

6 January 2015

Update on Local Government (Green Book) Pay Negotiations 2016/17 and consideration of the payment of the living wage

Purpose of the report

1. The purpose of this report is to provide an update to Staffing Policy Committee on the national pay negotiations that are taking place, and to outline CLT's decision not to support the adoption of the Living Wage Foundation's Living Wage in light of the government's new initiative to increase pay at the lower end of the scale by committing to a new National Living Wage from April 2020.

Background

Pay Negotiations

2. The National Joint Council (NJC) trade union side submitted a pay claim to the National Employers on 3 June 2015 which contained the following points:
 - Deletion of NJC and all local pay points which fall below the level of the UK Living Wage (according to the Living Wage Foundation) and a flat rate increase of £1 per hour on all other pay points;
 - Retention and protection of Green Book Part 2 terms and conditions
 - Fair treatment for school support staff through a joint review of term time working
3. Although this claim was submitted prior to the budget in July 2015 where the National Living Wage (NLW) rate was announced, the NJC trade union side have confirmed that their pay claim remains in place.
4. Work has been undertaken in councils to establish how much this claim would cost to implement and if the trade unions' pay claim was successful it would cost Wiltshire Council approximately £6.5m to implement per year.
5. The National Employers met with the unions on 3 December 2015 and again on 9 December 2015 in order to commence negotiation on the NJC pay deal for 2016/17.

Living Wage

6. The Living Wage is reviewed by the Living Wage Foundation each November and has just increased to £8.25 per hour outside of London, having risen from £7.85 in 2014/15 (a rise of 5.1%).
7. Unlike the national minimum wage (£6.70 per hour), or the government's new **National Living Wage**, (£7.20 per hour from April 2016), the Living Wage is not a statutory requirement but a voluntary undertaking.
8. Wiltshire Council has been considering the merits of implementing the Living Wage for some time, particularly in response to a request from Cllrs Terry Chivers and Jeff Osborn.

9. At the meeting on 8 January 2014, Staffing Policy Committee agreed that the council would review the pay and grading structure on the introduction of the job family approach, and at that point would consider if it is appropriate to implement the Living Wage, taking into account the cost pressures.
10. The job family approach is now being rolled out across the organisation and therefore this report outlines the key points to consider should the council decide to adopt the Living Wage.
11. However, it is worth noting that when Staffing Policy Committee agreed to consider implementing the Living Wage this was prior to the government's announcement earlier this year that from April 2016 they would be introducing the National Living Wage (NLW), currently £7.20 per hour.
12. The implementation of the NLW over the coming years will mean that the bottom pay point will need to increase by potentially 32% to achieve the Government's target of 60% of median earnings (currently forecast to be around £9.35 per hour) in 2020. This will require that subsequent pay points are increased in order to maintain differentials. The National Employers have asked to work with the unions as part of pay negotiations over the coming months to find a way that fairly and affordably meets this objective and the pay offer outlined in paragraph 6 was therefore constructed in a way that supported this longer term target of restructuring the national pay spine.
13. Whilst this NLW rate is unlikely to be as high as the Living Wage, the implementation of the NLW next year, along with the commitment of annual increases until 2020, does significantly increase pay at the lower end of the pay scale, and poses the question whether it remains necessary to consider implementing the alternative higher Living Wage.

Main considerations

Pay Negotiations

14. The National Employers' have made a final offer (Appendix 1) to the unions which was constructed in such a way as to clearly reflect the views expressed by attendees at each of the regional pay consultation briefings that were held during September. There was overwhelming support among councils for the National Employers to seek a two-year agreement with a headline of one per cent in 2016/17 and in 2017/18 in addition to increasing the bottom pay points to take account of the new NLW (£7.20 per hour).
15. The National Employers were clear with the unions from the outset that they wished to reach a final position that both sides would wish to see as the basis for an agreement. Therefore the National Employers have formally asked that the unions consult their members on this final offer and the unions have agreed that they will spend the next few days considering this request.
16. The total increase to the national paybill resulting from this offer is 2.4% over two years (covering the period 1 April 2016 to 31 March 2018) and approximately 0.4% of this figure is designed to meet the immediate obligations under the NLW. The National Employers have stated that this final offer is at the limit of affordability for councils.
17. If the unions agreed this pay offer the increase to the paybill for Wiltshire Council would be 2.41% overall (2.2% for the council and 3.03% for schools). This equate to £2.6m for Wiltshire Council and £1.2m for schools. These figures are in respect of staff on Green Book terms and condition only and do not include staff subject to other terms and conditions that will be subject to different pay negotiations.

