



Report of the Deputy Chief Executive

Report to Executive Board

Date: 19th October 2016

Subject: Payment of a minimum hourly rate of £8.25 to LCC employees

Are specific electoral wards affected?	<input type="checkbox"/> Yes	x No
If relevant, name(s) of ward(s):		
Are there implications for equality and diversity and cohesion and integration?	X Yes	<input type="checkbox"/> No
Is the decision eligible for call-in? Key decision	X Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	X No
If relevant, access to information procedure rule number:		
Appendix number:		

Summary of main issues

This report provides an update to the Executive Board on the issues and progress that LCC is making to work towards paying living wages since it was last considered by the Board in September 2015 as part of the annual review set out in the report.

This report sets out further actions that will be taken to support low paid workers, which includes paying staff a minimum hourly rate of £8.25 from 1st January 2017 as agreed in the Pay Policy Statement presented to the General Purposes Committee in February 2016 and Full Council on March 23rd 2016.

Recommendations

The Executive Board is recommended to:

- 1 Note progress on addressing low pay and in-work poverty issues amongst our workforce regionally in response to signing the Low Pay Charter. To also note that whilst LCC is not an accredited Living Wage Employer, LCC is committed to the West Yorkshire Low Pay Charter and the Ethical Care Charter.
- 2 Note the work that LCC is undertaking and agree to increase the minimum hourly rate to £8.25 from January 2017 which is the current Living Wage Foundation recommended rate. This minimum rate of pay is inclusive of any pay award which is applied in April 2017 and in the instance where the pay award exceeds the

minimum proposed rate of £8.25 the higher amount of the two will be paid. This will be implemented by the Deputy Chief Executive

- 3 Agree that LCC will continue to engage suppliers, partners and the business community in Leeds to help tackle wider issues of poverty in the city and develop projects to build a stronger local economy and a compassionate city. This will reflect commitments made under the West Yorkshire Low Pay Charter and integrate with Breakthrough Projects.

1 Purpose of this report

1.1 To update the Executive Board on issues and progress in the last twelve months as LCC works towards paying a recognised living wage rate.

1.2 To set out further work to support this commitment.

2 Background information

2.1 In work poverty and low pay issues are a national concern. In Leeds action has been taken to tackle this as reported to the Executive Board in September 2015. These actions reflect the commitments in the Low Pay Charter which was adopted by the Council in April 2015.

2.2 The charter commits the Council to work towards offering a Living Wage rate as defined by the Living Wage Foundation. This pay rate is currently £8.25 per hour outside of London and is reviewed annually in November. LCC is not an accredited member of the Living Wage Foundation and therefore is not committed to further increases. Further announcements will be reviewed and considered in line with the budget.

2.3 In April 2016 the LCC minimum hourly rate was increased to £8.01 with a commitment to review this annually in the overall context of the budget strategy Increases are considered in terms of affordability, impact on pay structures and national pay settlements. A further increase to £8.25 was set out in the Pay Policy Statement agreed in March 2016.

2.4 In July 2015 the government's budget proposals included the introduction of a national living wage for employees aged over 25 from April 2016. This rate was set at £7.20 per hour with an expected rise to £9 per hour by 2020. The National Joint Council have applied annual pay increases which increase the lower rates of pay but to date have not offered solutions and guidance to change the pay structure to deal with this pressure.

3 Main issues

Low Pay Charter and Living Wages

3.1 The Low Pay Charter commits the regional councils to work towards living wages for both directly employed staff and through supply chains and to promote best practice in our economies. The charter recognises that pay and productivity gains will not be optimised unless attention is given to how lower paid staff are treated and engaged at work.

