013 Non Executive Business Item in the name of Councillor Alison Moore, amended in the name of Councillor Daniel Thomas.

“Following this declaration – and provided the council receives a positive outcome from the ongoing One Barnet legal challenge – Council calls on Cabinet to bring forward the necessary proposals in order to pay all directly employed council staff at least the equivalent of the London Living Wage.”

- 2.2. Remuneration Committee 29 January 2013 resolved to agree the Council's pay policy statement for the financial year 2013/14 and to remit it for endorsement by Council on 5 March 2013.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1. The Council believes that no-one should do a hard day's work for less than they can live on, and that all our staff deserve to be paid at least the Living Wage. Council considers that if everyone in London on low pay were paid at least the living wage it could potentially save the government money by increasing the tax base and reducing spend on welfare benefits.
- 3.2. In addition, the Council believes that the added benefit to the Council of paying at least the living wage include increased productivity and lower staff turnover, which would reduce recruitment costs.

4. RISK MANAGEMENT ISSUES

- 4.1. If the LLW is increased to around £8.80 in October 2013 (as expected) it would have increased by over 30% since it was introduced in 2005. By comparison wage increases in local government over the same period have been less than half this level at 13%.
- 4.2. Currently, approximately a quarter of the Council's workforce are paid below the LLW rate of pay and if the LLW continues to increase in line with inflation (CPI) it is projected that this may increase to around a third of employees by 2016. This will obviously have an upwards pressure on Council wages and cost control issues.

- 4.3. Any on-going commitment to pay the LLW (given the trajectory of increases to date) needs to be balanced against the sustainability of pegging the Council's pay structure to a formula over which it has no direct control.
- 4.4. For this reason the recommendation is to incorporate a minimum wage statement in the annual Pay Policy Statement, which is agreed by Remuneration Committee in January each year, ratified by Council in March and takes effect from April each year. Remuneration Committee will therefore recommend the level of the minimum wage for Council employees, taking into account a number of factors, including:
- The National Minimum Wage (NMW)
 - The National Living Wage (NLW)
 - The London Living Wage (LLW)
 - Current and forecast inflation
 - Level of pay awards in the public sector
- 4.5. The proposed amendment to the current Pay Policy Statement would set the minimum wage rate for 2013/14 (from October 2013 onwards) and for 2014/15 as being equal to the LLW as set in October 2013.
- 4.6. The operational impact of applying the LLW has also been assessed and there may be a business risk in some areas. One specific area of impact is the Catering Business. This business is not subsidised by the Council and currently contributes a surplus to the Children's budget. It is anticipated that the majority of this would be eroded with the application of the LLW. The LLW would apply to Catering Assistants, Assistant Kitchen Managers and some Kitchen Managers meaning that current pay differentials would be completely removed. If the service introduces pay differentials to ensure kitchen managers receive more pay than the people they manage then this would further increase the cost to the service. The cost increases could be passed onto customers but school meals is both a politically sensitive area and demand for school meals is quite price sensitive too, which may restrict the ability of the service to increase prices. The introduction of the LLW may affect the viability of the current business model.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1. Ensuring the Council's pay arrangements are fair, equitable and comply with equalities legislation are key considerations. Introducing a minimum rate of pay would probably benefit a disproportionate number of female employees. However, if legally challenged the Council's defence would be that this measure reduces the overall pay gap between men and women and as such should be seen as a reasonable measure to achieve a legitimate aim.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

Financial impact on the Council

- 6.1. The overall cost impact for the Council of increasing base pay to the level of the LLW (expected to be £8.80 with effect from October 2013) is calculated to be

around £468k (full year costs with employers' on-costs for permanent council employees and casual staff). Therefore, for the current financial year the estimated cost would be £234k between October 2013 and March 2014.

