

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEETING**

**21 February 2017**

**Report of the Strategic Director Corporate Resources**

**PAYMENT OF THE LIVING WAGE IN 2017-18  
(COUNCIL SERVICES)**

**1. Purpose of the Report**

To agree payment of the Living Wage as an allowance in 2017-18.

**2. Information and Analysis**

The Living Wage allowance has been paid by the Council since 1 April 2014. On 31 October 2017 the Living Wage Foundation announced that the 2017 rate has increased by 20p per hour from £8.25 to £8.45.

The 2017-18 Local Government Services pay agreement was reported to Cabinet on 26 July 2016. The Government has announced that the National Living Wage will increase by 30p per hour from £7.20 to £7.50 from 1 April 2017. The Council's lowest pay point in 2017-18 will be £7.85.

Eligible employees are currently paid an allowance which is the difference between their hourly rate and the Living Wage rate of £8.25. Around 3,800 Council appointments (excluding schools employed staff) benefit from payment of the Living Wage allowance which is equivalent to pay point 11, the top pay point of grade 4. If Cabinet agrees to payment in 2017-18 at £8.45 per hour the Living Wage will be equivalent to pay point 12, the bottom pay point of grade 5. An additional 350 appointments, around 4,150 appointments in total, will be paid the allowance if pay point 12 is included.

Due to their working arrangements employees on grade 5 are more likely to be eligible for allowances, enhancements and overtime. However, as the Living Wage allowance is paid on plain time up to 37 hours per week this will not have a further financial effect.

288 maintained schools have opted into paying the Living Wage allowance to around 3,600 employees in 2016-17. In addition 12 academies and schools

with their own payroll also pay the allowance. The Council will again make provision to encourage schools to pay the Living Wage allowance in 2017-18.

In 2016-17 all Council employees up to the top pay point of grade 4 have been paid the Living Wage allowance. This has started to cause some service and employee relations issues. It has been reported that employees are reluctant to take on supervisory duties when the rate is the same or a significantly reduced basic pay differential exists with those managed. For example, grade 4 supervisors, such as Caretakers, receive the same basic hourly rate as any Cleaners they supervise. Grade 5 and 6 supervisors in other areas, such as Catering, have been increasingly vocal in their objection to the loss of basic pay differentials.

Appendix 1 sets out details of the Living Wage in 2017-18 and Appendix 2 shows estimated Living Wage costs.

### **3. HR Considerations**

The recognised trade unions have actively participated in the Pay Related Derbyshire Package Working Group and have asked that consideration be given as part of the continued payment of an increased Living Wage allowance as from 1 April 2017 to an interim adjustment of the bottom end of the pay scales (grades 1 to 6) to re-establish an improved basic pay differential with those managed, pending a more comprehensive pay and grading review.

The fact that the Living Wage is currently paid as an allowance makes any adjustment of basic pay outside of a fundamental review of the pay line problematic, particularly as any consolidation of the Living Wage within the basic pay line would in effect impose the new rates on schools.

In schools where the local authority is the legal employer (community schools and voluntary controlled schools), the pay and conditions of service for school support staff must be on the scale of grades determined by the local authority. This is detailed in the Governors Handbook 2013 and the School Staffing (England) Regulations 2009. This means that if the Living Wage were to be paid as part of an employee's basic pay, then community schools and voluntary controlled schools would be legally required to pay the Living Wage to the extent it forms part of the scale of grades.

Further meetings of the Pay Related Derbyshire Package Working Group will provide a forum to consult further with the trade unions on these issues. However, it is not at this stage proposed to include any measures to address the reduced differentials in basic pay for posts at grades 4, 5 and 6 that have supervisory responsibilities.

Eligible Council employees will be advised of the continued payment of the Living Wage allowance in 2017-18 and that it will continue to be subject to Cabinet review on an annual basis.

#### **4. Financial Considerations**

The additional cost to Council services for the Living Wage allowance in 2017-18 is expected to be £358k, with an additional £622k funded from traded services. Appendix 2 provides further details of estimated costs. As a budget was allocated to departments on an ongoing basis in 2014-15 when the Living Wage was introduced, a further amount is not required as the 2017-18 cost is within the budget previously allocated.

#### **5. Legal Considerations**

Advice was obtained from Counsel in 2013 in relation to paying the Living Wage as an allowance and also whether this may give rise to any equal pay challenge. Counsel advised that paying the living wage as an allowance would have the advantage of maintaining existing pay scales and that if the Living Wage was implemented consistently across the Council the risk of equal pay claims arising as a consequence was low. Counsel emphasised that schools should continue to be encouraged to pay the Living Wage.

Guidance from the Local Government Association (LGA Circular Living Wage 20 November 2013) highlighted the importance of ensuring that the reason for the living wage be considered and communicated clearly to the workforce.

#### **6. Social Value**

The Living Wage has been defined as ‘the level of income needed to provide an acceptable standard of living in Britain to ensure good health, adequate child development and social inclusion’.

Since its launch the Living Wage campaign has become a powerful source for change across the country. The Council is taking active steps as an employer to raise the living standards of its lowest paid employees through the way in which it pays its existing and future employees. The Council recognises that payment of the Living Wage leads to a move away from benefits or tax credits for many eligible employees.

The Public Services (Social Value Act) 2012 asks commissioners to think about securing extra social, environmental and economic benefits for their area when they are buying services. Payment of the Living Wage allowance does not involve the direct procurement or commissioning of a service, however, it will still achieve broader social and economic benefits by improving the quality of life of employees and supporting the local economy.

Public

## **7. Considerations**

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

## **8. Key Decision**

Yes

## **9. Call-in**

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

No

## **10. Officer Recommendations**

That Cabinet

- 1 Approves that the Living Wage continues to be paid as an allowance to eligible employees in 2017-18;
- 2 Approves that individual school governing bodies be encouraged to adopt the Living Wage;
- 3 Agrees that it is not feasible to address the basic pay differential issue for grades 4, 5 and 6 at this juncture and that the issue be considered as part of a broader pay and grading review, the outcomes of which will be the subject of a future report to Cabinet.

**Judith Greenhalgh**  
**Strategic Director Corporate Resources**

**Derbyshire Pay and Grading Structure**

			<b>Appointments</b>			<b>FTE</b>		
<b>Grade</b>	<b>Pay Point</b>	<b>2017-18</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
1-2	3	£7.85	298	17	315	56	3	59
	4	£7.95	1,030	35	1,065	359	10	369
3	5	£8.00	111	19	130	23	5	28
	6	£8.04	104	14	118	21	3	24
	7	£8.10	840	160	1,000	255	50	305
4	8	£8.14	83	75	158	47	41	88
	9	£8.20	81	57	138	34	28	62
	10	£8.29	66	36	102	36	16	52
	11	£8.37	544	256	800	292	145	437
5	12	£8.43	299	47	346	132	30	162
<b>Total</b>			<b>3,456</b>	<b>716</b>	<b>4,172</b>	<b>1,255</b>	<b>331</b>	<b>1,586</b>

**Summary of Living Wage Costs**

The table shows the estimated annual Living Wage costs

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Council	£279,403	£309,496	£357,501
Catering	£561,319	£506,340	£458,317
Cleaning	£139,298	£147,883	£163,248
Total	£980,019	£963,719	£979,066