3.2 A review of progress shows that Leeds is:

- Currently paying a minimum hourly rate of £8.01 with a proposed increase to the current Living Wage Foundation Rate of £8.25.
- Tackling the challenge of the perception of the value of training and progression leading to increased responsibility with little improvement of take

home pay. Work being undertaken is to identify career pathways and use apprenticeships more effectively as well as working closely with the trade Unions and Union Learn to develop numeracy, literacy and digital skills

- Launching a three year employee wellbeing programme that will consider some of the differences in health outcomes that affect our staff groups ensuring support will be more accessible to front-line staff.
- Working with partners through the national Engage for Success programme which proves an effective method of improving engagement amongst lower paid staff.

3.3 Procurement and Commissioning areas have also been considered in terms of the supply chain. Leeds procurement strategy and supporting documents require consideration of social value matters in value in contracts. The Executive Board recently endorsed the Social Value Charter, which covers all activity of the authority including commissioning. Employment and Skills places are also embedded in the procurement process particularly for construction contracts. Consideration is given as to whether there may be issues around low pay and how workers are employed/engaged for particular types of contract, and how the commissioning process can be used to challenge, inform, raise awareness and encourage contractors to improve such matters.

3.4 LCC has also maintained links with the Living Wage Foundation and Leeds Citizens to demonstrate how we can make positive steps towards a Living Wage. The Living Wage Foundation rate is deemed to be an appropriate benchmark in that it is a nationally recognised figure used widely across the UK and based on the cost of affording basic necessities. The rate is calculated independently by the Centre for Research in Social Policy, and considers average costs of household goods, rents and wages to derive an hourly rate which provides a minimum acceptable standard of living. A review of the formula is being undertaken by the Living Wage Foundation with the aim that increases are less volatile and employers can more easily predict and budget for the rise in the annual rate. LCC has engaged various supporters of this approach to appreciate some of the complexities of adopting the Living Wage in the public sector. The current rate of £8.25 is reviewed annually but LCC is under no obligation to adopt any increased rate. Decisions to review the hourly rate will be made in the context of the financial position.

£8.25 Scope and implications

- 3.5 The Council's Pay policy statement was agreed by Full Council in March 2016 and set out the intention to increase the minimum hourly rate from £8.01 per hour to £8.25. This will apply to all LCC permanent and temporary employees including schools, casual workers and apprentices.
- 3.6 This increase is inclusive of the National Joint Council pay award to be applied in April 2017. In the instance where the pay award exceeds the minimum hourly rate of £8.25 the higher rate of the two will be paid.

- 3.7 Differentials between the grades and scale points will be preserved in the current NJC pay structure. Further work will be required to consider future increases in the context of the budget and revision of the pay scales nationally.
- 3.8 Our traded services, particularly catering and cleaning, are the largest areas affected by the proposed increase to the minimum hourly rate. The costs will be passed on to customers, including schools, and this will have a direct impact on school budgets. Further discussions will be required with schools to understand the position. Work is continuing within directorates to understand the impact of narrowing differentials in pay and managing costs where there may be exposure to premium pay.
- 3.9 Our contracts within Adult Services have a commitment to paying a real living wage across the life of the contract as part of the Ethical Care Charter. Next steps are to review quality and performance standards to invest in the workforce.
- 3.10 The extra cost of the increase is estimated as £0.4m as the 2017 pay award has been taken in to consideration in the budget. The increase will ensure that the pay of 3350, LCC staff and 3620 schools staff who were earning a minimum of £8.01 will now increase to £8.25. the £8.25 rate delivers an FTE annual salary that is £671 (4.4%) greater than the 2017/18 national rate for staff on the NJC Scale point 8. Staff on NJC Scale Point 9 will receive an additional £542 (3.5%) than the full time national rate and the equivalent additional pay for full time staff on NJC scale points 10 and 11 will be £304 (1.9%) and £110 (0.7%) respectively. The following examples illustrate what this means:

A Kitchen Assistant is currently paid an annual salary of £7519 for an 18 hour week. This will increase to £7743 per year with the introduction of the £8.25 hourly rate.