18. The National Employers have also offered to meet a non-pay element of the unions' claim, subject to agreeing terms of reference, which sought a joint review of term-time working and an NJC approach to deliver fair, consistent and transparent contracts for school support staff.
19. The National Employers have been very clear in numerous meetings and conversations over many months that the room for manoeuvre in negotiations was very limited. They have also reiterated that for the NJC to retain credibility it was incumbent on both sides to quickly provide advice and a way ahead to 2020 to meet the huge challenge faced from the impact of the NLW. It is therefore hoped that the trade unions will act swiftly and begin the consultation process with their members on the National Employer's pay offer.

Living Wage

20. Implementation of the Living Wage would initially involve the removal of the 7 lowest spinal points of our pay ranges, but as the Living Wage rises it is likely that further spinal points would be need to be removed, causing the pay bill to rise. Recruitment at the lower end of the pay scale currently poses no significant issues so the additional cost would be hard to justify.
21. There are currently low numbers of staff earning below the Living Wage in the non-schools teams, and the natural changes in the shape of the organisation has meant that fewer staff are now in the lower grades than in previous years. However, there still remains a significant number of staff paid below the Living Wage in Wiltshire Council maintained schools.
22. The tables in Appendix 2 below show the approximate costs of implementing the government's new NLW from April 2016. Assumptions have been made on increases to the National Living Wage over the coming years based on reaching £9 per hour by 2020.
23. The cost of introducing the NLW is significant especially in the later years, so the council already has to fund this commitment. As can be seen the cost of implementing the Living Wage in addition to the NLW is an ongoing total of around £500K per year for the whole council.
24. If the council decided to implement the Living Wage it would not be possible to implement the Living Wage for non-schools only, as there would be an immediate equal pay risk.
25. Academies, Foundation and Voluntary Aided schools could decide not to implement the Living Wage as the Council is not the employer. However, the majority of these schools have implemented the Council's pay and grading system, and so it is possible they would also decide to follow the Council's policy if the Living Wage was implemented - especially as they would be less competitive in the market place if other local schools have implemented.
26. It is therefore important to consider the significant cost implications on education budgets of the implementation of the Living Wage. The total Dedicated Schools Grant is allocated to its schools by the Local Authority (LA) via the 'local funding formula' which is agreed by the Local Authority in consultation with the Schools Forum. Funding is not specifically allocated for staffing - it is predominantly pupil-led in line with Department of Education grant conditions.
27. Any decision to introduce a Living Wage would need to include consultation with the schools and the Schools Forum. Individual schools would have to meet the cost of the Living Wage from their existing budget allocation which could pose unwelcome cost pressures, especially in small schools.
28. It is also important to consider that the implementation of the Living Wage means that the Council would be agreeing to unknown future cost pressures, as the increase to the Living Wage is agreed nationally and has been rising annually around 3% over the last few years, with this year being a significant increase of 5.1%.

29. In order to overcome this pressure, some other local authorities have implemented the principles of the Living Wage hourly rate for their staff, rather than become an *accredited* Living Wage employer. They have therefore paid a non-consolidated “top up” to the hourly rate to meet the current Living Wage, which then allows them to review on a yearly basis whether they continue to apply the Living Wage.
30. In order to be an accredited Living Wage employer, organisations must agree to implement the Living Wage year on year, and also review all their contracts to ensure on renewal each contractor pays the Living Wage. This would have a significant impact on the cost of our social care contracts.

Risks

31. There are risks associated with the implementation of the Living Wage. The costs outlined above would cause a significant risk to the council as further savings would be required to be made in 2016/17 and beyond. It is hard to justify this additional cost as the benefit to the council would be limited. It would be risky to become an accredited living wage employer due to the unknown rise each year and the consequent increase in cost of our contracts.
32. If the council does not become an accredited living wage employer but instead “tops up” the lower spinal points instead of consolidating that payment then there would be no advantage of the accredited “label” and therefore the positive message would be diluted.
33. Furthermore there are no recruitment issues at the lower part of the pay spine so the additional cost is hard to justify.