- 6.2. It is proposed to pay this amount as a separate payment and not to consolidate it into base pay. The additional cost would be paid from reserves in 2013/14 and would be budgeted separately in 2014/15.
- 6.3. The impact on community schools of £135k will need to be funded by schools from their Dedicated Schools budget share and agreed locally

7. LEGAL ISSUES

- 7.1. The pay policy statement is a requirement of s38 Localism Act 2011. It requires the statement to include a definition of 'lowest paid employees' adopted by the authority for the purposes of the statement and the authority's reasons for adopting that definition.
- 7.2. The policy and any changes to it have to be approved by a resolution of the authority. This means the full Council as s 42 prohibits the functions being delegated either to the Executive or to a Council Sub Committee. s101 Local Government Act 1972 is specifically excluded in relation to pay policy statements.
- 7.3. Remuneration Committee can therefore only make a recommendation to Council to adopt. It cannot implement the change in policy to introduce the London Living Wage

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1. The Remuneration Committee's terms of reference are noted in Part 3 of the Council's Constitution – Responsibility for Functions

9. BACKGROUND INFORMATION

- 9.1 Organisations can seek full accreditation to the National or London Living Wage through Citizens UK – a charitable body that administers the accreditation process.
- 9.2 There is a growing momentum amongst employers to comply in some form with the National Living Wage (NLW) and the London Living Wage (LLW). Approximately 26% of London Boroughs are fully accredited and 37% comply without accreditation. The Council needs to consider its response to this and how it addresses it as part of its reward strategy.
- 9.3 The LLW was introduced in 2005 at a rate of £6.70 per hour. Since then the rate has increased to its current level of £8.55 per hour. The rate of increase has varied between 2.0% to 5.7%, with the average being 3.5%. The current rate equates to a full time salary of £16,049 per annum for a 36 hour week. Therefore, all employees on SCP 8 (£15,771) and below are currently paid below the London Living Wage rate. See table below.
- 9.4 The LLW is increased in October each year. According to the Office National Statistics (ONS) the Consumer Prices Index (CPI) is 2.9% (12 August 2013). If

the LLW were to increase by this amount it would make the figure around £8.80 per hour (£16,515). This would mean employees on or below SCP 10 (£16,452) would be under the LLW.

- 9.5 The table below shows the potential impact on the Council's pay spine assuming that NJC cost of living increases are capped at 1% and the LLW increases at the current CPI rate of 3.0%. The light yellow shaded area demonstrates the spinal column points that would be below the LLW if it continues to increase at the CPI rate of inflation.

| SCP | Annual Value 2013/14 | NJC Hourly Rate 2013/14 | Forecast NJC hourly rates based on 1.0% increase per annum | | |
|--------------|----------------------|-------------------------|--|---------|---------|
| | | | 2014/15 | 2015/16 | 2016/17 |
| 4 | 14,844 | 7.91 | Removed w.e.f. 1 October 2013 | | |
| 5 | 14,961 | 7.97 | 8.05 | 8.13 | 8.21 |
| 6 | 15,090 | 8.04 | 8.12 | 8.20 | 8.28 |
| 7 | 15,369 | 8.19 | 8.27 | 8.35 | 8.44 |
| 8 | 15,771 | 8.40* | 8.49 | 8.57 | 8.66 |
| 9 | 16,164 | 8.61 | 8.70 | 8.78 | 8.87 |
| 10 | 16,452 | 8.76 | 8.85 | 8.94 | 9.03 |
| 11 | 16,647 | 8.87 | 8.96 | 9.05 | 9.14 |
| 12 | 16,962 | 9.04 | 9.13 | 9.22 | 9.31 |
| 13 | 17,367 | 9.25 | 9.34 | 9.44 | 9.53 |
| 14 | 17,658 | 9.41 | 9.50 | 9.60 | 9.69 |
| LLW estimate | | 8.55/8.80 | 9.07 | 9.34 | 9.62 |

- 9.6 The table below shows the employees directly employed by the Council and in Community Schools that are currently paid below the LLW rate. For the purposes of this paper employees in non-community schools are excluded.