A full time Driver/Escort earns £15455 per year. On the proposed rate of £8.25 this will increase to £15917

A part time 16 hour Streetscene Attendant will receive an increase in pay of £200 per year. (£6683 annual pay increased to £6883)

4 Corporate considerations

4.1 Consultation and engagement

- 4.11.1 Trade Unions support the introduction of the Living Wage Foundation living wage rate and are aware and actively participating in discussion of the longer term resource pressures and equal pay risks.
- 4.11.2 Schools have been informed of the intention outlined in this report and further discussion and communication will be undertaken to understand and resolve any school issues. Consideration will need to be given to the impact of increases in cost of LCC contracts held with schools and other client organisations e.g. cleaning and catering.

4.12 Equality and diversity / cohesion and integration

- 4.12.3 The proposals have a positive impact on in-work poverty, women, under 25s and part time workers.
- 4.12.4 Work is being undertaken to consider the impact of the change on employees reliant on government benefits and the introduction of Universal Credit.

4.13 Council policies and Best Council Plan

- 4.13.1 In June 2015 a White Paper was considered by Full Council regarding cost of living issues. It stressed that paying a living wage LCC will be furthering commitments to having a strong economy and being a compassionate city; leading the way in addressing skills and productivity alongside fair pay.
- 4.13.2 The decision to increase low pay supports the established More Jobs Better Jobs Breakthrough Project, which works across a range of employment and skills themes with private and public sector partners and encourages a dialogue to promote the business benefits of addressing low pay as a means to growing skills and productivity within and beyond the public sector.
- 4.13.3 The decision supports opportunities presented by the Apprenticeship Levy and other skills funding changes and maintains progress on improving pay and performance in our supply chain.
- 4.13.4 The decision reaffirms the implementation and recommendations in the Low Pay Charter and progress report and supports the work done by all the participating councils in sharing best practice.

4.14 Resources and value for money

Applying a minimum hourly rate of £8.25 will cost the general fund services £1m more in 2017/18 than if it was held at the current rate of £8.01. Similarly a rate increase of £8.25 per hour would increase schools pay costs by £0.8m in a full year. For an individual the increase in the hourly rate would raise full time pay by £463 per year. The planned budget provision for the 2017/18 NJC pay award has allowed for a pay increase of £300 for FTEs at this pay level at a cost to the Council of £0.6m. Therefore the additional pay budget provision for the Council to implement £8.25 per hour amounts to £0.4m.

The greatest impact of these changes will be borne by the traded services i.e. catering and cleaning and this will be passed on to customers, increasing the cost of contracts.

4.15 Legal Implications, access to information and call In

- 4.15.1 The decisions requested in this report are eligible for call-in, in line with the Council's Executive and Decision Making Procedure Rules.
- 4.15.2 Any potential equal pay risks will be minimal provided overall pay structure differentials remain unaffected by increases.

4.16 Risk management

- 4.16.1 This will be included in the Corporate Risk Register together with similar pressures regarding our supply chain and contracts.

5 Recommendations

- 5.1 The Executive Board are asked to:
- 5.2 Note progress on addressing low pay and in-work poverty issues amongst our workforce regionally in response to signing the Low Pay Charter. To also note that whilst LCC is not an accredited Living Wage Employer, LCC is committed to the West Yorkshire Low Pay Charter and the Ethical Care Charter.
- 5.3 Note the work that LCC is undertaking and agree to increase the minimum hourly rate to £8.25 from January 2017 which is the current Living Wage Foundation recommended rate. This minimum rate of pay is inclusive of any pay award which is applied in April 2017 and in the instance where the pay award exceeds the minimum proposed rate of £8.25 the higher amount of the two will be paid. This will be implemented by the Deputy Chief Executive
- 5.4 Agree that LCC will continue to engage suppliers, partners and the business community in Leeds to help tackle wider issues of poverty in the city and develop projects to build a stronger local economy and compassionate city. This will reflect commitments made in the West Yorkshire Low Pay Charter and integrate with Breakthrough Projects.

6 Background documents¹

- 6.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.