Finance Comments

Pay Negotiations

34. Assuming the 2.2% is spread across two years this is broadly in line with current assumptions in the 2016/17 financial plan and longer term MTFs. As this is negotiated at a national level there is very little room for option regarding implementation. Going forward these costs can be built into the MTFs and will become part of the pressures to fund. The issue of how to plan for this better needs to be seen in the wider context of the overall growing pressures on the council’s pay bill from government changes to national insurance and the NLW, to pension pressures and negotiated settlements. As such the potential impact could be more or managed. This must be linked to the Workforce Strategy in relation to future needs, succession and retention plans. As such this will remain a key assumption in setting the MTFs and will be clearly flagged in reports updating the MTFs to CLT and informal Cabinet

Living Wage

35. The NLW assumptions built into the Financial Plan are along these lines, with additional for the potential impact on service contracts – mainly care related. There is also an expectation that any NLW costs associated with care will be funded (in part) from the option to levy a charge for Social Care of up to 2% when setting the Council Tax. No option at this stage exists for schools and we await the new funding announcement on schools in 2016 to see if this issue is addressed and will lobby on this if not.
36. Overall therefore in 2016/17 this would not add any significant pressure on the council above that already projected. Going forward these costs can be built into the MTFs and will become part of the pressures to fund. The issue of how to address this needs to be seen in the wider context therefore of overall growing pressures on the council’s paybill from government

changes to national insurance and the NLW, to pension pressures and negotiated settlements. As such the potential impact could be more or less managed. This must be linked to the Workforce Strategy in relation to future needs, succession and retention plans. As such this will remain a key assumption in setting the MTFS and will be clearly flagged in reports updating the MTFS to CLT and informal Cabinet.

37. As such either option can be supported, with the option as set out in paragraph 29 above regarding an hourly rate being the most pragmatic decision for now.

Conclusion

38. At its meeting on 14 December 2015 CLT considered whether the council should adopt the Living Wage and agreed that they could not support the adoption of the Living Wage for the foreseeable future in light of the ongoing budget pressures for both the schools and non-schools teams, and with the reasoning that the new NLW will be introduced from 2016 which will have a significant impact on lower paid staff.

Recommendation

39. It is recommended that Staffing Policy Committee:

- a. Note the update on pay negotiations and that further updates will be provided when more information becomes available.
- b. Agree the CLT decision not to support the adoption of the Living Wage in light of current budget pressures and the introduction of the new NLW which will have a significant impact on lower paid staff and which will be introduced in April 2016.

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National Employers made the following final offer to the unions:

From 1 April 2016:

- On SCP 6, £900 (equivalent to 6.6%)
- On SCP 7, £900 (equivalent to 6.6%)
- On SCP 8, £900 (equivalent to 6.5%)
- On SCP 9, £900 (equivalent to 6.4%)
- On SCP 10, £900 (equivalent to 6.3%)
- On SCP 11, £300 (equivalent to 2.0%)
- On SCP 12, £300 (equivalent to 2.0%)
- On SCP 13, £250 (equivalent to 1.6%)
- On SCP 14, £250 (equivalent to 1.5%)
- On SCP 15, £200 (equivalent to 1.2%)
- On SCP 16, £200 (equivalent to 1.2%)
- On SCP 17, £175 (equivalent to 1.01%)
- On SCPs 18 and above, 1.0%

and

From 1 April 2017:

- SCP 6, £500 (equivalent to 3.4%)
- SCP 7, £500 (equivalent to 3.4%)
- SCP 8, £475 (equivalent to 3.2%)
- SCP 9, £400 (equivalent to 2.6%)
- SCP 10, £375 (equivalent to 2.5%)
- SCP 11, £300 (equivalent to 1.9%)
- SCP 12, £300 (equivalent to 1.9%)
- SCP 13, £300 (equivalent to 1.9%)
- SCP 14, £300 (equivalent to 1.8%)
- SCP 15, £300 (equivalent to 1.8%)
- SCP 16, £250 (equivalent to 1.5%)
- SCP 17, £225 (equivalent to 1.3%)
- SCPs 18 and above, 1.0%

a) Costs for introduction of National Living Wage (£7.20 from 01/04/2016)

	Sum of NLW Cost Y1	Sum of NLW Cost Y2	Sum of NLW Cost Y3	Sum of NLW Cost Y4	Sum of NLW Cost Y5
SCHOOLS	£3,246	£108,240	£263,231	£408,949	£595,453
WILTS	£4,917	£50,564	£150,818	£285,340	£527,157
Grand Total	£8,163	£158,804	£414,049	£694,289	£1,122,610

b) Additional Costs for introduction of Living Wage on top of NLW (from 01/04/2016) - £8.25 p

	Sum of Additional LW Cost Y1	Sum of Additional LW Cost Y2	Sum of Additional LW Cost Y3	Sum of Additional LW Cost Y4	Sum of Additional LW Cost Y5
SCHOOLS	£364,724	£344,166	£282,590	£243,619	£189,998
WILTS	£196,447	£245,215	£313,740	£352,556	£264,488
Grand Total	£561,171	£589,381	£596,330	£596,175	£454,486

*This second table details the cost of the Living Wage if it was introduced in addition to the NLW.