Directly Employed employees

| Job Title | Number | Cost to increase |
|--------------------------------------|------------|------------------|
| Admin Assistant | 2 | 1,955 |
| Assistant Kitchen Manager | 13 | 8,404 |
| Catering Assistant | 164 | 127,315 |
| Coach Escort | 55 | 17,086 |
| Dining Centre Supervisor | 5 | 2,216 |
| Domestic Assistant | 1 | 1,579 |
| Driver | 2 | 1,807 |
| Kitchen Manager | 2 | 1,314 |
| Saturday & Evening Library Assistant | 42 | 12,903 |
| General assistant | 1 | 877 |
| Street Sweeper/Operative | 54 | 64,571 |
| Total | 341 | 240,027 |

Community School employees – DSG impact

| Job Title | Number | Cost to increase |
|-----------------------------|------------|------------------|
| Admin Assistant | 1 | 17 |
| After School Club Assistant | 3 | 1,316 |
| After School Club Leader | 1 | 172 |
| Assistant caretaker | 3 | 983 |
| Breakfast Club Assistant | 6 | 893 |
| Breakfast Club Leader | 2 | 156 |
| Caretaker | 1 | 199 |
| Catering Assistant | 2 | 1,328 |
| Cleaner | 46 | 14,036 |
| Coach Escort | 4 | 216 |
| Domestic Assistant | 3 | 1,846 |
| Mealtime Supervisor | 379 | 79,745 |
| Play Leader | 4 | 809 |
| School Crossing Patrol | 1 | 349 |
| Senior Mealtime Supervisor | 6 | 655 |
| Senior Play Leader | 1 | 70 |
| Teaching Assistant L1 | 34 | 1,199 |
| Total | 497 | 103,989 |

- 9.7 Around 341 Council employees and 49 casual workers will be paid below the LLW rate (assuming it is increased in line with inflation in October). The total cost to the Council of implementing the LLW rate of pay would be around £240k per annum on base salary costs. Employer on-costs would increase this to over £312k per annum. It is not proposed to increase the base calculation of premium payments (e.g. overtime, Saturday and Sunday working) as the premium hourly rate at current levels is already above the LLW rate of pay.
- 9.8 In addition, 39 May Gurney 'Loaders' are paid £7.33 per hour and these will be transferred into the Council in early October. Assuming the LLW increases to £8.80 uplifting the pay rate would add another £120k to base salary costs (£156k with on-costs). This would make a total of around £360k for base salary costs and £468k including on-costs.
- 9.9 There is an impact on 497 staff employed by community schools. The cost would be: £104k, with on costs the total cost is estimated to be: £135k. This increase would need to be funded by schools from their Dedicated Schools budget share. There is a small impact of the LLW in the Barnet Group of around £450 per annum.
- 9.10 If the LLW were to be implemented all employees on or below SCP10 would be 'uplifted'. This may well impact on some supervisor/subordinate relationships (i.e. they may end up being paid the same). In addition it will also erode pay differentials between jobs of different sizes. This issue will be considered and addressed as part of the Unified Reward Structure to be implemented in full in April 2015.
- 9.11 It is considered most appropriate to apply the LLW on a monthly basis (rather than as a one-off lump sum) as this would apply to all employees employed

rather than just to those who were employed at the time a lump sum was applied.

- 9.12 The most effective way to implement the payment will be in the form of an additional allowance that would work in a similar way to pay protection. For example, for employees included, the Council would set the required pay level and the payroll system would calculate the difference between the required amount and the employees' usual rate of pay. Payments will be subject to national insurance, tax and they would be pensionable.
- 9.13 Longer term the Council's Unified Reward Structure project will need to take into account the Council's position on the LLW, both in terms of pay structure and pay differentials.
- 9.14 The recommendation is therefore to incorporate a statement in the Council's annual Pay Policy Statement regarding the minimum wage rate for Council employees. Given that the 2013/14 Pay Policy Statement has been approved, it is proposed to amend this with the inclusion of the following paragraph:
- “London Borough of Barnet is a fair pay employer and will apply the principles of a living wage (including taking into account the National Minimum Wage, National Living Wage, London Living Wage and national pay awards in the public sector), subject to affordability. London Borough Barnet's minimum wage for the period from October 2013 to March 2015 will be equal to the London Living wage as set in October 2013. This rate will be reviewed as part of the Pay Policy Statement for 2015/16.”***
- 9.15 Other amendments would then be made to the current content of the statement to incorporate the actual LLW set in October 2013.

10. LIST OF BACKGROUND PAPERS

10.1. None.

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| Cleared by Finance (Officer's initials) | AD/JH |
| Cleared by Legal (Officer's initials) | LC |