

Derbyshire County Council

Cabinet Meeting

25 January 2018

Report of the Strategic Director Commissioning, Communities and Policy

Living Wage and Local Government Services Pay Update (Council Services)

1. Purpose of the Report

To provide an update on the Local Government Services (LGS) pay offer and Living Wage allowance from April 2018.

2. Information and Analysis

The National Employers have recently made a two year pay offer to Local Government Services employees, that with bottom loading is estimated to be equivalent to an increase of 2.7% in 2018-19 and 2.8% in 2019-20. The pay offer has yet to be agreed nationally and preliminary work has taken place to estimate the cost of a local offer to mirror that made nationally. The offer would increase the Council's bottom pay point from £7.85 to £8.50 per hour in 2018-19.

The preliminary work for 2018-19 shows a gross increase of £5.9m, equivalent to 2.6%, which is £3.6m above the budget assumption. Taking into account pay costs of £0.5m associated with cleaning and catering services that are traded to schools, the net increase is expected to be around £3.1m above the budget assumption

Since April 2014 Cabinet has agreed, on an annual basis, to pay the Living Wage Foundation recommended rate as an allowance. In 2017-18 employees eligible for the allowance are paid the difference between their hourly rate and the Living Wage rate of £8.45. Around 3,800 Council appointments (excluding schools employed staff) will benefit from payment of the allowance up to 31 March 2018. 285 maintained schools and academies have opted into paying the Living Wage allowance to around 3,600 employees in 2017-18.

In November 2017, the Living Wage Foundation announced a 3.5% increase in the 2018 rate of 30p per hour from £8.45 to £8.75, increase. The Government has announced that the National Living Wage (NLW) will increase by 33p per hour from £7.50 to £7.83, a 4.4% increase, on 1 April 2018.

Uncertainty regarding the National Living Wage rate up to 2020, increases in the Living Wage Foundation rate and financial constraints continue. If a pay offer based on the preliminary work undertaken is agreed locally, all employees would be paid above the current Living Wage allowance of £8.45 and pay differentials at the bottom of the Derbyshire pay scales would be restored. As a consequence it will not be necessary for payment of the Living Wage allowance to continue after 31 March 2018.

Schools will also be informed that payment of the Living Wage allowance will not be necessary from 1 April 2018.

3. HR Considerations

The recognised trade unions are participating in pay related discussions.

Council employees currently eligible for the Living Wage allowance will be written to informing them that from 1 April 2018 the allowance will not be paid. Further information provided will depend on progress of the national and local pay negotiations.

If a local pay agreement is not finalised before 1 April 2018 eligible employees will continue to be paid equivalent to the Living Wage allowance at £8.45 until an agreement is reached.

4. Financial Considerations

The Council's Five Year Financial Plan assumed a 1% pay award for 2018-19. The additional costs of £3.1m will be met from reductions to corporate budgets, details of which are set out in the Revenue Budget Report 2018-19, which is for consideration at this meeting. However, the additional costs for 2019-20 results in further savings being required in order to set a balanced budget in that year.

5. Social Value

The Council is taking active steps as an employer to raise the living standards of its lowest paid employees. Through continuing to adhere to national pay bargaining the Council's lowest pay points remain above the National Living Wage.

6. Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, environmental, health, human rights, property and transport considerations.

Public

7. Key Decision

No

8. Call-in

Is it required that call-in be waived in respect of the decisions proposed in the report?

No

9. Officer Recommendations

That Cabinet:

- 1 notes that payment of the Living Wage allowance will not continue after 31 March 2018;
- 2 is updated once the national pay agreement is finalised.

Emma Alexander
Strategic Director Commissioning,
Communities and Policy